





subtracted from gross pay

Net Pay:

the money paid to an employee after deductions have been made

"Take-home Pay"

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.

4.95%

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

C

\$3500

P

P

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

weekly (52)
biweekly (26)
monthly (12)
semi-monthly (24)

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		Taxes Data	
Employee ID:	Job Title:	Description	Federal
Address: 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	Description	Amt.
Description	Rate	Gross Earnings	
Regular	\$500.00/wk	Union Dues	
		Pension	
		Total	
		CPP	?
		EI	
		Total	

① $\frac{3500}{50}$
= \$67.31

② $\begin{array}{r} \$500.00 \\ - 67.31 \\ \hline 432.69 \end{array}$ (Gross Earnings)
(Answer from step 1)

③ 4.95% of Step 2
 0.045×432.69
= \$21.42

You need to calculate the Canada Pension Plan deduction for Zoe, whose is paid semi-monthly with a contribution rate of 4.95% of any gross earnings above \$3500.00.

Zoe's Gross = \$2,650.00

$$\textcircled{1} \quad \begin{array}{r} 3500 \\ \underline{24} \\ = \$145.83 \end{array}$$

$$\textcircled{2} \quad \begin{array}{r} 2650.00 \\ - 145.83 \\ \hline \$2504.17 \end{array} \quad \begin{array}{l} \text{(Gross Earnings)} \\ \text{(Step 1)} \end{array}$$

$$\begin{aligned} \textcircled{3} \quad & 4.95\% \text{ of Step 2} \\ & = 0.0495 \times 2504.17 \\ & = \$123.96 \end{aligned}$$



EI 1.63%

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.



Maximum annual insurable earning is \$51,300

Regular benefits

Apply for benefits if you have lost your job through no fault of your own.

Maternity and parental benefits

Apply for benefits if you are pregnant, you have recently given birth, you are adopting a child or you are caring for a newborn.

Benefits for the self-employed

Register and apply for special benefits if you are self-employed.

Benefits for Parents of Critically Ill Children

Apply for benefits if you are a parent away from work to care for your critically ill or injured child.

Sickness benefits

Apply for benefits if you are unable to work due to illness, injury or quarantine.

Compassionate care benefits

Apply for benefits if you have to be away from work to provide care for a gravely ill family member who is in significant risk of death.

Benefits for Canadians living abroad

If you work or live outside of Canada, get information on Employment Insurance, pensions, benefits and taxes.

Fishing benefits

Apply for benefits if you are a self-employed fisher who is actively seeking work.

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.

$$0.0178 \times 500.00$$

Employee Name: Amanda		
Company:	Pay Begin Date: 03/08/2011	Net Pay:
	Pay End Date: 03/15/2011	Cheque Date:
General		Taxes Data
Employee ID:	Job Title:	Description
Address: 123 Main St. Dartmouth, NS	Pay Rate: \$500.00/wk Annual: \$26 000.00	Federal
		Claim Code 1
Hours and Earnings		Taxes
	Current	Description
Description	Rate	Gross Earnings
Regular	\$500.00/wk	\$500.00
		Union Dues
		Pension
		Total
		Federal
		Provincial
		CPP
		EI
		Total

1.78% of Gross

$$= 0.0178 \times \$500.00$$

$$= \underline{\underline{\$8.90}}$$

You need to calculate the Canada Pension Plan, and EI deduction for Sam, whose is paid weekly with a CPP contribution rate of 4.95% of any gross earnings above \$3500.00 and an EI rate of 1.63%.

Sam's Gross = \$1,962.00

CPP:

$$\textcircled{1} \frac{3500.00}{52} \\ = \$67.31$$

$$\textcircled{2} \begin{array}{r} 1962.00 \\ - 67.31 \\ \hline \$1894.69 \end{array}$$

$$\textcircled{3} 1894.69 \times 0.0495 \quad (4.95\%) \\ = \boxed{\$93.79}$$

EI:

1.63% of Gross Earnings

$$\underline{0.0163} \times \underline{1962.00}$$

$$= \boxed{\$31.98}$$

Homework

1. Sarah earns \$1020 every two weeks. *biweekly (26)*

a) Gross Earnings = \$1020.00

b) CPP:

$$(1) \frac{3500}{26} = \$39.23$$

$$(2) \begin{array}{r} 1020.00 \\ - 39.23 \\ \hline \$ 980.77 \end{array}$$

$$(3) 0.0495 \times 980.77 = \$48.55$$

CPP

c) EI:

$$0.0183 \times 1020.00 = \$18.66$$

EI

1. Gross \$1020 / two weeks biweekly

CPP			EI
<u>3500</u>	1020	885.38	1020
26	- <u>134.62</u>	<u>x 0.0495</u>	<u>x 0.0183</u>
\$134.62	\$885.38	<u>\$43.83</u>	\$18.67

2. Gross: \$15.75

CPP			EI
<u>3500</u>	630	562.69	630
52	- <u>67.31</u>	<u>x 0.0495</u>	<u>x 0.0183</u>
67.31	562.69	<u>\$27.85</u>	\$11.53

	67.31	562.69	<u>\$27.85</u>	\$11.53
43 -35 8 overtime	3. Regular time	35 x \$13.50 = 472.50		
	Overtime	8 x 20.25 = 162		
		<u>\$634.50</u>		
		Gross →		
13.50 x 1.5	CPP			EI
\$20.25	3500	634.50	\$567.19	634.50
	52	- 67.31	X 0.0495	X 0.0183
	\$67.31	\$567.19	<u>\$28.08</u>	\$11.61

CPP: STEP 1	STEP 2	STEP 3	EI:
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4. Gross \$ 5398.54 x 0.17 = \$ 917.75			
CPP		EI	
\$ 3500	\$ 917.75	\$ 626.08	\$ 917.75
12	<u>291.67</u>	<u>x 0.0495</u>	<u>x 0.0183</u>
\$ 291.67	\$ 626.08	\$ 30.99	\$ 16.79
5. Gross \$ 3500			
CPP		EI	
\$ 3500	\$ 3500	\$ 3354.17	\$ 3500
24	<u>- 145.83</u>	<u>x 0.0495</u>	<u>x 0.0183</u>
\$ 145.83	\$ 3354.17	\$ 166.03	\$ 64.05

5. Gross \$3500			
CPP			EI
<u>\$3500</u>	<u>\$3500</u>	<u>\$ 3354.17</u>	<u>\$3500</u>
24	-145.83	<u>x0.0495</u>	<u>x0.0183</u>
\$145.83	\$3354.17	\$166.03	\$64.05
6. Gross $4030 \times 0.15 = \$604.50$			
CPP			
<u>\$3500</u>	<u>\$604.50</u>	<u>\$469.88</u>	<u>\$604.50</u>
26	-134.62	<u>x0.0495</u>	<u>x0.0183</u>
\$134.62	\$469.88	\$23.26	\$11.06

7. Gross Sales

3 x \$32000 =	96000
1 x 54625 =	54625
2 x 63124 =	<u>126248</u>
	276873

Salary	+	Commission
2560	+	(\$276873 x 0.09)
		24918.57
		<u>\$27478.57</u>

CPP

\$3500	\$27478.57	\$27186.90
<u>12</u>	<u>- 291.67</u>	<u>x 0.0495</u>
\$291.67	\$27186.90	\$1345.75

EI

\$27478.57
<u>x 0.0183</u>
\$502.86

8.

Day	Time IN	Time OUT	Hours	Minutes	Decimal
Sunday	12:00pm	5:00pm	5	0	5
Monday	4:30pm	8:00pm	3	30	3.5
Tuesday	11:00am	3:15pm	4	15	4.25
Wednesday					
Thursday	10:00am	2:45pm	4	45	4.75
Friday					
Saturday	8:15am	4:30	8	15	8.25

25.75

Gross 25.75 hours x \$9.75 = \$251.06

CPP

\$3500 \$251.06 \$ 183.75
 52 - 67.31 X0.0495

\$ 67.31 \$ 183.75 \$ 9.10

EI

251.06
 X0.0183

\$ 4.59