

## Homework Questions...

6. William is a salesperson at an electrical supply company. He earns a base salary of \$24 000.00 a year plus a commission of 12% on electrical supplies such as wire, switches, and fixtures. If William aims to earn a total of \$32 000.00 a year, how many dollars' worth of electrical supplies will he need to sell?

$$\begin{array}{r}
 32000 \\
 - 24000 \\
 \hline
 8000 \leftarrow \text{Commission}
 \end{array}$$

12% of  $x$  Sales = 8000

$$\frac{0.12x}{0.12} = \frac{8000}{0.12}$$

$$x = 66666.67$$

2. Gilles, an aluminum fabricator in Restigouche, NB, accepts a contract to make an aluminum gate for \$500.00.

a) If the cost of materials and labour to make the gate is \$425.00, how much is his profit on this gate?

$$500 - 425 = \$75$$

b) What is this amount expressed as a percentage of the contract?

c) If the cost of materials were to increase after the contract was signed, could Gilles adjust the price? Explain your reasoning.

$$b) \frac{75}{500} \times 100\% = 15\%$$

c) No

# *Additional Earnings*





## TIPS...

It is common for people in service industry jobs to earn tips from satisfied customers.

***NOTE: a sign of appreciation***





## *Bonus*

extra pay earned when certain conditions of employment have been met or exceeded



## *Shift Premium*

extra payment  
for  
non-standard  
work hours



## *Other Incentives...*

- danger pay
- isolation pay
- northern allowance



**Net Pay:** the money paid to an employee after deductions have been made  
"Take-home Pay"



## Net Pay (Take Home Pay)

- **Deductions** - these are subtracted from your **gross pay**.

-> These are the 3 Standard Deductions.  
(rates vary yearly and province to province)

- (1) Employment Insurance (E. I.)
- (2) Income Tax - money for the government.
  - percentage based on your earnings.
- (3) Canadian Pension Plan (CPP) - paid for when you retire (age 60).

- **Other Deductions**

- medical plans
- dental plans
- insurance (car/house/life)
- pension (money after retirement)
- union/association dues (percentage of pay)
- car/house payments

- **Garnished Wages**

- child support
- alimony
- unpaid taxes
- unpaid fines

- **Investments**

- ~~Canada Savings Bond~~
- TFSA (Tax Free Savings Accounts)
- RRSP/RESP
- Stock Market

## Federal & Provincial



"Canada Revenue Agency"

[www.cra-arc.gc.ca](http://www.cra-arc.gc.ca)



→ English



Links for business **Payroll**



Payroll Deductions Online Calculator (PDOC), payroll tables, TD1s, and more



T4032, Payroll Deductions Tables



T4032 - 2011

Scroll down to the bottom of page to choose province

## CPP – Canada Pension Plan – money collected by the Federal government from every worker over the age of 19 that will be used to provide an income for workers who reach retirement age (as early as 60 or any time there after). **Canada Pension Plan (CPP)**

**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** to 70 years of age;
- 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.

4.95% CPP

Use the [CPP contributions rates, maximums and exemptions](#) chart, to determine how much CPP contributions to deduct.

As an employer, you must also contribute the same amount of CPP that you deduct from your employees' remuneration.

Quebec employers deduct **Quebec Pension Plan (QPP)** contributions instead of CPP contributions. For information, see [Revenu Québec](#).

## EI – Employment Insurance

2018-19-2019-20

### 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.

1.62%  
~~1.88%~~ EI

**Insurable employment** includes most employment in Canada under a contract of service (employer-employee relationship).

There is **no age limit** for deducting EI premiums.

 <http://www.cra-arc.gc.ca/tx/bsnss/tpcs/pyrll/t4032/2015/menu-eng.html>

## Canada Pension Plan (CPP) and Employment Insurance (EI)

### CPP contributions for 2015

Maximum pensionable earnings .....	\$53,600
Annual basic exemption .....	\$3,500
Maximum contributory earnings .....	\$50,100
Contribution rate (%) .....	4.95
Maximum employee contribution .....	\$2,479.95
Maximum employer contribution.....	\$2,479.95

You stop deducting CPP when the employee reaches the maximum annual contribution for the year.

### EI premiums for 2015

Maximum annual insurable earnings.....	\$49,500
Premium rate (%) .....	1.88
Maximum annual employee premium.....	\$930.60

You stop deducting EI when the employee reaches the maximum annual premium.

 [Tables - Fed\\_Prov Tax and CPP\\_EI July 2015.pdf](#)

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.

C

4.95%

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

**\$3500**

P

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

2. Subtract the exemption from the gross pay.

P

3. Multiply by 4.95%





# 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.



*People who are self-employed do not have to pay Employment Insurance premiums, but are also not eligible for EI if they find themselves out of work.*

## WHAT TAX CODE???

Employers have their employees fill out a Personal Tax Credit Return form to determine how much taxes should be taken off each cheque.

School... Disability... Spouse...Caregiver...Infirm dependent...etc. ???

Most employees prefer to be under Code #1 because they will get money back at the end of the year.





## · Taxable Income...

**Benefits are deducted before federal/provincial tax is calculated**  
[Union dues and pension]

**Gross Pay - Before Tax Deductions**

**NOTE:** CPP is a contribution and EI is a premium.  
(under the tax section but is not taxed)

650.00  
- 34.60  
- 134.78

Employee Name: Hermione		
Company:	Pay Begin Date: 09/08/2011	Net Pay: <b>\$480.62</b>
	Pay End Date: 15/08/2011	Cheque Date: 16/08/2011

General		Taxes Data	
<b>Employee ID:</b>	Job Title: Appliance Repair Apprentice	Description	Federal
<b>Address:</b> 123 Main Street St. John, NB	Pay Rate: \$650.00/wk Annual: \$33 800.00	Claim Code	1

Hours and Earnings			Before-Tax Deductions		Taxes	
Description	Current		Description	Amt.	Description	Amt.
	Rate	Gross Earnings				
Regular	\$650.00/wk	\$650.00	Union Dues	\$14.10	Federal	\$53.10
			Pension	\$20.50	Provincial	\$42.00
			<b>Total</b>	<b>\$34.60</b>	CPP	\$28.43
					EI	\$11.25
					<b>Total</b>	<b>\$134.78</b>

**Benefits:** a range of programs that benefit employees; these vary from employer to employer

Union Dues  
Pension  
Investments

These amounts are subtracted from the gross earnings before taxes are calculated.



## **HOMEWORK...**

Check out pages 76 and 77  
questions 1 - 8

**[2.3 Build Your Skills Detailed Solutions.pdf](#)**



2.3 Build Your Skills Detailed Solutions.pdf