

1.8

Calculating Net Income

Try These

i) $\$340.00 - \$36.85 = \$$ 303.15

ii) $\$426.44 - \$45.21 - \$4.66 = \$$ 376.57

iii) $\$512.55 - (\$37.88 + \$12.72 + \$5.73) = \$$ 456.22

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What is Marc's **net income**?

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- 1 Subtract Marc's deductions from his gross income.

$$\$287 - \$ \underline{45.36} = \$ \underline{241.64}$$

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2 What is Marc's net income? \$ 241.64

Standard Government Deductions

Income Tax	a portion of an employee's earnings that federal and provincial governments use to provide services
Employment Insurance (EI)	a fund that provides a source of income to people who lose their jobs (through no fault of their own) while they look for a new job
Canada Pension Plan (CPP)	a government fund that provides a monthly pension to workers when they retire

Example 1

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Deduction	Rate
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Solution

Income tax: 15 % of \$770 = \$ 115.50

EI deduction: 1.73 % of \$770 = \$ 13.32

CPP deduction: 4.95 % of \$770 = \$ 38.12

Optional Deductions

Company Pension Plan	a fund that provides a company pension during retirement, in addition to CPP
Company Health Plan	a plan for medical expenses not covered by other government health care plans
Life Insurance	a plan that pays a sum of money to a family member or designated beneficiary in the case of an employee's death
Disability Insurance	a plan that provides a source of income when an employee is injured and unable to work
Union Dues	a deduction made when an employee belongs to a union. Unions negotiate wages, benefits, and working conditions with employers.
Payroll Savings	an option for employees to make a regular contribution to a savings plan, such as Canada Savings Bonds
Charitable Donations	an option for employees to make a regular donation to a charity

Example 2

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Solution

A. What are Todd's total deductions?

$$\begin{aligned} & \$8.70 + \$ \underline{31.43} + \$ \underline{95.25} + \$ \underline{19.55} + \$15.75 \\ & = \$ \underline{170.68} \end{aligned}$$

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Todd earns a weekly salary of \$635 as a computer technician. The deductions from his gross income are shown at the right. What is his net income for a week?

B. What is Todd's net income for a week?

$$\$635 - \$ \underline{170.68} = \$ \underline{464.32}$$

% deductions

$$\frac{170.68}{635.00} = 26.9\%$$

Practice: Pg 29 # 1 - 4