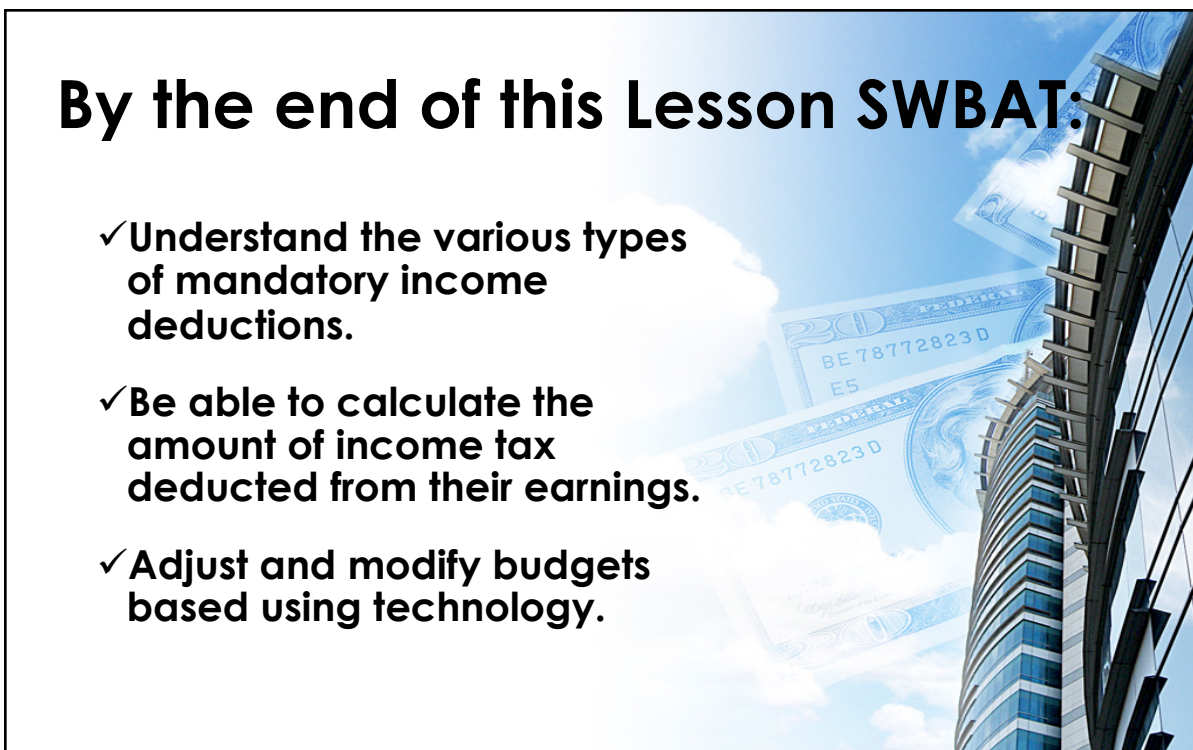


# Financial Literacy

## Lesson 3

### Part 2 - Income Deductions

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## By the end of this Lesson SWBAT:

- ✓ Understand the various types of mandatory income deductions.
- ✓ Be able to calculate the amount of income tax deducted from their earnings.
- ✓ Adjust and modify budgets based using technology.

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# Income Deductions


## Brainstorm

What are some of the most common deductions from an individuals earnings (i.e. income)?

- Income Tax
  - ✓ Provincial
  - ✓ Federal
- Canadian Pension Plan
- Employment Insurance
- Medical Service Plan (MSP)



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**School District 19**  
(Revelstoke)

**School District No. 19 (Revelstoke)**

P.O. Bag 5900, 501 11th Street  
Revelstoke, British Columbia, Canada V0E 2S0

Phone: (250)837-2101 Fax: (250)837-9335  
www.sd19.bc.ca

**LEAVE BALANCES**

Description	Entitlements
SICK LEAVE	34.63

**Statement of Earnings & Deductions**

LOCATION : REVELSTOKE SECONDARY  
GRID PLACEMENT: TE0505

BANK ACCOUNT CHANGES: NOTIFY PAYROLL AT LEAST ONE WEEK IN ADVANCE

EARNINGS					DEDUCTIONS		
Description	Hrs/Days	Rate	Current	Year to Date	Description	Current	Year to Date
SALARY - DAILY	0.00	0.00	0.00	21,638.85	INCOME TAX - PREFERR	0.00	2,135.16
SICK LEAVE	0.00	0.00	0.00	813.78	EI-PREFERRED 12287	0.00	371.24
SIP ALLOWANCE	0.00	0.00	0.00	460.70	CPP - PREFERRED	0.00	1,125.12
RETRO-CURRENT YEAR	0.00	0.00	0.00	297.38	EI REBATE	0.00	0.00
RETRO-PREVIOUS YEAR	0.00	0.00	0.00	284.60	TEACHERS PENSION PLA	0.00	2,624.43
					SIP	0.00	439.34
					TRB FEE - TEACHERS	0.00	80.00
					BCTF DUES - TEACHERS	0.00	420.56
					RTA UNION DUES	0.00	164.46
					NCS	0.00	0.00
					EMPLOYER HEALTH TAX	0.00	0.00
					ADVANCE	-1,873.00	-1,873.00
<b>Earnings Total:</b>					<b>Deduction Totals:</b>		
	0.00		0.00	23,495.31		-1,873.00	5,487.31

MESSAGE							
	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td>Pay Period Ending :</td> <td style="text-align: right;">15-SEP-2020</td> </tr> <tr> <td>Deposit Date:</td> <td style="text-align: right;">15-SEP-2020</td> </tr> <tr> <td><b>NET PAY:</b></td> <td style="text-align: right;"><b>1,873.00</b></td> </tr> </table>	Pay Period Ending :	15-SEP-2020	Deposit Date:	15-SEP-2020	<b>NET PAY:</b>	<b>1,873.00</b>
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Deposit Date:	15-SEP-2020						
<b>NET PAY:</b>	<b>1,873.00</b>						

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## Income Deductions

### Canadian Pension Plan (CPP)

- 4.95% deduction from your wage
  - ✓ **Employer matches your contribution.**
- First \$3,500 is exempt from CPP
- Maximum annual payroll deduction \$2,479.95
  - ✓ **\$53,600 - \$3500 = \$50,100 → Max. Earning Contribution**

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# Income Deductions

## Employment Insurance (EI)

**Employment Insurance (EI)** provides temporary financial assistance to unemployed Canadians **who have lost their job through no fault of their own**, while they look for work or upgrade their skills.

Canadians who are **sick, pregnant, or caring for a newborn or adopted child**, as well as those who must **care for a family member** who is seriously ill with a significant risk of death or who must provide care or support to their **critically ill or injured child** may also be assisted by Employment Insurance.

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# Income Deductions

## Employment Insurance (EI)

- 1.88% deduction from your wage  
 ✓ **Employer pays 2.632%.**
- No Exemption Amount
- Maximum annual payroll deduction \$930.60  
 ✓ **\$49,500 → Max. Earning Contribution**

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# Income Tax

## Recall

A tax that governments impose on financial income generated by all entities within their jurisdiction. By law, **businesses** and **individuals** must file an income tax return every year to determine whether they owe any taxes or are eligible for a tax refund. Income tax is a key source of funds that the government uses to fund its activities and serve the public.



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# Income Tax

## Deductions

Unlike **CPP** and **EI**, there is **no set rate for income tax deductions**; instead, the amount you pay depends on how much money you earn. In addition, there is **no maximum limit**...the more you make the more you pay!

**Income tax is calculated using  
Income Tax Brackets.**



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## Provincial Income Tax Brackets

### Example: Salary of \$95,000

- 5.06% from \$0 → \$38,210  
✓  $\$38,210 \times 0.0506 = \$1,933.43$
- 7.70% from \$38,210 → \$76,421  
✓  $\$38,211 \times 0.077 = \$2,942.25$
- 10.50% from \$76,421 → \$87,741  
✓  $\$11,320 \times 0.105 = \$1,188.60$
- 12.29% from \$87,741 → \$106,543  
✓  $\$7,259 \times 0.1229 = \$892.13$
- 14.70% from \$106,543 → \$151,050 **N/A**
- 16.80% over \$151,050 **N/A**

**Total Provincial Income Tax = \$6,956.41**

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## Federal Income Tax Brackets

**Example: Salary of \$95,000**

- 15.0% from \$0 → \$45,282  
✓  $\$45,282 \times 0.15 = \$6,792.30$
- 20.5% from \$45,282 → \$90,563  
✓  $\$45,281 \times 0.205 = \$9,282.61$
- 26.0% from \$90,563 → \$140,388  
✓  $\$4,437 \times 0.26 = \$1,153.62$
- 29.0% from \$140,388 → \$200,000 **N/A**
- 33.0% over \$200,000 **N/A**

**Total Federal Income Tax = \$17,228**

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## Total Income Tax

Example: Salary of \$95,000

**Total Provincial Income Tax = \$6,956.41**

**Total Federal Income Tax = \$17,228.53**

**Total Income Tax Paid = \$24,184.94**

**Net Income = \$70,815.06**

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## Income Tax

Using the tax brackets on the previous slides, calculate both your **Federal** and **Provincial** Income tax deductions for **each of your careers** (3 in total). Once you have these values calculated enter them in to your budget on the next page... "**Income Deduction**"

Show all your work on separate sheet of paper.

**Note:** These are annual values! Make sure to divide these results by 12 when you put them into your monthly budget spreadsheet.

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## Income Tax

Use the following online income tax calculator to double check your answers.

<https://simpletax.ca/calculator>

**Note:** your answers will not match exactly, but they should be in the ballpark of a few hundred to a thousand dollars.

### Example:

- Provincial:  $\$6,956.41 \div 12 = \$579.70$  per month
- Federal:  $\$17,228.53 \div 12 = \$1,435.71$  per month

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## Due at End of Class

By the end of class you should have completed:

- **ALL** of **Lesson 2 (Basic Budget)** for all three (3) careers.
- **ALL** of **Lesson 3 (Income Tax Deductions)** for all three (3) careers...**anything not completed is for Homework!**
- **Hard copy** of your **budget** is to be handed in...**regardless if it is finished or not**...along with your **career research worksheet**.

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# Exit Ticket

## Questions for Tomorrow's Guest Speaker

On a sheet of paper come up with four (4) appropriate questions you would like to have answered during tomorrow's presentation.

The guest speakers are industry experts from the financial sector...let's see if you can stump them!

The best questions from each class will be shortlisted!

