



# Workforce Solutions Brief



## Registered Retirements Savings Plan (RRSP)—Avoid Penalties on Excess Contributions

The RRSP contribution limit for a given year is calculated based on 18% of your earned income of the previous year, less any amount of pension adjustment resulting from contributions made through your employer to your pension plan, plus any unused contribution room from a previous year. To generate the maximum RRSP contribution limit of \$22,000 for 2010 and \$22,450 for 2011, earned income of at least \$122,222 for 2009 and \$124,722 for 2010 is required. Your 2010 contribution limit can be found on your 2009 Notice of Assessment from the CRA.

You may contribute up to \$2,000 more than your contribution limit without being subject to penalty tax on over-contributions. While you would not be able to claim a deduction from your income for the extra \$2,000 contributed, you are able to shelter the tax on the income generated from the extra \$2,000 within your RRSP. The \$2,000 cushion is intended to provide some protection of inadvertent over-contributions.

The penalty tax is calculated at 1% per month to the extent that the over-contribution amount exceeds \$2,000. This penalty tax is expensive and ensures that it is not worthwhile to make contributions above this limit.

If you do decide to take the \$2,000 out of your RRSP, the withdrawal will be taxable without you ever having received the benefit of a tax deduction for the contribution. Although it is possible to remove inadvertent over-contributions from an RRSP without tax (an offsetting deduction is provided), this remedy is not available where the over-

contributions were intentionally made. You can deduct any contribution made in a prior year to the extent that it was not previously deducted, provided you have unused contribution room. Therefore, the \$2,000 could be deducted in a subsequent year by treating it as part of that year's contribution limit.

## New Changes for CPP Pensioners Coming

### Changes may penalize those taking CPP pensions early

On December 15, 2009, several changes to the Canadian Pension Plan (CPP) recommended by the federal, provincial and territorial governments became law with the passing of Bill C-51. The new rules will gradually restore the pension adjustments for early and late CPP take-up, remove the work cessation test, mandate plan participation for working beneficiaries under age 65 and enhance the general drop-out provision.

These new changes will be gradually phased in over five years starting in 2011, however the changes will have no impact on you if you are already receiving a CPP retirement pension, disability benefit, survivor benefit or combined benefits, or if you will begin to receive these benefits in 2010. The CPP operates throughout Canada, except in Quebec, where the Quebec Pension Plan (QPP) provides benefits.

Once the new changes come into effect for early CPP take-up, if you are between the ages of 60 and 65 and plan to apply for a CPP pension early your benefits may be reduced. You should consider how the new changes to CPP may influence your decision to take-up your pension early.

**Building Workforce Solutions that Fit...Don't miss the next issue!**

Workforce Solutions Brief is created by Lorraine McLean, Sales & Marketing, PSI [www.payrollsolutionsinternational.com](http://www.payrollsolutionsinternational.com)



## Reporting Retiring Allowances

Starting in January 2011 (for the 2010 taxation year), employers must use the T4 slip instead of the T4A slip to report eligible and non-eligible retiring allowance amounts (including those amounts paid to Status Indians).

This will reduce the burden of filing both a T4 slip and a T4A slip for many filers. The T4A slip will still be used to report these types of income for 2009 and prior years.

## T4A Slip Redesign

The Canada Revenue Agency is redesigning the T4A slip to simplify reporting requirements to reduce the burden for the filer, and to increase data quality. The slip will be converted from the existing fixed field format design to a generic style similar to the T4 slip.

The 2010 version of the T4A slip will reflect the redesigned look and will accommodate T4A reporting requirements for all tax years.

## Tax-free Savings Accounts (TFSA's)

TFSA's, like RRSP's are subject to contribution limits. When these limits are exceeded, a 1% penalty tax per month on the contribution will apply. Unlike RRSP's, there is no cushion for excess contributions. In general terms, the annual contribution limit for a TFSA is \$5,000 plus any contribution room of a previous year plus amounts you have withdrawn from your TFSA in a previous year.

Many individuals have created an over-contribution to their TFSA because they did not realize that withdrawals from a TFSA account get added to their available contribution room on January 1st of the next calendar year.

If you contributed \$5,000 to your TFSA account in 2009, withdrew money in 2009, and then contributed more money to your TFSA in 2009, you will be over the contribution limit.

## Government Services and Year-end Reporting

As we near year-end, Payroll Solutions International (PSI) wants to ensure that reporting is done correctly for all clients and their employees. Does your organization provide taxable benefits to its employees? This can include paid parking, company vehicles, gifts and awards (over \$500.00) and much more.

The Canada Revenue Agency provides ample information as well as online calculators for employers with questions about calculations, information and reporting of taxable benefits. This information can be accessed at the Canada Revenue Agency website by following this link: <http://www.cra-arc.gc.ca/tx/bsnss/tpcs/pyrll/bnfts/menu-eng.html?=slnk>.

Please report or request further information on possible benefits to PSI, as unreported benefits can cause problems for both employee and employer in the event of an Audit.

## Payroll Solutions International Inc. Partners with Train Insurance Services Inc.

Payroll Solutions International Inc. has entered into a strategic partnership with Train Insurance Services Inc. in providing options and solutions for insurance needs to companies of all sizes.

Train Insurance Services Inc. is an independent insurance broker with over 30 years of experience, specializing in innovative, tailored benefit solutions.

**Building Workforce Solutions that Fit...Don't miss the next issue!**

Workforce Solutions Brief is created by Lorraine McLean, Sales & Marketing, PSI [www.payrollolutionsinternational.com](http://www.payrollolutionsinternational.com)



## Recent Press

[Payroll Solutions International Inc. enters into a Strategic Partnership with Train Insurance Services Inc.](#)

[Payroll Solutions International Inc. and ADI Time Complete their Workforce Management Service Offering](#)

[Payroll Solutions International Inc. Increases Sage Business Partner Offering](#)

## 2011 Events Calendar

**HRPA 2011 Annual Conference & Tradeshow  
February 2 - 4, 2011, Metro Toronto Convention Centre**

Visit our booth #807 at this years event!

The HRPAs Annual Conference & Trade Show is the second largest human resources conference in the world, attracting more than 3,500 HR and business professionals.

## Christmas Holiday Shutdown

Payroll Solutions International Inc. and Canadian financial institutions will be closed on the following days:

December 24, 2010 at 1:00 pm EST  
December 27, 2010  
December 28, 2010  
December 31, 2010 at 1:00 pm EST  
January 3, 2011

If your pay date falls between December 27- 31, 2010 please note that your information is due four (4) *business days in advance (not inclusive of pay date)* of the deposit date. For payrolls to be paid on December 31, 2010, information is required no later that 11:00 am EST on December 23rd. If you are unable to meet this deadline a funds advance is required to cover the restrictions in banking times. There are no exceptions. If you have any questions concerning the above information, please contact your payroll processor directly to discuss.

***We would like to take this opportunity to wish you and your family a wonderful Holiday Season and a prosperous New Year!***

## Building Workforce Solutions that Fit...Don't miss the next issue!

Workforce Solutions Brief is created by Lorraine McLean, Sales & Marketing, PSI [www.payrollsolutionsinternational.com](http://www.payrollsolutionsinternational.com)

Do you have any questions or comments on this brief or suggestions for future topics?  
We appreciate [your feedback](#)