

# Taxable Income...

Benefits are deducted before federal/provincial tax is calculated. [Union dues and pension]

$$\text{Taxable income} = \text{Gross Pay} - \text{Before Tax Deductions}$$

- Using gross pay:
- Find CPP deduction
  - Find EI deduction

- Using Taxable income:
- Find NB tax
  - Find Federal tax

**NOTE:** CPP is a contribution and EI is a premium. (under the tax section but is not taxed)

|                         |  |                            |  |                          |
|-------------------------|--|----------------------------|--|--------------------------|
| Employee Name: Hermione |  | Pay Begin Date: 09/08/2011 |  | Net Pay: <b>\$480.62</b> |
| Company:                |  | Pay End Date: 15/08/2011   |  | Cheque Date: 16/08/2011  |

  

| General                                  |  | Taxes Data  |         |
|--|--|-------------|---------|
| Employee ID:                             | Job Title: Appliance Repair Apprentice       | Description | Federal |
| Address: 123 Main Street<br>St. John, NB | Pay Rate: \$650.00/wk<br>Annual: \$33 800.00 | Claim Code  | 1       |

  

| Hours and Earnings |             |                 | Before-Tax Deductions |                | Taxes        |                 |
|--------------------|-------------|-----------------|-----------------------|----------------|--------------|-----------------|
| Description        | Rate        | Current         | Description           | Amt.           | Description  | Amt.            |
|                    |             | Gross Earnings  |                       |                |              |                 |
| Regular            | \$650.00/wk | <b>\$650.00</b> | Union Dues            | \$14.10        | Federal      | \$53.10         |
|                    |             |                 | Pension               | \$20.50        | Provincial   | \$42.00         |
|                    |             |                 | <b>Total</b>          | <b>\$34.60</b> | CPP          | \$28.43         |
|                    |             |                 |                       |                | EI           | \$11.25         |
|                    |             |                 |                       |                | <b>Total</b> | <b>\$134.78</b> |

Benefits: a range of programs that benefit employees; these vary from employer to employer

These amounts are subtracted from the gross earnings before taxes are calculated.

Union Dues  
Pension  
Canada Savings Bonds

## QUESTION...

Based on the amounts deducted for union dues and pensions, what percentage of Hermione's gross pay does she pay in union dues and what percentage does she contribute to a pension?



## Calculating the CPP and EI deductions...

- CPP - in 2015, the rate is 4.95 % of the annual salary less the \$3500 exemption.  
[once you earn over \$53 600 - the maximum contribution is \$2479.95]
- EI - in 2015, the rate is 1.88 % of the annual salary.  
[once you earn over \$49 500 - the maximum premium is \$930.60]

|  |  |                              |         |
|--|--|------------------------------|---------|
| Employee Name: Amanda                  |  |                              |         |
| Company:                               | Pay Begin Date: 03/08/2011                   | Net Pay:                     |         |
|  | Pay End Date: 03/15/2011                     | Cheque Date:                 |         |
| <b>General</b>                         |  | <b>Taxes Data</b>            |         |
| Employee ID:                           | Job Title:                                   | Description                  | Federal |
| Address: 123 Main St.<br>Dartmouth, NS | Pay Rate: \$500.00/wk<br>Annual: \$26 000.00 | Claim Code                   | 1       |
| <b>Hours and Earnings</b>              |  | <b>Before-Tax Deductions</b> |         |
|  | Current                                      | Description                  | Amt.    |
| Description                            | Rate   | Gross Earnings               |         |
| Regular                                | \$500.00/wk                                  | \$500.00                     |         |
|  |  | Union Dues                   |         |
|  |  | Pension                      |         |
|  |  | Total                        |         |
|  |  | <b>Taxes</b>                 |         |
|  |  | Description                  |         |
|  |  | Federal                      |         |
|  |  | Provincial                   |         |
|  |  | CPP                          | 21.42   |
|  |  | EI                           | 9.40    |
|  |  | Total                        |         |

$3500/52 = 67.31$   
 $500 - 67.31 = 432.69$   
 $0.0495(432.69) = 21.42$   
 $4.95\% \text{ of } 432.69$   
**OR USE A TABLE**

$1.88\% \text{ of gross}$   
 $0.0188(500) = 9.40$

Canada Pension Plan Contributions Weekly (52 pay periods a year)

| Pay Remuneration | CPP RFC | Rén       |
|------------------|---------|-----------|
| From - De        | To - A  | From - De |
| 499.93 - 500.12  | 21.42   |           |
| 500.13 - 500.33  | 21.43   |           |
| 500.34 - 500.53  | 21.44   |           |
| 500.54 - 500.73  | 21.45   |           |
| 500.74 - 500.93  | 21.46   |           |
| 500.94 - 501.13  | 21.47   |           |
| 501.14 - 501.34  | 21.48   |           |
| 501.35 - 501.54  | 21.49   |           |
| 501.55 - 501.74  | 21.50   |           |

OR USE A TABLE

Employment Insurance Premiums

| Insurable Earnings | EI premium | Insurable Earnings | EI premium |
|--------------------|------------|--------------------|------------|
| From               | To         | From               | To         |
| 459.85 - 460.37    | 8.65       | 498.14 - 498.67    | 9.37       |
| 460.38 - 460.90    | 8.66       | 498.68 - 499.20    | 9.38       |
| 460.91 - 461.43    | 8.67       | 499.21 - 499.73    | 9.39       |
| 461.44 - 461.96    | 8.68       | 499.74 - 500.26    | 9.40       |
| 461.97 - 462.49    | 8.69       | 500.27 - 500.79    | 9.41       |
| 462.50 - 463.03    | 8.70       | 500.80 - 501.32    | 9.42       |
| 463.04 - 463.56    | 8.71       | 501.32 - 501.86    | 9.43       |
| 463.57 - 464.09    | 8.72       | 501.87 - 502.39    | 9.44       |
| 464.10 - 464.62    | 8.73       | 502.40 - 502.92    | 9.45       |

## EXAMPLE: Calculate income tax deductions & net pay...

|                           |  |  |         |
|---------------------------|--|--|---------|
| Employee Name: Iwana Job  |  |  |         |
| Company:                  | Pay Begin Date: 08/17/2011                   | Net Pay: <del>371.80</del> <b>371.80</b> |         |
|                           | Pay End Date: 08/23/2011                     | Cheque Date: 08/23/2011                  |         |
| <b>General</b>            |  | <b>Taxes Data</b>                        |         |
| Employee ID:              | Job Title:                                   | Description                              | Federal |
| Address: Miramichi, NB    | Pay Rate: \$500.00/wk<br>Annual: \$26 000.00 | Claim Code                               | 1       |
| <b>Hours and Earnings</b> |  | <b>Before-Tax Deductions</b>             |         |
|                           | Current                                      | Description                              | Amt.    |
| Description               | Rate   | Gross Earnings                           |         |
| Regular                   | \$500.00/wk                                  | \$500.00                                 |         |
|                           |  | Union Dues                               | \$1.38  |
|                           |  | Pension                                  | \$43.00 |
|                           |  | Total                                    | 44.38   |
|                           |  | <b>Taxes</b>                             |         |
|                           |  | Description                              | Current |
|                           |  | Federal                                  | 50.95   |
|                           |  | Provincial                               | 21.42   |
|                           |  | CPP                                      | 21.42   |
|                           |  | EI                                       | 9.40    |
|                           |  | Total                                    | 83.62   |
| <b>Paycheque Summary</b>  |  |  |         |
| Gross Earnings            | Taxable Income                               | Total Taxes, CPP and EI                  | Net Pay |
| \$500.00                  | 455.62                                       | 83.62                                    | 371.80  |

**STEPS: Calculate...**  
 1. "Before tax Deductions"  
 2. Taxable gross pay  
 3. Federal Tax  
 4. Provincial tax  
 5. CPP  
 6. EI  
 7. .... NET PAY

$500 - 128.20 \text{ Ded} = 371.80 \text{ Net Pay}$

Here are the tax tables that you will need...use previous CPP/EI tables...

Federal tax deductions Effective January 1, 2012 Weekly (52 pay periods a year) Also look up the tax deductions in the provincial table

Retenues d'impôt fédéral En vigueur le 1<sup>er</sup> janvier 2012 Hebdomadaire (52 périodes de paie par année) Cherchez aussi les retenues d'impôt dans la table provinciale

| Pay Remunération           | 0  | 1     | 2     | 3     | 4     | 5     | 6    | 7 | 8 | 9 | 10 |
|----------------------------|--|-------|-------|-------|-------|-------|------|---|---|---|----|
| From Less than De Moins de | Deduct from each pay Retenez sur chaque paie |       |       |       |       |       |      |   |   |   |    |
| 451 - 455                  | 60.70  | 29.45 | 26.50 | 20.50 | 14.55 | 8.60  | 2.60 |   |   |   |    |
| 455 - 459                  | 61.25  | 30.05 | 27.05 | 21.10 | 15.10 | 9.15  | 3.20 |   |   |   |    |
| 459 - 463                  | 61.80  | 30.60 | 27.60 | 21.65 | 15.65 | 9.70  | 3.75 |   |   |   |    |
| 463 - 467                  | 62.35  | 31.15 | 28.15 | 22.20 | 16.25 | 10.25 | 4.30 |   |   |   |    |
| 467 - 471                  | 62.90  | 31.70 | 28.70 | 22.75 | 16.80 | 10.85 | 4.85 |   |   |   |    |

New Brunswick provincial tax deductions Effective January 1, 2012 Weekly (52 pay periods a year) Also look up the tax deductions in the federal table

Retenues d'impôt provincial du Nouveau-Brunswick En vigueur le 1<sup>er</sup> janvier 2012 Hebdomadaire (52 périodes de paie par année) Cherchez aussi les retenues d'impôt dans la table fédérale

| Pay Remunération           | 0  | 1     | 2     | 3     | 4     | 5     | 6    | 7    | 8    | 9 | 10 |
|----------------------------|--|-------|-------|-------|-------|-------|------|------|------|---|----|
| From Less than De Moins de | Deduct from each pay Retenez sur chaque paie |       |       |       |       |       |      |      |      |   |    |
| 435 - 439                  | 37.35  | 21.25 | 19.50 | 15.90 | 12.35 | 8.75  | 5.20 | 1.60 |      |   |    |
| 439 - 443                  | 37.70  | 21.60 | 19.90 | 16.25 | 12.70 | 9.10  | 5.55 | 1.95 |      |   |    |
| 443 - 447                  | 38.05  | 21.95 | 20.15 | 16.60 | 13.00 | 9.45  | 5.85 | 2.30 |      |   |    |
| 447 - 451                  | 38.40  | 22.30 | 20.50 | 16.95 | 13.35 | 9.80  | 6.20 | 2.65 |      |   |    |
| 451 - 455                  | 38.75  | 22.65 | 20.85 | 17.25 | 13.70 | 10.15 | 6.55 | 3.00 |      |   |    |
| 455 - 459                  | 39.05  | 22.95 | 21.20 | 17.60 | 14.05 | 10.45 | 6.90 | 3.30 |      |   |    |
| 459 - 463                  | 39.40  | 23.30 | 21.50 | 17.95 | 14.40 | 10.80 | 7.25 | 3.65 | .10  |   |    |
| 463 - 467                  | 39.75  | 23.65 | 21.85 | 18.30 | 14.70 | 11.15 | 7.55 | 4.00 | .45  |   |    |
| 467 - 471                  | 40.10  | 24.00 | 22.20 | 18.65 | 15.05 | 11.50 | 7.90 | 4.35 | .75  |   |    |
| 471 - 475                  | 40.45  | 24.30 | 22.55 | 18.95 | 15.40 | 11.80 | 8.25 | 4.70 | 1.10 |   |    |

### CONTRIBUTING TO CPP, TAXES, AND EI

| Pros   | Cons   |
|--|--|
| <ul style="list-style-type: none"> <li>the taxes you pay go towards building infrastructure such as roads and schools</li> </ul> | <ul style="list-style-type: none"> <li>some of your tax money may go to support programs you don't agree with</li> </ul> |
| <ul style="list-style-type: none"> <li>contributions to CPP go towards your retirement</li> </ul>                                | <ul style="list-style-type: none"> <li>you can't invest your money where you want</li> </ul>                             |
| <ul style="list-style-type: none"> <li>dependants such as family members may benefit from your contributions</li> </ul>          | <ul style="list-style-type: none"> <li>you receive less of your money on each paycheque</li> </ul>                       |
| <ul style="list-style-type: none"> <li>financial assistance if you become unemployed</li> </ul>                                  |  |

### TRY THESE...

- Sean works as a building manager for a condominium management company in Halifax. His weekly salary is \$1000.00/week. What will his CPP deduction be? ←
- The following two people work for Reardon's Construction and Development in Newfoundland and Labrador. They earn \$14.50 an hour and are paid biweekly. Their CPP and EI contribution plus taxes average 30% of their gross pay. Find their net pay.
  - Shoshana works 37.5 hours a week in the office. She has biweekly deductions as follows: group insurance, \$2.74, dental plan, \$3.85, and union dues, \$6.95.
  - Ivan works 40 hours a week as a framer. He pays union dues of \$6.95.
- Louis earns \$550.00 a week as a shift foreman in a mine in New Brunswick. His claim code is 4 and he is paid semi-monthly. Which is higher, his federal tax deduction or his territorial tax deduction?

### SOLUTIONS

- First find the CPP basic exemption. The 2011 exemption per week is \$67.31, so subtract this amount from Sean's weekly gross pay.
 
$$\$1000.00 - \$67.31 = \$932.69$$
 Then multiply by the CPP contribution rate, 4.95%.
 
$$\$932.69 \times 0.0495 = \$46.17$$
 Sean's CPP deduction will be \$46.17.
- Calculate the biweekly gross pay.
 
$$\$14.50 \times 37.5 \times 2 = \$1087.50$$
 Deduct the before-tax benefits.
 
$$\$1087.50 - \$2.74 - \$3.85 - \$6.95 = \$1073.96$$
 Calculate the taxable deductions.
 
$$\$1073.96 \times 0.30 = \$322.19$$
 Subtract the taxable deductions from the taxable income to find the net pay.
 
$$\$1073.96 - \$322.19 = \$751.77$$
 Shoshana's net pay is \$751.77.
  - Calculate the biweekly gross pay.
 
$$\$14.50 \times 40 \times 2 = \$1160.00$$
 Deduct the before-tax benefits.
 
$$\$1160.00 - \$6.95 = \$1153.05$$
 Calculate the taxable deductions.
 
$$\$1153.05 \times 0.30 = \$345.92$$
 Subtract the taxable deductions from the taxable income to find the net pay.
 
$$\$1153.05 - \$345.92 = \$807.13$$
 Ivan's net pay is \$807.13.
- Calculate the semi-monthly gross pay.
 
$$\$550.00 \times \frac{52}{24} = \$1191.67$$
 Look up the New Brunswick and federal tax tables. The answer here is based on the January 2011 tables.
 Federal tax is higher: \$64.10 compared to provincial tax of \$48.30.

## Attachments

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Tables - Fed\_Prov Tax and CPP\_EI July 2015.pdf

Assignment - Earning an Income Dec. 2015.doc