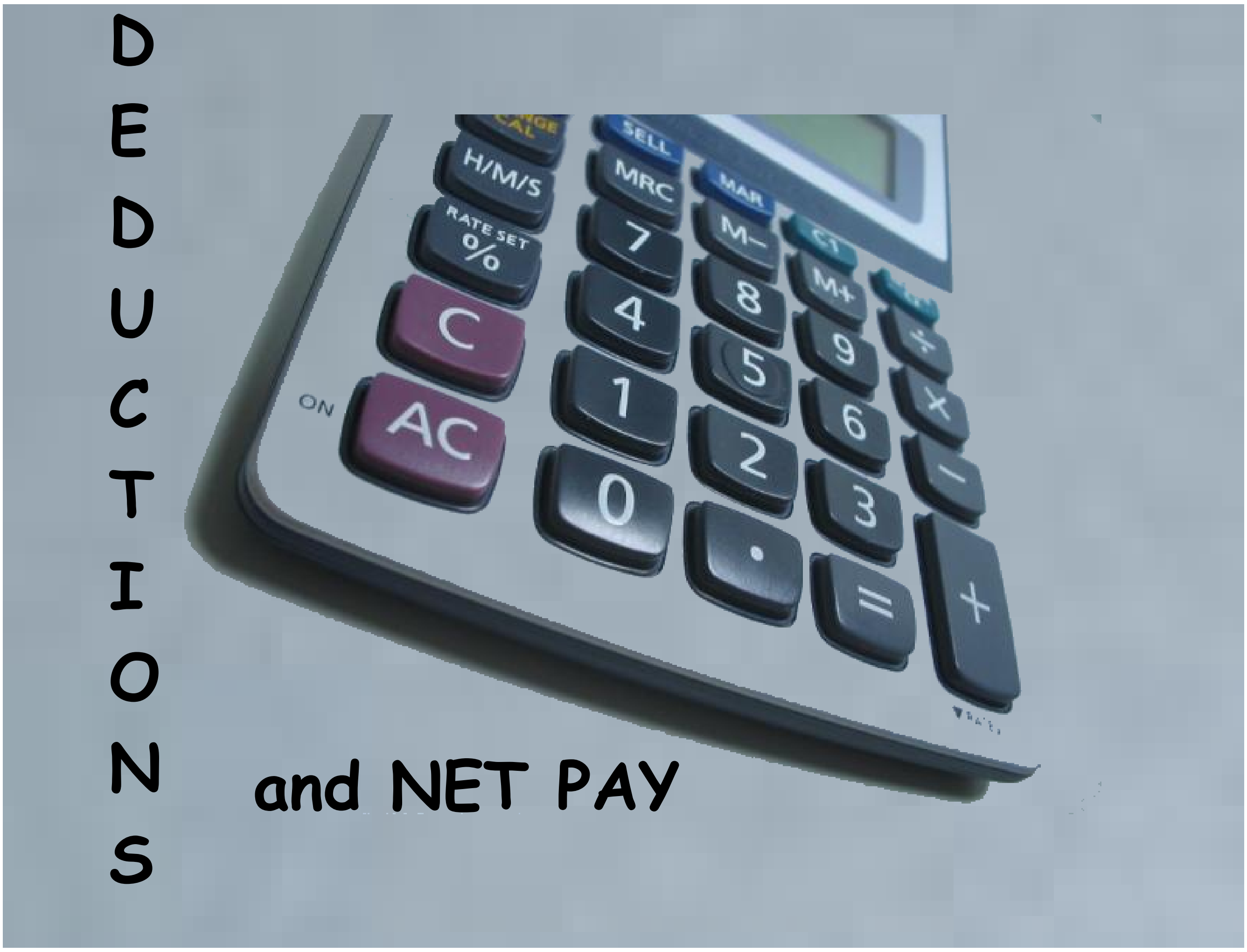
DEDUCTIONS
and NET PAY

Net Pay:

the money paid to an employee after deductions have been made

"Take-home Pay"

C
P
P

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.

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).

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.

4.95%

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

C P P

$3500

1. You must calculate the basic pay-period exemption that applies. ($3500 / # of pay periods)
2. Subtract the exemption from the gross pay.
3. Multiply by 4.95% (0.0495)

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	
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	?
EI	
Total	

1. You must calculate the basic pay-period exemption that applies. ($3500 / # of pay periods)

2. Subtract the exemption from the gross pay.

3. Multiply by 4.95%

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

$67.31

2. $500.00
\- 67.31
$ 432.69

3. $432.69 x 0.0495
$21.42

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.

Calculate the Employment Insurance premium that will be deducted from Amanda's weekly pay. In 2011, the EI premium rate is 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	
EI	?
Total	

$500 x 0.0178

$8.90

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

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.

Examples:

- Union Dues
- Pension
- Canada Savings Bonds
- Medical / Dental plans

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	
Employee ID:	Job Title:
Address: PEI	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	$1.38
Pension	$43.00
Total	44.38

?

Taxes	
Description	**Current**
Federal	
Provincial	
CPP	
EI	
Total	

Paycheque Summary				
Gross Earnings	Taxable Gross	Total Taxes, CPP, and EI	Total Deductions	Net Pay
$500.00				

Before - Tax Deductions

The amount we subtract off the gross earnings.

$$\$1.38 + \$43.00 = \$44.38$$

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

Employee ID:	Job Title:
Address: PEI	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	$1.38
Pension	$43.00
Total	

Taxes

Description	**Cu**
Federal	
Provi	
P	
EI	
Total	

?

Paycheque Summary

Gross Earnings	Taxable Gross	Total Taxes, CPP, and EI	Total Deductions	Net Pay
$500.00				

Calculate the"taxable gross" pay.

Gross Pay - Before Tax Deductions

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	
Employee ID:	Job Title:
Address: PEI	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	$1.38
Pension	$43.00
Total	$44.38

Taxes	
Description	**Current**
Federal	29.45
Provincial	22.65
CPP	
EI	
Total	

Paycheque Summary				
Gross Earnings	Taxable Gross	Total Taxes, CPP, and EI	Total Deductions	Net Pay
$500.00				

Taxable Gross

The amount used to calculate tax.

$$\$500.00 - \$44.38 = \$451.62$$