

Deductions and Net Pay Notes

Gross pay Total pay before taxes and deductions

Benefits a range of programs that benefit the employee (dental, medical, pension)

Non-taxable benefits benefit the government allows you to subtract and not pay tax on (registered pension plan etc.)

taxable income amount you pay tax on. (After non-taxable income is subtracted)

After Tax Deductions a range of services the government subtracts from your taxable income. Pays for various services we use EI, CPP, Etc. Can also include other things such as dental plans

Net pay Take home pay. what you have left after all deductions have been made

Why have deductions?

Pros

health care
dental care
emergency services
infrastructure (roads, lights, heating)
- pension forced savings

Cons

Less money directly in your pocket
May pay for programs you don't use or agree with

Ex 1

John's group life insurance is 1.5% of his salary of \$450.00 every two weeks. How much does he pay for group life insurance?

$$\frac{1.5}{100} = \frac{x}{450}$$

$$x = \$6.78$$

Ex 2

Jan had a gross income of \$785.00. Her net income was \$625.42. What percentage of her gross pay were her deductions?

$$\begin{array}{r} 785.00 \\ - 625.42 \\ \hline \$159.58 \end{array}$$

$$\frac{x}{100} = \frac{159.58}{785}$$

$$x = 20.3\%$$

Ex 3

Alf has a gross income of \$852.00 per week. His before-tax deductions include union dues of 2.5% of his gross income and a company pension plan contribution of 3%. His federal tax rate is 16.2% and his provincial tax rate is 5.4%. He pays 4.95% to the CPP and 1.8% for EI. Calculate his net income.

- a. Calculate his taxable income

$$2.5\% + 3\% = 5.5\%$$

$$\frac{5.5}{100} = \frac{x}{852}$$

$$x = \$46.86$$

$$\begin{array}{r} 852.00 \\ - 46.86 \\ \hline \$805.14 \end{array}$$

- b. Calculate the total amount of deductions

$$16.2\% + 5.4\% + 4.95\% + 1.8\% = 28.35\%$$

$$\frac{28.35}{100} = \frac{x}{805.14}$$

$$x = \$228.26$$

- c. Calculate his net pay

$$\begin{array}{r} \$805.14 \\ - 228.26 \\ \hline \$576.88 \end{array}$$

Ex 4 Consider the following pay statement.

Employee Name: Hank				
Company	Pay Begin Date: 06/01/2010			
	Pay End Date: 06/15/2010			
General		Pay Rate: \$895	Taxes Data	
Employee ID: 34553		Annual Pay to date: 29,900	Description	Federal
			Claim Code	1
Hours and Earnings				
	Current	Gross Earnings	Taxes	Current
Description			Federal	\$48.01
Regular	\$895/wk	\$1790	Provincial	\$21.64
			CPP	\$25.13
			EI	\$9.95
			Total	104.73

- a. What is Hank's gross monthly income?

\$1790

- b. What is his net income?

$$\begin{array}{r}
 1790.00 \\
 - 104.73 \\
 \hline
 \$1,685.27
 \end{array}$$

- c. What percent of his taxable income did he pay in federal taxes?

$$\frac{x}{100} = \frac{48.01}{1790}$$

$$x = 2.68\%$$