# Math 10 GMF

## Notes – Deductions

<u>Allowable Deductions in Canada</u>

1) Required by Federal or Provincial Law, such as taxes, EI and CPP.

2) Anything that is authorized by a court order. (union dues or child support).

3) Overpayment of wages.

4) Anything authorized by the employee.

**Taxable Income:** Earnings minus union dues and pension contributions.

**How to Calculate Canada Pension Plan Deductions**

1) Yearly exemption of $3500

2) Contribution rate is 4.95%

3) Determine the exemption for your pay period

Example – biweekly pay period (26)

$$\frac{\$3500}{26} = \$134.62 \text{ biweekly exemption}$$

4) Subtract exemption from earnings.

5) Change 4.95% to a decimal = 0.0495

6) Multiply by eligible amount.

Example

Jill's biweekly pay is $1257. How much will her CPP contribution be?

$$1257.00 - 134.62 = 1122.38$$

$$1122.38 \times 0.0495 = \$55.56$$

**Calculating EI Contributions**

1) Contribution rate is 1.73%

2) Change 1.73% to a decimal = 0.0173

3) multiply 0.0173 by your earnings.

Example

Jill's biweekly pay is $1257. How much will her EI contribution be?

$$\$1257 \times 0.0173 = \$21.75$$

**Calculating Federal and Provincial Tax Deductions**

1) Use table and claim code to determine tax deductions.

2) Separate tables for provincial and federal tax. Must account for the pay period

3) Pay range includes the lower amount up to but not including the higher amount.

<u>Example</u>

If you earn $50 804/year and your claim code is 3, how much will you pay in provincial tax each weekly pay?

$$\frac{\$50\,804}{52} = 977/wk \times 2 = \$1954 \text{ biweekly}$$

$$\frac{\$141.75}{2} = \$70.88 \text{ prov tax/wk.}$$

$$\$107.75 \text{ fed. tax/wk.}$$