

Curriculum Outcome

- N2** Demonstrate an understanding of income, including: wages, salary, contracts, commission, piecework, and calculating gross pay and net pay.
- N3** Demonstrate an understanding of compound interest.
- N4** Demonstrate an understanding of financial institution services used to access and manage finances.
- N5** Demonstrate an understanding of credit options, including: credit cards, and loans.

Student Friendly:
"Calculating net pay "

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and NET PAY



Net Pay:

the money paid
to an employee
after
deductions
have been made

"Take-home Pay"

Net Pay (Take Home Pay)

- **Deductions** - these are subtracted from your **gross pay**.

-> These are the 3 Standard Deductions.
(rates vary yearly and province to province)

- (1) Employment Insurance (E. I.)
- (2) Income Tax - money for the government.
 - percentage based on your earnings.
- (3) Canadian Pension Plan (CPP) - paid for when you retire (age 60).

- **Other Deductions**

- medical plans
- dental plans
- insurance (car/house/life)
- pension (money after retirement)
- union/association dues (percentage of pay)
- car/house payments

- **Garnished Wages**

- child support
- alimony
- unpaid taxes
- unpaid fines

- **Investments**

- Canada Savings Bond
- TFSA (Tax Free Savings Accounts)
- RRSP/RESP
- Stock Market

Employee Name: Hermione		
Company:	Pay Begin Date: 09/08/2011	Net Pay:
	Pay End Date: 15/08/2011	Cheque Date: 16/08/2011

General	
Employee ID:	Job Title: Appliance Repair Apprentice
Address: 123 Main Street St. John, NB	Pay Rate: \$650.00/wk Annual: \$33 800.00

Taxes Data	
Description	Federal
Claim Code	1

Hours and Earnings		
	Current	
Description	Rate	Gross Earnings
Regular	\$650.00/wk	\$650.00

Before-Tax Deductions	
Description	Amt.
Union Dues	\$14.10
Pension	\$20.50
Total	\$34.60

Taxes	
Description	Amt.
Federal	
Provincial	
CPP	
EI	
Total	

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

Employee Name:				
Company:	Pay Begin Date: 08/17/2011	Net Pay: \$413.88		
	Pay End Date: 08/23/2011	Cheque Date: 08/23/2011		
General			Taxes Data	
Employee ID:		Job Title:		
Address: PEI		Pay Rate: \$500.00/wk Annual: \$26 000.00		
Hours and Earnings			Before-Tax Deductions	
Current			Description Amt.	
Description	Rate	Gross Earnings	Union Dues \$1.38	
Regular	\$500.00/wk	\$500.00	Pension \$43.00	
			Total \$44.38	
Paycheque Summary			Taxes	
Gross Earnings	Taxable Gross	Total Taxes, CPP, and EI	Total Deductions	Net Pay
\$500.00	\$455.62			

Before Tax Deductions - Union dues and Pension. (Federal and Prov. tax not calculated on this amount.)

Calculate the "taxable gross" pay

$$\text{Taxable Gross} = \text{Gross Earnings} - \text{"Before tax deductions" (Union and Pension)}$$

Taxable Gross amount used to calculate Federal & Provincial

Gross is the amount used to calculate CPP and EI.

$$\begin{aligned}
 \text{Net Pay} &= \text{Gross Pay} - \text{Deductions} - \text{Taxes} \\
 &= \$650 - \$34.60 - \$134.78 \\
 &= \$480.62
 \end{aligned}$$

Employee Name: Hermione		
Company:	Pay Begin Date: 09/08/2011	Net Pay:
	Pay End Date: 15/08/2011	Cheque Date: 16/08/2011

General	
Employee ID:	Job Title: Appliance Repair Apprentice
Address: 123 Main Street St. John, NB	Pay Rate: \$650.00/wk Annual: \$33 800.00

Taxes Data	
Description	Federal
Claim Code	1

Hours and Earnings		
	Current	
Description	Rate	Gross Earnings
Regular	\$650.00/wk	\$650.00

Before-Tax Deductions	
Description	Amt.
Union Dues	\$14.10
Pension	\$20.50
Total	\$34.60

Taxes	
Description	Amt.
Federal	\$53.10
Provincial	\$42.00
CPP	\$28.43
EI	\$11.25
Total	\$134.78

Federal & Provincial



"Canada Revenue Agency"

www.cra-arc.gc.ca



→ English



Links for business **Payroll**



Payroll Deductions Online Calculator (PDOC), payroll tables, TD1s, and more



T4032, Payroll Deductions Tables



T4032 - 2011

Scroll down to the bottom of page to choose province

C

Canada Pension Plan (CPP) 5.10%



Important notice

[Changes to the rules for deducting Canada Pension Plan \(CPP\) contributions.](#)

You have to deduct CPP contributions from an employee's remuneration if that employee:

- is 18 years or older, but **younger** than 70;
- is in pensionable employment during the year;
- is **not** considered to be disabled under the CPP or QPP; **and**
- does **not** receive a CPP or QPP retirement pension.

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2. What benefits does the Canada Pension Plan provide?

The Canada Pension Plan is a contributory, earnings-related social insurance program. It ensures a measure of protection to a contributor and his or her family against the loss of income due to retirement, disability and death.

There are three kinds of Canada Pension Plan benefits:

- **disability benefits** (which include benefits for disabled contributors and benefits for their dependent children);
- **retirement pension;** and
- **survivor benefits** (which include the death benefit, the survivor's pension and the children's benefit).

P

The Canada Pension Plan operates throughout Canada, although the province of Quebec has its own similar program, the Quebec Pension Plan. The Canada Pension Plan and the Quebec Pension Plan work together to ensure that all contributors are protected.

CPP contributions for 2019

Maximum pensionable earnings \$57,400

Annual basic exemption \$3,500

Maximum contributory earnings \$53,900

Contribution rate (%) 5.10

Maximum employee contribution \$2,748.90

Maximum employer contribution \$2,748.90

<http://www.cra-arc.gc.ca/tx/bsnss/tpcs/pyrll/clcltng/cpp-rpc/cnt-chrt-pf-eng.html>

CPP contribution rates, maximums and exemptions

Year	Maximum annual pensionable earnings	Basic exemption amount	Maximum contributory earnings	Employee and employer contribution rate (%)	Maximum annual employee and employer contribution	Maximum annual self-employed contribution
2020	\$58,700	\$3,500	\$55,200	5.25	\$2,898.00	\$5,796.00
2019	\$57,400	\$3,500	\$53,900	5.10	\$2,748.90	\$5,497.80
2018	\$55,900	\$3,500	\$52,400	4.95	\$2,593.80	\$5,187.60
2017	\$55,300	\$3,500	\$51,800	4.95	\$2,564.10	\$5,128.20
2016	\$54,900	\$3,500	\$51,400	4.95	\$2,544.30	\$5,088.60
2015	\$53,600	\$3,500	\$50,100	4.95	\$2,479.95	\$4,959.90
2014	\$52,500	\$3,500	\$49,000	4.95	\$2,425.50	\$4,851.00
2013	\$51,100	\$3,500	\$47,600	4.95	\$2,356.20	\$4,712.40
2002	\$39,100	\$3,500	\$35,600	4.70	\$1,673.20	\$3,346.40
2001	\$38,300	\$3,500	\$34,800	4.30	\$1,496.40	\$2,992.80
2000	\$37,600	\$3,500	\$34,100	3.90	\$1,329.90	\$2,659.80

5.10%**C**

There is a "basic yearly exemption" from CPP payments.

\$3500**P**

Step 1:

Calculate the basic pay-period exemption that applies.

$$\text{Pay Period Exemption} = \frac{\$3500}{\# \text{ of pay periods}}$$

P

Step 2:

-26 Biweekly
 -24 Semi monthly
 -12 Monthly



Gross pay - Pay period Exemption

Step 3:

Calculate the amount you pay it CPP for that pay

(Answer from step 2) x 5.10%

Calculate the CPP for Jesse who earns \$2725 biweekly.

Exemption \$3500
CPP 5.10%

Three Steps...



or you can use the chart that look like this.

2174.33	-	2174.51	104.03	2188.44	-	2188.63	104.75	2202.56	-	2202.75	105.47	2657.86	-	2667.85	128.94
2174.52	-	2174.71	104.04	2188.64	-	2188.83	104.76	2202.76	-	2202.94	105.48	2667.86	-	2677.85	129.45
2174.72	-	2174.90	104.05	2188.84	-	2189.02	104.77	2202.95	-	2203.14	105.49	2677.86	-	2687.85	129.96
2174.91	-	2175.10	104.06	2189.03	-	2189.22	104.78	2203.15	-	2203.34	105.50	2687.86	-	2697.85	130.47
2175.11	-	2175.30	104.07	2189.23	-	2189.41	104.79	2203.35	-	2203.53	105.51	2697.86	-	2707.85	130.98
2175.31	-	2175.49	104.08	2189.42	-	2189.61	104.80	2203.54	-	2203.73	105.52	2707.86	-	2717.85	131.49
2175.50	-	2175.69	104.09	2189.62	-	2189.81	104.81	2203.74	-	2203.92	105.53	2717.86	-	2727.85	132.00
2175.70	-	2175.88	104.10	2189.82	-	2190.00	104.82	2203.93	-	2204.12	105.54	2727.86	-	2737.85	132.51
2175.89	-	2176.08	104.11	2190.01	-	2190.20	104.83	2204.13	-	2204.32	105.55	2737.86	-	2747.85	133.02
2176.09	-	2176.28	104.12	2190.21	-	2190.39	104.84	2204.33	-	2204.51	105.56	2747.86	-	2757.85	133.53
2176.29	-	2176.47	104.13	2190.40	-	2190.59	104.85	2204.52	-	2204.71	105.57	2757.86	-	2767.85	134.04
2176.48	-	2176.67	104.14	2190.60	-	2190.78	104.86	2204.72	-	2204.90	105.58	2767.86	-	2777.85	134.55

You need to calculate the Canada Pension Plan deduction for Amanda, whose pay statement is shown here. In 2011, the CPP contribution rate was 4.95% of any gross earnings above \$3500.00. Remember if we were doing this with today's date, it would be 5.10%.

Employee Name: Amanda		
Company:	Pay Begin Date: 03/08/2011	Net Pay:
	Pay End Date: 03/15/2011	Cheque Date:

General	
Employee ID:	Job Title:
Address: 123 Main St. Dartmouth, NS	Pay Rate: \$500.00/wk Annual: \$26 000.00

Taxes Data	
Description	Federal
Claim Code	1

Hours and Earnings		
	Current	
Description	Rate	Gross Earnings
Regular	\$500.00/wk	\$500.00

Before-Tax Deductions	
Description	Amt.
Union Dues	
Pension	
Total	

Taxes	
Description	
Federal	
Provincial	
CPP	\$21.42
EI	
Total	

1. $\frac{\$3500}{52} = \67.31

2. $\$500 - \$67.31 = \$432.69$

3. $\$432.69 \times 0.0495$ (or 5.10% if for 2019) = \$21.42



EI

1.62%

What is the Employment Insurance (EI) system?

Employment Insurance is a social program that contributes to the security of all Canadians by providing assistance to workers who lose their jobs and helping unemployed people across the country to get back to work.

Employment Insurance (EI)

You have to deduct EI premiums from your employees insurable earnings on **each dollar** up to the [yearly maximum](#). As an employer, you must also contribute 1.4 times the EI premium withheld for each employee.

Insurable employment includes most employment in Canada under a contract of service (employer-employee relationship).

There is **no age limit** for deducting EI premiums.

People who are self-employed do not have to pay Employment Insurance premiums, but are also not eligible for EI if they find themselves out of work.



<http://www.cra-arc.gc.ca/tx/bsnss/tpcs/pyrll/clcltng/ei/cnt-chrt-pf-eng.html>

Federal EI premium rates and maximums

Year	Maximum annual insurable earnings	Rate (%)	Maximum annual employee premium	Maximum annual employer premium
2020	\$54,200	1.58	\$856.36	\$1,198.90
2019	\$53,100	1.62	\$860.22	\$1,204.31
2018	\$51,700	1.66	\$858.22	\$1,201.51
2017	\$51,300	1.63	\$836.19	\$1,170.67
2016	\$50,800	1.88	\$955.04	\$1,337.06
2015	\$49,500	1.88	\$930.60	\$1,302.84
2014	\$48,600	1.88	\$913.68	\$1,279.15
2013	\$47,400	1.88	\$891.12	\$1,247.57

Calculate the Employment Insurance premium that will be deducted from Amanda's weekly pay. In 2011, the EI premium rate was 1.78% of the gross earnings.

Employee Name: Amanda		
Company:	Pay Begin Date: 03/08/2011	Net Pay:
	Pay End Date: 03/15/2011	Cheque Date:

General	
Employee ID:	Job Title:
Address: 123 Main St. Dartmouth, NS	Pay Rate: \$500.00/wk Annual: \$26 000.00

Taxes Data	
Description	Federal
Claim Code	1

Hours and Earnings		
	Current	
Description	Rate	Gross Earnings
Regular	\$500.00/wk	\$500.00

Before-Tax Deductions	
Description	Amt.
Union Dues	
Pension	
Total	

Taxes	
Description	
Federal	
Provincial	
CPP	\$21.42
EI	\$8.90
Total	

$\$500 \times 0.0178$ (Remember you would use 0.0162 if it was for 2019)

\$8.90

Class work/ HOMEWORK...

P. 87 2 - 6b

2.4 Build Your Skills Detailed Solutions.pdf



BUILD YOUR SKILLS

1. What is the difference between taxable income and gross income?
2. Two friends work similar jobs at two different companies. One gets paid \$1458.00 twice a month and the other one gets paid \$1346.00 biweekly.
 - a) Which person has a higher annual salary?
 - b) In what ways would their payroll deductions differ?
3. Lianne works at New Brunswick's Woodstock First Nation Health Centre. She is paid \$750.00 biweekly for her part-time job. Explain how you can determine what her EI premium will be.
4. Helen is paid \$3170.06 semi-monthly. She pays deductions of \$17.12 for union dues and \$126.40 for the company pension plan.
 - a) What is her taxable income?
 - b) Explain which is higher, her taxable income or her net pay.



The Woodstock First Nation Health Centre offers patients information on topics such as children's health, nutrition, and fitness.

5. Amber earns \$960.00 biweekly. Each pay period, her employer deducts \$69.50 for federal tax, \$21.91 for provincial tax, and 1.73% for EI premiums. The CPP contribution rate is 4.95%, and the CPP annual exemption is \$3500.00 What is Amber's net pay?
6. Ruaridgh is a boat salesperson. He works part-time at a marina in Foxtrap, NL, where he earns \$2500.00 a month, paid monthly. He has a second part-time job at another marina nearby on the Manuels River, where he earns \$2500.00 a month, paid semi-monthly. His TD1 claim code is 1. (See Hint on p. 82.)
 - a) What will Ruaridgh's monthly CPP deduction be for each job?
 - b) What will his monthly EI premiums be?
 - c) How much income tax will be deducted monthly from Ruaridgh's earnings from both his jobs?
 - d) What is his net pay each month?
7. Pierre earns \$3461.54 a month, paid semi-monthly. Each pay period, his employer deducts \$172.98 federal tax, \$69.82 provincial tax, \$78.45 for CPP, and 1.73% for EI premiums. Pierre drives his car to work, so he purchased an annual staff parking permit for \$750.00. He pays for the permit by monthly payroll deductions, which are made at the end of each month.

WHAT TAX CODE???

Employers have their employees fill out a Personal Tax Credit Return form to determine how much taxes should be taken off each cheque.

School... Disability... Spouse...Caregiver...Infirm dependent...etc. ???

Most employees prefer to be under Code #1 because they will get money back at the end of the year.



Taxable Income...

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

Gross Pay - Before Tax Deductions

Net Pay

STEPS: Calculate...

1. "Before tax Deductions"

Pension
Union Dues

2. Taxable income (gross - before deductions)

Look in Table
Taxable income

3. Federal Tax

4. Provincial tax

5. CPP

Based on your gross pay

6. EI

7. NET PAY

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

Employee Name: Hermione		
Company:	Pay Begin Date: 09/08/2011	Net Pay: <u>480.62</u>
	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 St. John, NB	Pay Rate: \$650.00/wk Annual: \$33 800.00	Claim Code	1

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

$650 - 34.60 - 134.78 = 480.62$

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
- Medical / Dental plans

A couple more examples of benefits subtracted before taxes are calculated.

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?

Based on the pay statement on p. 79 of the student book, Hermione pays 2.2% of her gross pay in union dues and 3.2% towards a pension plan.

Calculating the CPP and EI deductions...

- **CPP** - in 2015, the rate was 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 was 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: 03/08/2015	Net Pay:
	Pay End Date: 03/15/2015	Cheque Date:

General		Taxes Data	
Employee ID:	Job Title:	Description	Federal
Address: 123 Main St. Dartmouth, NS	Pay Rate: \$500.00/wk Annual: \$26 000.00	Claim Code	1

Hours and Earnings			Before-Tax Deductions		Taxes	
Description	Current		Description	Amt.	Description	
	Rate	Gross Earnings				
Regular	\$500.00/wk	\$500.00	Union Dues		Federal	
			Pension		Provincial	
			Total		CPP	21.42
					EI	9.40
					Total	

$$3500/52 = 67.31$$

$$500 - 67.31 = 432.69$$

$$0.0495(432.69) = 21.42$$

$$0.0188(500) = 9.40$$

**Using 2015 Rates

OR USE A TABLE

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

Pay Rémunération		CPP RPC	Rèn
From - De	To - À		
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: Let's calculate the net pay together...

Employee Name: Iwana Job						
Company:		Pay Begin Date: 08/17/2019	Net Pay: \$			
		Pay End Date: 08/23/2019	Cheque Date: 08/23/2011			
General			Taxes Data			
Employee ID:		Job Title:		Description	Federal	
Address: Miramichi, NB		Pay Rate: \$500.00/wk Annual: \$26 000.00		Claim Code	1	
Hours and Earnings			Before-Tax Deductions		Taxes	
Current			Description	Amt.	Description	Current
Description	Rate	Gross Earnings	Union Dues	\$1.38	Federal	
Regular	\$500.00/wk	\$500.00	Pension	\$43.00	Provincial	
			Total		CPP	
					EI	
					Total	
Paycheque Summary						
Gross Earnings	Taxable Gross	Total Taxes, CPP, and EI	Total Deductions	Net Pay		
\$500.00						

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

Use the 2019 rates for CPP and EI.

Here are the tables that you will need...

Federal tax deductions
Effective January 1, 2019
Weekly (52 pay periods a year)
Also look up the tax deductions in the provincial table

Pay	From	Less than	CC 0	CC 1	CC 2	CC 3	CC 4	CC 5	CC 6
379 - 383			50.30	15.50	12.15	5.50			
383 - 387			50.85	16.05	12.70	6.05			
387 - 391			51.40	16.60	13.30	6.65			
391 - 395			52.00	17.15	13.85	7.20	.55		
395 - 399			52.55	17.70	14.40	7.75	1.10		
399 - 403			53.10	18.30	14.95	8.30	1.65		
403 - 407			53.65	18.85	15.50	8.85	2.20		
407 - 411			54.20	19.40	16.10	9.40	2.75		
411 - 415			54.80	19.95	16.65	10.00	3.35		
415 - 419			55.35	20.50	17.20	10.55	3.90		
419 - 423			55.90	21.10	17.75	11.10	4.45		
423 - 427			56.45	21.65	18.30	11.65	5.00		
427 - 431			57.00	22.20	18.90	12.20	5.55		
431 - 435			57.60	22.75	19.45	12.80	6.15		
435 - 439			58.15	23.30	20.00	13.35	6.70	.05	
439 - 443			58.70	23.90	20.55	13.90	7.25	.60	
443 - 447			59.25	24.45	21.10	14.45	7.80	1.15	
447 - 451			59.80	25.00	21.65	15.00	8.35	1.70	
451 - 455			60.35	25.55	22.25	15.60	8.95	2.30	
455 - 459			60.95	26.10	22.80	16.15	9.50	2.85	
459 - 463			61.50	26.70	23.35	16.70	10.05	3.40	

New Brunswick provincial tax deductions
Effective January 1, 2019
Weekly (52 pay periods a year)
Also look up the tax deductions in the federal table

Pay	From	Less than	CC 0	CC 1	CC 2	CC 3	CC 4	CC 5	CC 6	CC 7	CC 8
433 - 437			39.60	20.50	18.40	14.15	9.90	5.65	1.45		
437 - 441			39.95	20.85	18.75	14.50	10.25	6.05	1.80		
441 - 445			40.35	21.25	19.10	14.85	10.65	6.40	2.15		
445 - 449			40.70	21.60	19.45	15.25	11.00	6.75	2.50		
449 - 453			41.05	21.95	19.85	15.60	11.35	7.10	2.85		
453 - 457			41.40	22.30	20.20	15.95	11.70	7.45	3.25		
457 - 461			41.80	22.65	20.55	16.30	12.05	7.85	3.60		
461 - 465			42.15	23.05	20.90	16.65	12.45	8.20	3.95		
465 - 469			42.50	23.40	21.25	17.05	12.80	8.55	4.30	.10	
469 - 473			42.85	23.75	21.65	17.40	13.15	8.90	4.70	.45	
473 - 477			43.20	24.10	22.00	17.75	13.50	9.30	5.05	.80	
477 - 481			43.60	24.50	22.35	18.10	13.90	9.65	5.40	1.15	

EXAMPLE: Calculate the net pay... - Answers

Employee Name: Iwana Job				
Company:	Pay Begin Date: 08/17/2019	Net Pay: \$**\$377.05		
	Pay End Date: 08/23/2019	Cheque Date: 08/23/2011		
General			Taxes Data	
Employee ID:	Job Title:		Description	Federal
Address: Miramichi, NB	Pay Rate: \$500.00/wk	Claim Code 1		
	Annual: \$26 000.00			
Hours and Earnings			Before-Tax Deductions	
Current			Description	Amt.
Description	Rate	Gross Earnings	Union Dues	\$1.38
Regular	\$500.00/wk	\$500.00	Pension	\$43.00
			Total	\$44.38
Paycheque Summary				
Gross Earnings	Taxable Gross	Total Taxes, CPP, and EI	Total Deductions	Net Pay
\$500.00	\$455.62	\$78.57	122.95	\$377.05

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

Link to 2019 tables.

<https://www.canada.ca/content/dam/cra-arc/migration/cra-arc/tx/bsnss/tpcs/pyrll/t4032/2019/t4032-nb-52pp-19eng.pdf>

HOMEWORK...use the 2015 tables!

Caleb works as a fishing guide and makes \$950 per week. He has to pay a guiding uniform fee of \$15 and a \$5 life insurance.

Determine his **net pay using claim code 2!**

STEPS: Calculate...

1. "Before tax Deductions"
2. Taxable gross pay
3. Federal Tax
4. Provincial tax
5. CPP Use 2015 Rate of 4.95%
6. EI Use 2015 Rate of 1.88%
7. NET PAY

Gross Earnings	\$
Union Dues / Pension	\$
Taxable Income	\$
Federal Tax	\$
Provincial Tax	\$
C.P.P.	\$
E.I.	\$
Other Deductions	\$
Net Pay	\$

HOMEWORK...use the 2015 tables!

Caleb works as a fishing guide and makes \$950 per week. He has to pay a guiding uniform fee of \$15 and a \$5 life insurance.

Determine his **net pay using claim code 2!**

STEPS: Calculate...

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

Gross Earnings	\$ 950
Union Dues / Pension	\$0
Taxable Income	\$ 950
Federal Tax	\$ 99.85
Provincial Tax	\$ 75.65
C.P.P.	\$ 43.69
E.I.	\$ 17.86
Other Deductions	\$ 20
Net Pay	\$ 692.95

C.P.P

E.I

OR USE A TABLE

Selina is paid \$15.25/hr for a 40hr. She gets paid time and a half for each hour of over time, and is paid weekly.

If she works 45 hours in one week and has to pay \$25/week for a medical plan and \$50/week for a pension plan, what will her net pay be?

(Selina falls into claim code 2, and lives in NB)

Gross Earnings	\$
Union Dues / Pension	\$
Taxable Income	\$
Federal Tax	\$
Provincial Tax	\$
C.P.P.	\$
E.I.	\$
Other Deductions	\$
Net Pay	\$

F10 Net Pay Name: _____

Regular Earnings <small>15.25 x 40h</small>	\$ 610.00	
Other Earnings <small>22.88 x 5h</small>	\$ 114.40	
		Total Earnings: Gross: \$ 724.40
Before Tax Deductions	\$ 50.00	Union = \$0.00 Pension = \$50.00
CPP deduction:	\$ 32.53	
EI deduction:	\$ 13.62	
(Total Earnings) - (Total before tax deductions): \$674.40		$CPP = \frac{3500}{52} = 67.31$
Use this new value to find the Income Tax. Use Claim Code <u>2</u>		$724.40 - 67.31$
Income Tax: <small>674.40</small>	\$ 96.75	$= 657.09 \times 0.0495$
Fed: <small>55.75%</small> Pro: <small>41.00</small>		$= 32.53$
Other Deductions:	\$ 25.00	EI $724.40 \times 0.0188 = 13.62$
		Total Deductions \$ 217.90
NET PAY = Total Earnings - Total Deductions		\$ 506.50

As NB salesman, Bob, is paid \$700/week, plus 5% commission on all his sales. Last week he sold \$4200 worth of furniture. His claim code is 4 and he also has a bond that cost \$50/week, and he also has to pay \$70/week for unpaid fines. What is his net pay?

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Regular Earnings	\$ 700.00	4200
Other Earnings <small>4200 x 0.5</small>	\$ 210.00	
Total Earnings:		
gross \$ 910.00		
Before Tax Deductions	\$ 0	
CPP deduction:	\$ 41.71	$\rightarrow \frac{3500}{52} = 67.31$
EI deduction:	\$ 17.11	EI 910×0.0188 17.11
(Total Earnings) - (Total before tax deductions):	910.00	$910 - 67.31 =$ 842.69
Use this new value to find the Income Tax. Use Claim Code <u>4</u>		$\times 0.0495$ = 41.71
Income Tax:	\$ 141.05	
<small>Fed: 79.00 Pro: 62.05</small>		
Other Deductions:	\$ 120.00	
<small>50 + 70</small>		
Total Deductions		
\$ 319.87		
NET PAY = Total Earnings - Total Deductions		
\$ 590.13		

In-class Assignment...

Assignment - Earning an Income Dec. 2015.doc




Tables - Fed_Prov Tax and CPP_EI July 2015.pdf



- a) On the 15th of last month, Pierre's take-home pay was \$1379.58. Was he paid the correct amount? Explain how you know.
- b) On the 31st of last month, Pierre's take-home pay was \$1254.58. Was he paid the correct amount? Explain how you know.

Extend your thinking

8. Gerry's employer has a dental plan for employees that covers Gerry, his spouse, and their child. The dental plan will pay 100% for routine checkups and cleaning and basic procedures such as fillings. It pays 70% for a crown and 65% for braces. One year, the following dental work is done:
- each member of the family has a routine checkup and cleaning that costs \$165.00 for each person;
 - Gerry gets a crown that costs \$900.00; and
 - the child has a filling that costs \$125.00 and gets braces that cost \$4250.00.
- a) How much is the total bill?
- b) What amount will the insurance company pay?
- 

CONTRIBUTING TO CPP, TAXES, AND EI*Pros*

- the taxes you pay go towards building infrastructure such as roads and schools
- contributions to CPP go towards your retirement
- dependants such as family members may benefit from your contributions
- financial assistance if you become unemployed

Cons

- some of your tax money may go to support programs you don't agree with
- you can't invest your money where you want
- you receive less of your money on each paycheque

TRY THESE...

1. 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?
2. 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.
 - a) 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.
 - b) Ivan works 40 hours a week as a framer. He pays union dues of \$6.95.
3. 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

1. 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.

2. a) 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.

3. 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.

- b) 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.

Attachments

Tables - Fed_Prov Tax and CPP_EI July 2015.pdf

Assignment - Earning an Income Dec. 2015.doc

NB Tax 2013.pdf

2.4 Build Your Skills Detailed Solutions.pdf