FMP10 Name: ___________________________
Date: ___________________________

Unit 7: Personal Finance
7.2A Net Income Part 1

Net Income: Gross Income – Deductions

- "take-home pay"

Note: for the purpose of practice questions a certain set of values will be used. Current values are always changing.

Main deductions:

1) CPP – Canada Pension Plan
- Provides some income after retirement
- Approx. 3.2% of gross annual income exceeding $3500 [current rate is 5.7%; current exemption $3500]
- Maximum annual CPP contribution $1068.80 [current max $3499.80]
- Only paid by employees 18 years of age or older

2) EI – Employment Insurance
- Provides some income during periods of unemployment (caused by no fault of the individual) to eligible applicants
- Need to have accumulated between 420 and 700 hours of insurable employment during a 52 week period preceding unemployment to be entitled to receive EI regular benefits.
- Approx. 2.7% of gross income [current 1.58%]
- Maximum annual EI contribution (premium) $1053 [current $952.74]

Ex. Michelle's gross income is $1400 bi-weekly. Calculate her CPP and EI deductions for each pay period.

3) Income Tax – federal & provincial

- Revenue for government to pay for services
- Depends on income & tax credits (tax free dollars)
- Calculated only on taxable income (will look at how this is calculated in Part 2)
- Use tax table to calculate

CURRENT (2021)

Annual Taxable Income		
Over	Not Over	Tax Rate
$0	$49,020	15%
$49,020	$98,040	20.5%
$98,040	$151,978	26%
$151,978	$216,511	29%
$216,511		33%

Ex. Steve has an annual taxable income of $60,000. Calculate his federal tax.

Note: the actual amount paid in federal tax (called Basic Federal Tax will be less due to Tax Credits)

Provincial Tax (for our purposes) is calculated as a percentage of Basic Federal Tax (use Provincial Tax Table)

Ex. Kim, who lives in BC, has a basic federal tax of $11590. What is her provincial tax payable?

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