SURPLUS INCOME

The Bankruptcy and Insolvency Act ("BIA") requires bankrupts to submit monthly Statements of Income and Expense to their Trustee for the purposes of determining if the bankrupt has **surplus income**. The government has set net monthly income thresholds for a person or a family to maintain a reasonable standard of living in Canada. Every dollar that a bankrupt family makes above the level set by the government is called surplus income, and the bankrupt is required to pay to the Trustee for the bankrupt estate 50% of this surplus income while they are bankrupt, and if they have surplus income, a first time bankrupt will be discharged in 21 months instead of 9 months.

NET INCOME includes the take home pay of everyone living in the household of the bankrupt. If in our example John had a wife, her income would have been added to John's to determine the total household income.

NET INCOME is defined as a person's GROSS PAY minus TAXES, CPP & EI. Any voluntary payments (eg RRSP contributions) are added BACK. Certain expenses are then deducted from your NET INCOME before the surplus calculation.

DEDUCTIONS include: support payments, child care payments, medical bills, fines and penalties, any other employment expense that you normally deduct when preparing your income taxes.

THRESHOLD – is set by the Office of the Superintendent of Bankruptcy. It is based on the number of persons living with the bankrupt. See the chart on the worksheet.

PAYMENT - if more than one person's income is included in the NET INCOME figure, the required payment is prorated to each person based on their income's percentage of the total.

If your income varies from month to month, we will average it each month from the income and expense statements you provide us to determine if the average results in surplus income.

It is important that you understand that **SURPLUS INCOME PAYMENTS ARE REQUIRED BY LAW**. The BIA clearly sets out how to calculate the required payment and your Trustee is required to report to the Court whether or not those payments have been made. If the required payments are not made, you will not be discharged from bankruptcy. If your average surplus income is greater than \$200 per month, your bankruptcy will be extended to the 21 months for a first time bankrupt. This is shown in the net dollars you can earn in the table below. Please contact our office for further details.

The worksheet is designed to help you determine what your SURPLUS INCOME PAYMENT requirement will be. If you have any questions on how the calculation works, or whether or not something is deductible, contact our office.

Number of persons	1	2	3	4	5	6	7
Threshold	\$1,926	\$2,398	\$2,948	\$3,579	\$4,059	\$4,578	\$5,097
Net \$ you can earn	\$2,125	\$2,597	\$3,147	\$3,778	\$4,258	\$4,777	\$5,296

EXAMPLE - adjust numbers to your situation...

SURPLUS INCOME PAYMENT WORKSHEET

Number of people in household 2 2 2 2 2 2 2 2 2	SURPLUS INCOME PAYMENT WORKSHEET			
Personal take home pay per month S	Number of people in household		2	
Add back voluntary deduction (specify) RRSP deductions \$ 25 Add back voluntary deduction (specify) \$ 1,200 Add back voluntary deduction (specify) ————————————————————————————————————	Sources of income:			· •
Add back voluntary deduction (specify) Spouse's/Partner's take home pay per month Add back voluntary deduction (specify) Add back voluntary deduction (specify) Child tax benefit Social assistance Pension income Other (specify) SUBTOTAL Child care expenses Medical condition expenses Court fines Court fines Cother (specify) SUBTOTAL (B) \$ 100 Child care expenses Medical condition expenses Court fines Court fines Court fines Cother (specify) SUBTOTAL (B) \$ 170 INCOME SUBJECT TO SURPLUS (C) = (A) - (B) INCOME SUBJECT TO SURPLUS (C) = (A) - (B) SURPLUS INCOME -if less than \$200, then = 0 SURPLUS INCOME -if less than \$200, then = 0 SURPLUS PAYMENT REQUIRED TO BE MADE Base monthly contribution agreed with Trustee	Personal take home pay per month		\$ 1,600	
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Base monthly contribution agreed with Trustee \$ 150	SURPLUS INCOME -if less than \$200, then = 0	(E) = (C) - (D)		
	SURPLUS PAYMENT REQUIRED TO BE MADE	50%		\$ 129
TOTAL PAYMENT REQUIRED PER MONTH \$ 279	Base monthly contribution agreed with Trustee			
	TOTAL PAYMENT REQUIRED PER MONTH			\$ 279