

4.2 Net Pay

Math 10

Net Pay

Example 1: Determine John's net pay for this pay period.

Sample company Name, 123 My Home Street, WINIPEG MB CANADA, R2W 2Y8						EARNINGS STATEMENT	
John Smith							
EMPLOYEE ID	PERIOD ENDING			PAY DATE	CHECK NUMBER		
123456	2013/11/25			2013/11/20	321654		
INCOME	RATE	HOURS	CURRENT TOTAL	DEDUCTIONS	CURRENT TOTAL	YEAR TO DATE	
REGULAR	20	80	$20 \times 80 = 1600$	CPP	65.03	1,495.69	
OVERTIME	25	5	$25 \times 5 = 125$	EI	28.62	658.26	
				INCOME TAX	305.90	7,035.70	
				UNION DUES	10.84	249.32	
				LIFE INSURANCE	4.94	113.62	
				LONG TERM DISABILITY	7.01	161.23	
				CANADA SAVING BONDS	8.00	184.00	
YTD GROSS	YTD DEDUCTIONS	YTD NET PAY		CURRENT TOTAL	DEDUCTIONS	NET PAY	
39,675.00	9,897.82	29,777.18		1725	430.34	1294.66	

Example 2: Sonya works at a bed and breakfast. She earns \$505 weekly. What is her total net income for the year if she works 50 weeks?

1. Gross income: $505 \times 50 = \$25\,250$

2. Deductions: Determine each percentage based on her income. This information can be found on Revenue Canada's website.

Federal Income tax:	<u>15%</u>	CPP:	<u>4.95% (max \$2593.80)</u>
Provincial Income tax:	<u>5.06%</u>	EI:	<u>1.66% (max \$858.22)</u>

Calculations:

Federal Income tax: $0.15 \times 25\,250 = 3\,787.50$

Provincial Income tax: $0.0506 \times 25\,250 = 1\,277.65$

CPP: $0.0495 \times 25\,250 = 1\,249.88$

EI: $0.0166 \times 25\,250 = 419.15$

6734.18

Net pay = gross pay – deductions:

$$= 25\,250 - 6\,734.18$$

$$= 18\,515.82$$

Sonya's net income for the year is \$18,515.82.