

Name: _____

Block: _____

Date: _____

AWM10

Ch. 2.4 Deductions and Net Pay

Notes

Deductions are amounts of money taken off your gross pay for income tax (federal and provincial or territorial), union dues, disability insurance, employment insurance (EI), pension plans (including the Canada Pension Plan or CPP), and health or other benefits. Income tax is paid on your **taxable income**.

Each paycheque should list your gross pay, all deductions, and your **net income**. At the end of the year, your employer will supply you with a T4 slip that you will use to prepare your income tax return.

TAXABLE INCOME: income that you pay _____
- after "before tax Deductions" such as union dues and company pension

BENEFITS: programs you and/or your employer pay for that benefit you as the employee

NET INCOME: amount of money you make after taxes and all deductions
- aka. **Take home pay**

Ex. 1) Your group life insurance is 1.5% of your salary of \$450.00 every two weeks. How much do you pay for group life insurance?

Ex. 2) You have a gross income of \$785.00. Your net income was \$625.42. What percentage of your gross pay were deductions?

Ex. 3) You need to calculate the taxes (Federal, Provincial, CPP and EI) for Amanda, whose pay statement is shown here. Then calculate her net pay. In 2008, the CPP contribution rate was 4.95% of any gross earnings above \$3500.00 and the EI premium rate was 1.73% of gross earnings. Her TD1 claim code is 1, and she lives in Alberta.

Employee Name: Amanda		
Company:	Pay Begin Date: 08/17/2008	Net Pay:
	Pay End Date: 08/23/2008	Cheque Date:

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

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

EI:

CPP:

Federal and Provincial Taxes:

Use the amount (\$500.00), the pay period (weekly), and the TD1 claim code (1) to locate the amount of tax to deduct

Net pay: