

# 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 pro-rated 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
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Sources of income:

Personal take home pay per month

\$ 1,600
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Add back voluntary deduction (specify)

RRSP deductions

\$ 25
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Add back voluntary deduction (specify)

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Spouse's/Partner's take home pay per month

\$ 1,200
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Add back voluntary deduction (specify)

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Add back voluntary deduction (specify)

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Child tax benefit

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Social assistance

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Pension income

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Other (specify)

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SUBTOTAL

(A)	\$ 2,825
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Deductions from income:

Support payments

\$ 100
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Child care expenses

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Medical condition expenses

\$ 50
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Court fines

\$ 20
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Other (specify)

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SUBTOTAL

(B)	\$ 170
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INCOME SUBJECT TO SURPLUS

(C) = (A) - (B)	\$ 2,655
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LESS THRESHOLD AMOUNT FROM TABLE

(D)	\$ 2,398
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SURPLUS INCOME -if less than \$200, then = 0

(E) = (C) - (D)	\$ 257
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SURPLUS PAYMENT REQUIRED TO BE MADE

50%	\$ 129
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Base monthly contribution agreed with Trustee

\$ 150
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TOTAL PAYMENT REQUIRED PER MONTH

\$ 279
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