

Tax Tip
Week of April 12, 2010

CPP and EI Overpayments Resulting from Job Changes

If an individual changes jobs during the year, they often qualify for a refund of Employment Insurance and Canada Pension Plan when the tax return is filed. When employers calculate EI and CPP, they may have deducted the maximum amount by the middle of the calendar year. If the individual changes jobs, the new employer will make CPP and EI deductions without reference to the previous employer.

As a result, the first employer may have deducted the maximum amount of \$2,163, but the new employer may deduct an amount of up to \$2,163. There can be similar overcontributions related to Employment Insurance. When individuals file their tax return, they claim the maximum credit for EI and CPP on schedule 1, but any excess contributions can be claimed as a credit on the final page of the tax return.

This credit is easy to overlook, but anyone who changes jobs in the year, should be aware of this potential refund.