Briefing on 2025 Payroll Changes



Recently adopted income tax changes will affect your payroll filings and source deductions in the coming year. Here's a quick briefing on the 11 changes you need to be prepared for in 2025.

1. New CRA T4 Electronic Filing Rules

Changes to CRA electronic T4 filing rules are taking effect on January 1. Among other things, the agency will no longer accept single submissions of multiple returns, such as filing a T4A within the same submission as a T4. Submissions will be validated at the return level for summary related errors, multiple slip errors, and missing information on mandatory fields, with employers to receive online warnings and options to cancel the submission and correct the errors before submitting.

2. New T4 Codes for RPP Contributions or Union Dues to *Indian Act* Employees

Employers must use a pair of new codes for T4 slips filed for calendar year 2024 and after to report Registered Pension Plan (RPP) contributions or union dues relating to tax-exempt employment income paid to an employee who is or is entitled to be registered under the *Indian Act*:

- Code 94–Indian (exempt employment income)–RPP contributions; and
- Code 95–Indian (exempt employment income)–Union dues.

3. 2025 EI Rates

EI premium rates will drop 2 cents to $2.30 per $100 of insurable earnings for employers and $1.64 for employees in 2025, with maximum insurable earnings increasing from $63,200 to $65,700. The premium rate is 1.64%, with a maximum employee premium of $1,077.48, up from $1,049.12 in 2024. The maximum employer EI premium is $1,508.47.

4. 2025 CPP Rates

CPP yearly maximum pensionable earnings (YMPE) increase from $68,500 to $71,300 in 2025, up from $68,500 in 2024. Maximum contributory earnings will increase from $65,000 to $67,800, and maximum annual employer and employee contributions will increase from $7,735 to $8,068.20. What's **not** changing are the basic exemption rate at $3,500 and basic employer and employee contribution rate of 5.95%.

5. 2025 Additional CPP Contributions

Remember that there are now additional CPP contributions on earnings above the YMPE under the federal government's CPP enhancement plan. The second tier of contributions began on January 1, 2024. For 2025, the second additional CPP contribution rate on earnings from $71,300 to $81,200 will be 4%. Maximum contributions on the yearly additional maximum pensionable earnings (YAMPE) will be $396.00. Result: The maximum CPP contribution for 2025 will be $4,430.10, up from $4,055.50 in 2024.

6. 2025 QPP Rates

QPP rates and benefits for Québec residents will increase by 2.6% in 2025 to keep up with inflation. The YMPE rises from $68,500 to $71,300 and the YAMPE increases to $81,200. The basic exemption and base contribution rate remain unchanged at $3,500 and 10.8%, respectively. QPIP contribution rates decline 0.33%, to $1.83 for employers and $1.31 for employees.

7. 2025 Federal Income Tax Rates

Here are the federal income tax brackets and rates for 2025:

- $0 to $57,375: 15% ($1,508 increase);
- $57,376 to $114,750: 20.5% ($3,017 increase);
- $114,751 to $177,882: 26% ($4,677 increase);
- $177,883 to $253,414: 29% ($6,662 increase); and
- $253,415 and higher: 33%.

The federal basic personal amount is $16,129, up from $15,705 in 2024. The Canada Employment Amount increases from $1,433 to $1,471.

8. Alberta Income Tax Changes

In addition to the federal changes, payroll must be aware of provincial tax changes that take effect on January 1, 2025. First, Alberta increased the social benefits and personal income tax amounts by 2%. It also established a standard escalator for social benefits and personal income tax with a default rate of the lesser of either 2% or the change in Alberta's Consumer Price Index (CPI). Because the current Alberta CPI is 2.9%, the personal income tax amounts will increase by 2% for 2025.

9. Manitoba Income Tax Changes

Starting in 2025, Manitoba will gradually reduce the Manitoba basic personal amount (BPAMB) for individuals with net income between $200,000 and $400,000. The BPAMB will be reduced to zero for individuals earning a net income of $400,000 and above. This may cause these employees' personal tax credits for the year to change, which could result in employees submitting a new TD1MB.

10. Nova Scotia Income Tax Changes

Nova Scotia will begin annual indexing to the provincial personal income tax brackets and certain non-refundable tax credits including the basic personal amount, the spouse or common-law partner amount, the amount for an eligible dependent, the age amount, and the amount for infirm dependents age 18 or older.

11. Prince Edward Island Income Tax Changes

PEI changed its provincial income tax brackets and rates:

- $0 to $33,328: 9.50%;
- $33,329 to $64,656: 13.47%;
- $64,657 to $105,000: 16.60%;
- $105,001 to $140,000: 17.62%; and
- $140,001 and higher: 19.00%.

The province also increased the basic personal amount from $13,500 to $14,250.