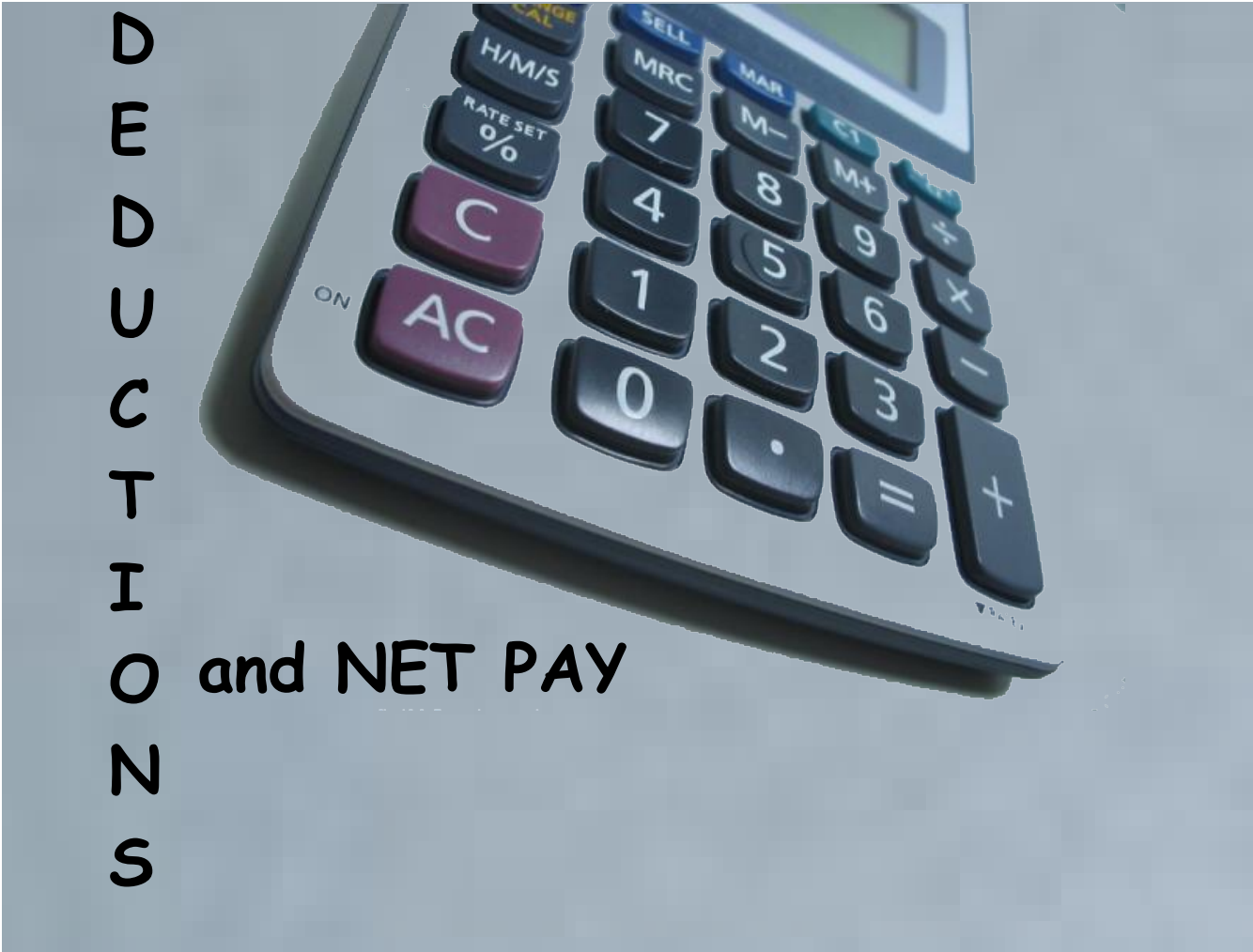


## Curriculum Outcome

- 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 "**





**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**.

- (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).

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

- **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	
<b>Employee ID:</b>	Job Title: Appliance Repair Apprentice
<b>Address:</b> 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
<b>Total</b>	<b>\$34.60</b>

Taxes	
Description	Amt.
Federal	
Provincial	
CPP	
EI	
<b>Total</b>	

**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	
<b>General</b>		<b>Taxes Data</b>	
Employee ID:	Job Title:	Description	Federal
Address: PEI	Pay Rate: \$500.00/wk Annual: \$26 000.00	Claim Code	1
<b>Hours and Earnings</b>		<b>Before-Tax Deductions</b>	
	Current	<b>Description</b>	<b>Amt.</b>
<b>Description</b>	<b>Rate</b>	<b>Gross Earnings</b>	
Regular	\$500.00/wk	\$500.00	
		Union Dues	\$1.38
		Pension	\$43.00
		Total	\$44.38
<b>Paycheque Summary</b>		<b>Taxes</b>	
<b>Gross Earnings</b>	<b>Taxable Gross</b>	<b>Description</b>	<b>Current</b>
\$500.00	\$455.62	Federal	
		Provincial	
		CPP	
		EI	
		Total	

Calculate the "taxable gross" pay

Taxable Gross = Gross Earnings - "Before tax deductions" (Union and Pension)

Taxable Gross is the

amount used to calculate Federal & Provincial taxes.

Gross earnings is the amount used to calculate CPP and EI.

**Net Pay = Gross Pay - Deductions - Taxes**

**\$650 - \$34.60 - \$134.78**

**\$480.62**

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

General	
<b>Employee ID:</b>	Job Title: Appliance Repair Apprentice
<b>Address:</b> 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
<b>Total</b>	<b>\$34.60</b>

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

C

## Canada Pension Plan (CPP) 4.95%



### 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.

P

### 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 contribution rates, maximums and exemptions

### Important notice

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

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
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
2012	\$50,100	\$3,500	\$46,600	4.95	\$2,306.70	\$4,613.40
2011	\$48,300	\$3,500	\$44,800	4.95	\$2,217.60	\$4,435.20
2010	\$47,200	\$3,500	\$43,700	4.95	\$2,163.15	\$4,326.30
2009	\$46,300	\$3,500	\$42,800	4.95	\$2,118.60	\$4,237.20
2008	\$44,900	\$3,500	\$41,400	4.95	\$2,049.30	\$4,098.60

**C****4.95%**

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:

Gross pay - Pay period Exemption

Step 3:

Calculate the amount you pay it CPP for that pay

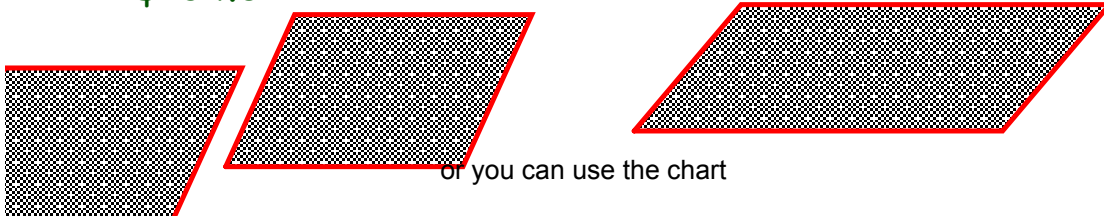
(Answer from step 2) x 4.95%

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

Exemption \$3500  
CPP 4.95%

Three Steps...

1.  $\$3500 / 26 = \$134.62$
2.  $\$2725 - 134.62 = \$2590.38$
3.  $\$2590.38 \times 0.0495 = \$128.22$



or you can use the chart

2003.60	-	2003.80	92.52	2018.15	-	2018.34	93.24	2679.36	-	2689.35	126.21	3399.36	-	3409.35	161.85
2003.81	-	2004.00	92.53	2018.35	-	2018.54	93.25	2689.36	-	2699.35	126.71	3409.36	-	3419.35	162.35
2004.01	-	2004.20	92.54	2018.55	-	2018.75	93.26	2699.36	-	2709.35	127.20	3419.36	-	3429.35	162.84
2004.21	-	2004.40	92.55	2018.76	-	2018.95	93.27	2709.36	-	2719.35	127.70	3429.36	-	3439.35	163.34
2004.41	-	2004.60	92.56	2018.96	-	2019.15	93.28	2719.36	-	2729.35	128.19	3439.36	-	3449.35	163.83
2004.61	-	2004.81	92.57	2019.16	-	2019.35	93.29	2729.36	-	2739.35	128.69	3449.36	-	3459.35	164.33
2004.82	-	2005.01	92.58	2019.36	-	2029.35	93.54	2739.36	-	2749.35	129.18	3459.36	-	3469.35	164.82
2005.02	-	2005.21	92.59	2029.36	-	2039.35	94.04	2749.36	-	2759.35	129.68	3469.36	-	3479.35	165.32
2005.22	-	2005.41	92.60	2039.36	-	2049.35	94.53	2759.36	-	2769.35	130.17	3479.36	-	3489.35	165.81

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.

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

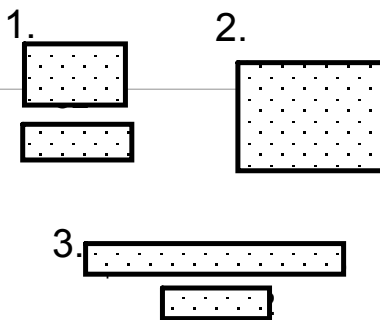
General	
<b>Employee ID:</b>	<b>Job Title:</b>
<b>Address:</b> 123 Main St. Dartmouth, NS	Pay Rate: \$500.00/wk Annual: \$26 000.00

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	?
EI	
Total	





# EI

## 1.88%

### 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.*



Calculating EI= Gross pay x 1.88%

## EI premium rates and maximums

- [Federal EI premium rates and maximums](#)
- [Quebec EI premium rates and maximums](#)

Federal EI premium rates and maximums

Year	Maximum annual insurable earnings	Rate (%)	Maximum annual employee premium	Maximum annual employer premium
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
2012	\$45,900	1.83	\$839.97	\$1,175.96
2011	\$44,200	1.78	\$786.76	\$1,101.46
2010	\$43,200	1.73	\$747.36	\$1,046.30
2009	\$42,300	1.73	\$731.79	\$1,024.51
2008	\$41,100	1.73	\$711.03	\$995.44

Calculate the Employment Insurance premium that will be deducted from Amanda's weekly pay. In 2014, the EI premium rate is 1.88% of the gross earnings.

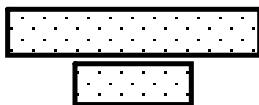
Employee Name: Amanda		
Company:	Pay Begin Date: 03/08/2011	Net Pay:
	Pay End Date: 03/15/2011	Cheque Date:

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

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



## Attachments

---

CPP 2013.pdf

EI 2013.pdf

NB Tax 2013.pdf

2.4 Build Your Skills Detailed Solutions.pdf

Assignment - Earning an Income May 2013.doc

Assignment - Earning an Income Dec. 2015.doc

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