

Payroll Tax Notice

December 2020

The following information is from the Canada Revenue Agency publication T4127(E) Rev. 21/01, *Payroll Deductions Formulas, 113th Edition*, Effective January 1, 2021 available on CRA’s website at [T4127 Payroll Deductions Formulas - 113th Edition - Effective January 1, 2021](#).

Note: The Canada Revenue Agency uses the *payment date*, NOT the pay period end date to determine when the new rates apply.

E.g., if your pay period end date is Dec 27th, 2020 with payments dated Jan 3rd, 2021, you must install this tax update prior to running Calculate Period for the pay period ending Dec 27th, 2020.

1. Federal changes

The Federal basic personal amount (BPAF) is now calculated based on each employee’s annual income. Income thresholds are indexed, meaning that the values are adjusted based on changes to the consumer price index. The federal indexing factor for 2021 is 1.0%. The Federal tax rate for the lowest tax bracket is 15%.

2. CPP & EI changes

The CPP contribution rate has increased to 5.45% for both the employee and employer contributions, due to the CPP enhancement. Maximum pensionable earnings for 2021 are \$61,600 and an employee’s maximum contributions for the year are \$3,166.45.

The EI premium rate remains at 1.58%. Maximum insurable earnings for 2021 are \$56,300 and an employee’s maximum annual premium is \$889.54.

3. Provincial and territorial changes

Tax changes resulting from provincial and territorial budgets are summarized below:

Province or Territory	Basic Personal Amount*	Income Thresholds (Tax Brackets)	Tax Rate (Lowest Tax Bracket)
Alberta	19,369	No Change	10%

Province or Territory	Basic Personal Amount*	Income Thresholds (Tax Brackets)	Tax Rate (Lowest Tax Bracket)
British Columbia	11,070	Indexed by 1.1% plus a new top income threshold	5.06%
Manitoba	9,936	Indexed by 1.0%	10.8%
New Brunswick	10,564	Indexed by 1.0%	9.68%
Newfoundland & Labrador	9,536	Indexed by 0.4%	8.7%
Northwest Territories	15,243	Indexed by 1.0%	5.9%
Nova Scotia	BPANS calculation	No change	8.79%
Nunavut	16,467	Indexed by 1.0%	4%
Ontario	10,880	Indexed by 0.9%	5.05%
Prince Edward Island	10,500	No change	9.8%
Saskatchewan	16,225	Indexed by 1.0%	10.5%
Yukon	BPAYT calculation	Indexed by 1.0%	6.4%

* **Note:** ComVida Payroll will automatically apply changes to the Basic Personal Amount for each employee when the **CLAIM** and **PRVCLAIM** numbers are set to zero. For employees claiming **other than the Basic personal amount**, you must request that the employees complete new TD1 forms and then manually enter their claim amounts for 2021.

Disclaimer: This information is provided for your convenience only. For official changes to payroll calculations please contact your local Canada Revenue Agency office, or visit their web site at <https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/payroll.html>.