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Unit 3 - Finance 3.6 - Payroll Deductions

Definitions

Taxable Income – the amount of income on which you pay tax (is usually smaller than your gross pay).

Overview

- Sums of money taken off of your gross pay are called *deductions*.
- Canada Pension Plan (CPP), Employment Insurance premiums (EI) and income tax (IT) are deductions required by Canadian law.
- These deductions are used for the following purposes:

CPP – pay citizens an income after they are 65 years old.

EI – provide an income replacement if you lose your job.

IT – pay for government expenses (building & maintaining roads, schools, hospitals, etc).

- Some deductions, such as group insurance, union dues, health care and company benefits, are mandatory
- Other deductions, such as charitable donations of Registered Pension Plans (RPP), are voluntary.
- When an employee begins working at a job, they fill out a TD1 form that identifies whether they are able to claim certain deductions that reduce their taxable income.
- The amount of these deductions determines an employee's claim code and tells his or her employer how much income tax to deduct form their gross pay
- Expenses for child care, caring for an elderly or ill person, number of dependents and charitable contributions, allow an employee to claim a higher claim code

Examples

Use the data tables provided to help answer the following questions.

1.	Determine	the amount of CP	\mathbf{P} deducted for	r the following gross	incomes.
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- a) \$361.98 b) \$385.82 c) \$388.50
- d) \$411.01

2. Determine the amount of **EI** deducted for the following gross incomes.

- a) \$370.92
- b) \$384.64
- c) \$452.47
- d) \$476.15

3. Determine the amount of **federal IT** deducted for the following net incomes (claim codes are in the brackets).

- a) \$350 (2) b) \$412 (5) c) \$513 (8)
- d) \$548 (3)

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		a) \$396 (3)	b) \$450 (0)	c) \$360 (2)	d) \$424 (4)	
	5.	What <u>range</u> of weekly ยู	gross incomes would resu	ult in paying the followin	g amounts of CP	P ?
		a) \$16.27		b) \$17.22		
	6.	What <u>range</u> of income	s would result in paying	the following amounts o	f federal IT (clair	n codes in brackets).
		a) \$28.35 (2)		b) \$15.70 (6)		
Ass	signn	nent				
1.	Det	ermine the amount of (CPP deducted from the fo	ollowing gross incomes.		
	a) :	\$358.92	b) \$378.07	c) \$398.92		d) \$404.59
	e) :	\$389.60	f) \$385.55	g) \$405.01		h) \$413.15
2.	2. What range of weekly gross incomes would result in paying the following amounts of CPP ?					
	a)	\$14.55	b) \$15.67	c) \$15.85		d) \$17.15
2	Det	ermine the amount of F	I deducted from the follo	nwing gross incomes		
J .		\$377.94	b) \$344.50	c) \$487.90		d) \$435.80
	e) :	\$465.69	f) \$361.40	g) \$418.81		h) \$388.88

4. Determine the amount of **provincial IT** deducted for the following net incomes (*claim codes are in the*

a) \$7.32	b) \$5.97	c) \$8.06	d) \$6.90
Determine the amount of fe	ederal IT deducted from the follo	owing taxable incomes (claim cod	des in brackets).
a) \$398 (2)	b) \$384 (4)	c) \$484 (6)	d) \$454 (7)
e) \$436 (1)	f) \$350 (4)	g) \$402 (0)	h) \$485 (5)
What range of incomes wou	uld result in paying the following	amounts of <i>federal</i> IT (claim cod	des in brackets).
a) \$6.25 (5)	b) \$17.75 (1)	c) \$4.40 (7)	d) \$5.25 (4)
Determine the amount of p	rovincial IT deducted from the fo	ollowing taxable incomes (claim	codes in brackets).
a) \$436 (4)	b) \$400 (0)	c) \$434 (5)	d) \$420 (2)
e) \$450 (5)	f) \$416 (4)	g) \$356 (1)	h) \$438 (3)
What range of incomes wou	uld result in paying the following	amounts of <i>provincial</i> IT (claim	codes in brackets).
a) \$8.10(1)	b) \$1.05 (4)	c) \$1.25 (5)	d) \$4.40 (3)
	Determine the amount of f a) \$398 (2) e) \$436 (1) What range of incomes word a) \$6.25 (5) Determine the amount of p a) \$436 (4) e) \$450 (5) What range of incomes word and the second	Determine the amount of <i>federal</i> IT deducted from the folice a) \$398 (2) b) \$384 (4) e) \$436 (1) f) \$350 (4) What range of incomes would result in paying the following a) \$6.25 (5) b) \$17.75 (1) Determine the amount of <i>provincial</i> IT deducted from the fear (a) \$436 (4) b) \$400 (0) e) \$450 (5) f) \$416 (4) What range of incomes would result in paying the following	Determine the amount of <i>federal</i> IT deducted from the following taxable incomes (claim code) a) \$398 (2) b) \$384 (4) c) \$484 (6) e) \$436 (1) f) \$350 (4) g) \$402 (0) What range of incomes would result in paying the following amounts of <i>federal</i> IT (claim code) a) \$6.25 (5) b) \$17.75 (1) c) \$4.40 (7) Determine the amount of <i>provincial</i> IT deducted from the following taxable incomes (claim a) \$436 (4) b) \$400 (0) c) \$434 (5) e) \$450 (5) f) \$416 (4) g) \$356 (1) What range of incomes would result in paying the following amounts of <i>provincial</i> IT (claim code)

4. What range of incomes would result in paying the following amounts of EI?