

Name: _____

Date: _____

Learning Goal 10.2

Using the Canadian tax system.

Federal tax rates for 2021

- 15% **on the first** \$49,020 of taxable income, **plus**
- 20.5% **on the next** \$49,020 of taxable income (on the portion of taxable income over 49,020 up to \$98,040), **plus**
- 26% **on the next** \$53,939 of taxable income (on the portion of taxable income over \$98,040 up to \$151,978), **plus**
- 29% **on the next** \$64,533 of taxable income (on the portion of taxable income over 151,978 up to \$216,511), **plus**
- 33% of taxable income **over** \$216,511

British Columbia

5.06% on the first \$42,184 of taxable income, +
 7.7% on the next \$42,185, +
 10.5% on the next \$12,497, +
 12.29% on the next \$20,757, +
 14.7% on the next \$41,860, +
 16.8% on the next \$62,937, +
 20.5% on the amount over \$222,420

CPP contribution rates, maximums and exemptions

Year	Maximum annual pensionable earnings	Basic exemption amount	Maximum contributory earnings	Employee and employer contribution rate (%)	Maximum annual employee and employer contribution	Maximum annual self-employed contribution
2022	\$64,900	\$3,500	\$61,400	5.70	\$3,499.80	\$6,999.60
2021	\$61,600	\$3,500	\$58,100	5.45	\$3,166.45	\$6,332.90

Federal EI premium rates and maximums

Year	Maximum annual insurable earnings	Rate (%)	Maximum annual employee premium	Maximum annual employer premium
2022	\$60,300	1.58	\$952.74	\$1,333.84
2021	\$56,300	1.58	\$889.54	\$1,245.36

<https://www.canada.ca/en/revenue-agency/services/tax/individuals/frequently-asked-questions-individuals/canadian-income-tax-rates-individuals-current-previous-years.html>

<https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/payroll/payroll-deductions-contributions/canada-pension-plan-cpp/cpp-contribution-rates-maximums-exemptions.html>

<https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/payroll/payroll-deductions-contributions/employment-insurance-ei/ei-premium-rates-maximums.html>

Example What is my net pay after government deductions given that my income this year is \$73 826.44?

Federal:

$$73\,826.44 - \underbrace{49\,020}_{15\%} = \underbrace{24\,806.44}_{20.5\%}$$

← under the threshold for the next bracket so we can stop here.

$$0.15(49\,020) + 0.205(24\,806.44)$$

$$= 7\,353 + 5\,085.32$$

$$= \$12\,438.32$$

PROVINCIAL

$$73\,826.44 - \underbrace{42\,184}_{5.06\%} = \underbrace{31\,642.44}_{7.7\%}$$

← again, don't make enough to get to the next tax bracket.

$$0.0506(42\,184) + 0.077(31\,642.44)$$

$$= 2\,134.51 + 2\,436.47$$

$$= \$4\,570.98$$

CPP

$$0.0570(73\,826.44) = \del{4\,208.11} \quad \$3\,499.80$$

threshold reached

$$EI \quad 0.0158(73\,826.44) = \del{1\,166.46} \quad \$952.74$$

Net income:

$$73\,826.44 \text{ (Gross)} - 12\,438.32 \text{ (Federal)} - 4\,570.98 \text{ (PROVINCIAL)} - 3\,499.80 \text{ (CPP)} - 952.74 \text{ (EI)}$$

$$= \$52\,364.60$$