

# EPSP

## Employee Profit Sharing Plan

An EPSP is a mechanism available under the Income Tax Act that allows an employer to corporately deduct deposits made into a Company Trust that would normally be paid as income or bonuses to an employee. Both the employer and employee are exempt from CPP payroll deductions, as well as other related taxes, such as Employment Insurance (EI).

### Highlights

☑ **Income Splitting**

An EPSP allows income splitting between family members to save tax dollars by utilizing lower income taxation level; “Kiddie Tax” is not applicable

☑ **Tax Circumvention**

There are no payroll taxes payable for either the employer or the employee

☑ **Increase Cash Flow**

Cash flow is increased personally through combined income tax savings from income splitting and tax circumvention, and corporately through tax circumvention

☑ **Bonus Surrogate**

An EPSP can be utilized as an alternative to providing bonuses to employees

☑ **Tax Deferral**

Depending on the business fiscal year end, taxation can be deferred for up to 19 months

☑ **Retirement Planning / Wealth Accumulation**

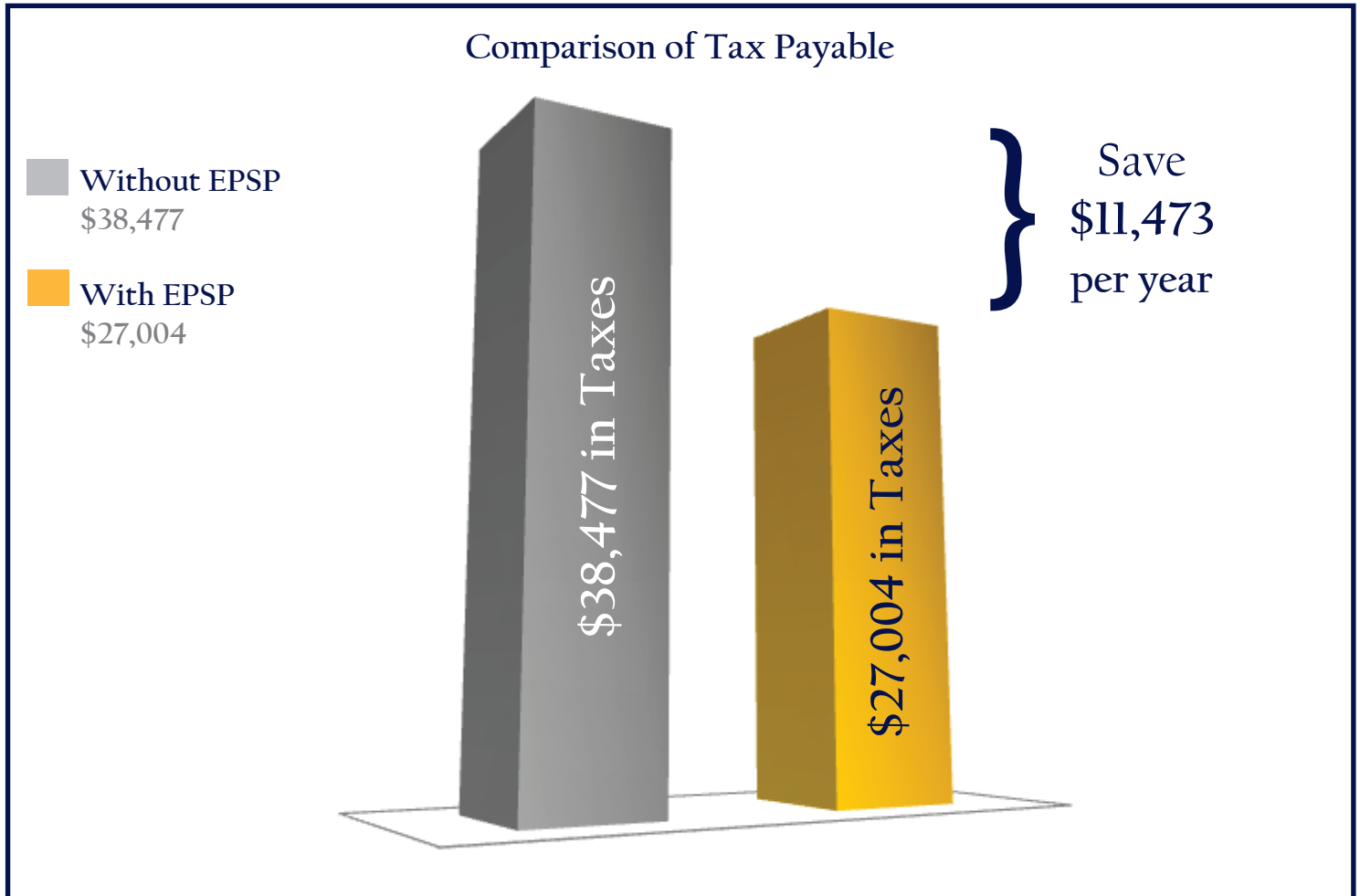
An EPSP is a great way for accumulating wealth or saving for retirement without requiring more income, but rather utilizing savings that are generated. For example, you can invest your savings into a Tax Free Savings Account (TFSA), Registered Education Savings Plan (RESP), or Registered Retirement Savings Plan (RRSP).



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## EPSP vs. Non-EPSP Situation

Situation for an individual with an annual income of \$100,000, spouse with annual income of \$40,000, and two children aged 11 and 13 with no annual income. Both the individual and spouse are employees of the company.



## Comparison of Scenarios

	Family Income	Total Tax	Net Income	Company CPP
Without EPSP	140,000	34,551	105,449	3,926
With EPSP	140,000	26,360	113,640	644
Difference	0	8,191	8,191	3,282
<b>Total Difference</b>				<b>11,473</b>

Implementing an EPSP allows for a 7.8% increase in combined family income and an 83.6% savings in company CPP paid. The annual lost opportunity cost for doing nothing is over \$11,000!