

CPP contributions to be reduced beginning in 2027

September 24, 2026

Summary

Beginning in 2027, the federal government will reduce both employee and employer CPP contributions from 5.95% to 5.75% for earnings between \$3,500 and the YMPE.

As of January 1, 2027, the federal government will reduce Canada Pension Plan contributions for the base CPP from 9.9% to 9.5% (i.e., the rate for each of employer and employee contributions will decrease from 4.95% to 4.75%).

Base CPP is the benefit in place before the major CPP reforms were implemented, beginning in 2019. The base CPP benefit is intended to replace 25% of an employee's income up to the year's maximum pensionable earnings (YMPE). The additional 2% contribution rate (i.e., 1% for employer and employee), added as part of the CPP reform, is unchanged. Therefore, for earnings from \$3,500 up to the YMPE, employer and employee contributions will each be 5.75% for a total contribution of 11.5%.

Contributions will remain at 8% (4% each for employer and employee) of earnings between the YMPE and the year's additional maximum pensionable earnings (YAMPE).

The CPP contribution rate reductions are set out in [Bill C-30](#), which received Royal Assent on June 18, 2026, and were first communicated in the federal government's [Spring Economic Statement 2026](#). The government estimates that employees earning \$70,000 will save \$133 per year, with equivalent savings for their employers. The actual savings will not be known until the 2027 YMPE is determined.

Contributions to the Québec Pension Plan were already [reduced as of January 1, 2026](#). The base contribution rate has been reduced by 0.2% to 10.6% (i.e., 5.3% for each of employer and employee contributions). As with the CPP, the additional 2% rate relating to earnings up to the YMPE remains the same. This means that total contributions for earnings from \$3,500 up to the YMPE are 12.6% of income. As well, the 8% contribution rate for income between YMPE and YAMPE is unchanged.

Rationale and financial implications

The federal government cited the findings of the [32nd Actuarial Report on the CPP](#) in support of the reduction. That report determined that, under best estimate assumptions, a minimum contribution rate of 9.19% for the base CPP would be required from 2034 onward, in order to support the sustainability of the CPP over the long term. The government has characterized the contribution reduction as a way to provide savings to workers and employers, in light of current affordability pressures, while maintaining that long-term sustainability.

The Chief Actuary subsequently assessed the reduction in the [33rd Actuarial Report on the CPP](#) and confirmed that a 9.5% base CPP contribution rate would be sufficient to finance the base CPP over the long term. However, the report also illustrates the trade-off involved: beginning in 2027, contributions are projected to be lower than expenditures. This is four years earlier than had been projected under the previous rate. As well, assets are projected to be lower than they otherwise would have been. The lower contribution rate, therefore, provides a smaller buffer against adverse experience (sensitivity analysis in the 32nd Actuarial Report indicates that under certain scenarios, this contribution rate would be insufficient to finance the base CPP over the long term).

Next steps

Employers should update their payroll systems for 2027 to reflect the new CPP contribution rates.

For more information

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