

2.5 Net Pay & Deductions

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Net pay . - take-home pay
- final income after all deductions have been taken off

Deductions are amounts of money taken off your gross pay

- income taxes
 - federal
 - provincial / territorial
- union dues
- disability insurance
- (EI) employment insurance
- (CPP) Canada Pension Plan
- health / dental benefits

Taxable Income income taxes are only paid on your taxable income, after certain deductions are made

include . - union dues
- company benefits & parking
- company pension plan

Ex #1

- life insurance of 1.5% of his salary of \$450
- ? how much is he paying for life insurance?

$$1.5\% \rightarrow \frac{1.5}{100} = 0.015 \times 450$$

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= \$6.75 for life insurance per paycheque

Ex #2

- gross pay \$785
- net pay \$625.42
- ? deductions? / ?

$$\begin{array}{r} 785 \\ - 625.42 \\ \hline \$159.58 \end{array}$$

$$\frac{\text{deductions}}{\text{gross pay}} = \frac{159.58}{785} \times 100\%$$

$$= \boxed{20.33\%}$$

CPP → Canada Pension Plan

- you pay a small amount of \$ from each paycheque so that you'll receive a pension when you retire

Employment Insurance (EI)

- small amount of \$ deducted each paycheque to help cover the cost of becoming unemployed

Ex #3

- gross earnings are \$500/week
- In 2008, the CPP contribution rate was 4.95% of any gross earnings above \$3500
- the EI premium rate was 1.73% of gross earnings

(a) Calculate CPP deductions

1st find the basic pay period exemption that applies

$$\$3500 - 52 \text{ weeks} = \$67.37 \text{ per week}$$

$$\begin{array}{r} \text{gross pay } \$500 \\ - \quad 67.37 \\ \hline \$432.69 \end{array}$$

$$\begin{array}{r} \times 0.0495 \\ \hline \boxed{\$21.42} \end{array} \quad \leftarrow \text{multiply by CPP rate of } 4.95\%$$

(b) Calculate EI deducted

$$\begin{array}{r} \text{500 gross pay} \\ \times 0.0173 \\ \hline \boxed{\$8.65} \end{array}$$

Deduction Tables

- Published by the government of Canada
- weekly, monthly, or biweekly
- helps determine how much taxes you pay

Federal

- social programs
- politician salaries
- salaries / supplies for Canadian Armed forces

provincial

- road work
- teachers
- nurses
- hospitals

Ex. #3 continued.

(c) income tax? TD1 claim code is 1

\$500 gross pay weekly

TD1 form

claim code is 1

- personal tax credit return form
- determines the amount of income tax you pay

Provincial taxes

Federal taxes

$$\$15.90 + \$40.15 = \boxed{\$56.05}$$

(d) Net pay?

- gross wages	- \$500
- CPP	- \$21.42
- EI	- \$8.65
- Federal	- \$40.15
- Provincial	- \$15.90
<u>NET PAY</u>	<u>$\boxed{\\$413.88}$</u>