

Chapter 2 Exercise

Will Borrow works as a welder. He makes \$37537.50 annually.
 He works 37.5 hours per week. He receives his salary every two weeks.
 Use this information to complete the following work and the pay statement. Show all calculations.

- Calculate:
 - Will's gross salary for each pay period:
 $\$37537.50 \div 26 = \1443.75
 - Will's hourly wage:
 $\$1443.75 \div 37.5 = \38.50
- Calculate Will's union dues (0.5% of his gross salary) and his pension (3% of his gross salary):
 $0.5\% \text{ of } 1443.75 = \7.22
 $3\% \text{ of } 1443.75 = \43.31
- Calculate for each paycheck:
 - The CPP contribution (4.95%, exemption of \$3500 per year):
 $4.95\% \text{ of } (1443.75 - 3500) = 0.0495 \times 1309.13 = \64.80
 - The EI contribution (2019 rate is 1.66%):
 $1.66\% \text{ of } 1443.75 = \23.97
- Calculate Will's net income:
 $\$1443.75 - \$7.22 - \$43.31 - \$64.80 - \$23.97 = \1304.45
- Use the tables on p. 90-91 to determine how much income tax (federal and provincial) he will have taken off of his net income:
 Federal income tax: \$819.50
 Provincial income tax: \$1095.70
- Calculate his net salary and complete the pay statement with all the information gathered.

Employee Name: Will Borrow		Net Pay: 1095.70	
Company: [blank]	Pay Begin Date: September 16, 2012	Pay End Date: September 29, 2012	Cheque Date: Sept. 29, 2012
General		Taxes Data	
Employee ID: 146 216	Job Title: Welder	Description: Federal	Claim Code: 1
Address: 314 Meads Street, Guelph, Ontario			
Hours and Earnings		Before-Tax Deductions	Taxes
Description	Current	Description	Description
Hours	Earnings	Union Dues	Federal
75	10943.75	Pension	Provincial
		Total	CPP
Earnings Summary		Total	
Earnings	10943.75	EI	23.97
		Federal	819.50
		Provincial	1095.70
		CPP	64.80
		Union Dues	43.31
		Pension	7.22
		Total	2053.69
		Net Pay	1095.70

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1. If the federal tax rate is 15%, how much is deducted from your \$750.00 paycheque?

15% of 750?
 $0.15 \times 750 = \$112.50$

Income tax rates vary with province or territory, salary, and family circumstances.

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#3

$$4.95\% \text{ of } \left(\text{gross} - \frac{3500}{\# \text{ pay}} \right)$$

$$0.0495 \times \left(1578 - \frac{3500}{26} \right)$$

$$= \$71.45$$

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4. Samara's monthly taxable income was \$3276.54. If she paid \$757.24 in taxes, what percentage of her taxable income did she pay?

$$\frac{757.24}{3276.54} = 0.2311$$

$$\times 100 = 23\%$$

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