

# 2020 Federal Tax Changes

The federal government announced several changes to taxation and payroll contribution rates that will impact Canadians in 2020 and future years. A few of the significant changes are included below:

## Change to the Basic Personal Amount (BPA)

The Basic Personal Amount (BPA) is the amount of income that an individual can earn each year without paying federal income tax. The goal of the BPA is to help Canadians cover their basic needs and keep more of their income in their hands. The new BPA is being increased from the 2019 amount as follows (adjusted for inflation):

- 2020: \$13,229
- 2021: \$13,808
- 2022: \$14,398

With the focus on helping lower income Canadians, the increase in the BPA would be gradually reduced for taxpayers with net incomes above \$150,473 until fully eliminated for taxpayers with net income above \$214,368. These high-income earners would receive the existing BPA only.

## Revised Tax Brackets

The current five federal income tax brackets will be adjusted to inflation using the new rate of 1.9%. The 2020 federal tax brackets will be:

Income Range	Federal Tax
\$0 to \$48,535	15%
Above \$48,535 to \$97,069	20.5%
Above \$97,069 to \$150,473	26%
Above \$150,473 to \$214,368	29%
Above \$214,368	33%



Each province has its own set of provincial tax brackets indexed to inflation using their respective indexation factor.

## Contribution Rate Changes

Canada Pension Plan (CPP) contribution rates for employees and employers will each increase to 5.25% in 2020 on pensionable earnings in excess of \$3,500. Quebec Pension Plan (QPP) rates for Quebec employees and employers will increase to 5.70% each. Self-employed individuals pay both the employer and employee portions. The maximum employee or employer contribution is \$2,898 (\$3,146 in Quebec) and the maximum self-employed contribution is \$5,796 (\$6,293 in Quebec). The new maximum pensionable earnings for 2020 will be \$58,700.

Employment Insurance (EI) rates are dropping in 2020 to 1.58% of insurable earnings, with an earnings maximum of \$54,200. The maximum employee premium is \$856 (for Quebec employees – maximum employee premium of \$650).

If you have any questions regarding these changes, we encourage you to speak to your financial advisor or contact Reuter Benefits by phone at 1-800-666-0142 or by email at [retire@myretirement-alliance.com](mailto:retire@myretirement-alliance.com). Or to learn how these changes will impact your personal tax situation, you may contact Canada Revenue Agency at 1-800-959-8281 or visit their website at <https://www.canada.ca/en/revenue-agency.html>.