

## TAXES AND BENEFITS



On each pay cheque that you receive in Canada, a part of your earnings will be deducted to pay taxes. To learn more about the most common payroll deductions that will appear on your pay cheque, visit the Canada Revenue Agency 🇨🇦 [[www.cra-arc.gc.ca](http://www.cra-arc.gc.ca)] Web site.



Once you find a job, it's important to understand how payroll deductions work in Canada. On each pay cheque, your employer will deduct a small amount of your salary to pay for things like Income tax, Canada Pension Plan, Employment Insurance, and possibly other taxable benefits (such as life insurance, medical plan, dental plan or private pension plan).

If you are self-employed, visit the Business section of the Canada Revenue Agency 🇨🇦 [[www.cra-arc.gc.ca](http://www.cra-arc.gc.ca)] for information on taxes.

### Income Tax

All Canadian residents who are old enough to work must file an income tax return each year. This is the law. If you are working for an **employer**, a percentage of your pay cheque will be deducted and sent to the federal, provincial and territorial governments. At the end of the year, if too much is deducted, you will get a refund. If you paid too little, you will have to pay more. Visit the Canada Revenue Agency 🇨🇦 [[www.cra-arc.gc.ca](http://www.cra-arc.gc.ca)] for more information on income tax.

#### TIP

Canada Revenue Agency Offers a detailed guide on payroll deductions and benefits.

Canada Revenue Agency - Newcomers to Canada  
Is this your first time doing a tax return in Canada?

### Canada Pension Plan

A small part of your pay cheque goes into this plan. When you retire, you will receive a monthly pension from the federal government. The amount will vary based on how many years you worked in Canada before retiring and how much money you made. Residents of Quebec pay into the Quebec Pension Plan, which works the same way as the federal plan. These plans also include survivor's pensions for the spouses of deceased pensioners, disability pensions and death benefits. Visit Service Canada 🇨🇦 [[www.servicecanada.gc.ca](http://www.servicecanada.gc.ca)] for more information on the Canada Pension Plan.

## **Employment Insurance**

A small percentage of your pay cheque will be deducted each month to go into an Employment Insurance Account. Your employer also contributes to the account. Employment Insurance provides money to eligible, unemployed Canadian residents for a short time, while they look for a new job or take some training to learn new skills. Visit Service Canada 🇨🇦 [[www.servicecanada.gc.ca](http://www.servicecanada.gc.ca)] for more information on Employment Insurance.

## **Taxable Benefits**

Your employer may provide some benefits to you that are taxable (for example, life insurance, special medical care, a dental plan or a private pension plan). A portion of your pay check may be deducted for these benefits.

## **Union Dues**

If you are in a union, and the union has an agreement with your employer, some money will be deducted to pay for the union dues.