

<b>FINANCE – Extra Practice – Tax Brackets and Net Income</b>
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A – Determine the federal taxes in each situation

1. Carla has an annual Federal taxable income of \$50 000

$$47630 \times 0.15 + 2370 \times 0.205 = \boxed{\$ 7630.35}$$

2. Matthew has an annual gross income of \$50 000

$$\text{EI} : 50000 \times 0.0162 = \$ 810$$

$$\text{CPP} : (50000 - 3500) \times 0.051 = \$ 2371.50$$

$$\text{Federal taxable income} : 50000 - 810 - 2371.50 - 11635 = \$ 35183.50$$

$$\text{Federal taxes} : 35183.50 \times 0.15 = \boxed{\$ 5277.53}$$

3. Steven earns \$7500 every month. He contributes each month to his union fees (\$50) and an RRSP (\$120).

$$\text{Annual gross income} : \$ 90000$$

$$\text{EI} : \$ 860.22 \text{ (max)} \quad \text{CPP} : \$ 2748.90$$

$$\text{Other deductions before taxes} : (50 + 120) \times 12 = \$ 2040$$

$$\begin{aligned} \text{Federal taxable income} : & 90000 - 860.22 - 2748.90 - 2040 - 11635 \\ & = \$ 72715.88 \end{aligned}$$

$$\text{Federal taxes} : 47630 \times 0.15 + 25085.88 \times 0.205 = \boxed{\$ 12287.11}$$

4. Johnny works at a restaurant. Each week, he earns \$500 plus an average of \$100 in tips. He works 52 weeks per year.

$$\text{Annual Gross Income: } (500 + 100) \times 52 = \$31200$$

$$\text{EI: } 31200 \times 0.0162 = \$505.44$$

$$\text{CPP: } (31200 - 3500) \times 0.051 = \$1412.70$$

$$\begin{aligned} \text{Federal taxable income: } & 31200 - 505.44 - 1412.70 - 11635 \\ & = \$17646.86 \end{aligned}$$

$$\text{Federal taxes: } 17646.86 \times 0.15 = \boxed{\$2647.03}$$

5. Frieda works as a salesperson. She earns \$6500 each month, plus 5% of her sales as a commission. Last year, her sales were \$135 000 for the year.

$$\text{Annual Gross Income: } 6500 \times 12 + 0.05 \times 135000 = \$84750$$

$$\text{EI: } \$860.22 \text{ (max)} \quad \text{CPP: } \$2748.90$$

$$\begin{aligned} \text{Federal taxable income: } & 84750 - 860.22 - 2748.90 - 11635 \\ & = \$69505.88 \end{aligned}$$

$$\begin{aligned} \text{Federal taxes: } & 47630 \times 0.15 + 21875.88 \times 0.205 \\ & = \boxed{\$11629.06} \end{aligned}$$

6. Gwendolyn is a teacher. She earns \$4487 biweekly. She contributes every month to her union fees (\$70) and an RRSP (\$475).

$$\text{Annual Gross Income: } 4487 \times 26 = \$116662$$

$$\text{EI: } \$860.22 \text{ (max)} \quad \text{CPP: } \$2748.90 \text{ (max)}$$

$$\text{Other deductions before taxes: } (475 + 70) \times 26 = \$14170$$

$$\begin{aligned} \text{Federal taxable income: } & 116662 - 860.22 - 2748.90 - 14170 - 11635 \\ & = \$87247.88 \end{aligned}$$

$$\text{Federal taxes: } 47630 \times 0.15 + 39617.88 \times 0.205 = \boxed{\$15266.17}$$

7. Bronwyn is earning \$575 000 per year.

$$\text{EI: } \$860.22 \quad \text{CPP: } \$2748.90$$

$$\begin{aligned} \text{Federal taxable income: } & 575000 - 860.22 - 2748.90 - 11635 \\ & = \$559755.98 \end{aligned}$$

$$\begin{aligned} \text{Federal taxes: } & 47630 \times 0.15 + 47629 \times 0.205 + 52408 \times 0.260 \\ & + 62704 \times 0.29 + 349384.98 \times 0.33 \\ & = \boxed{\$164015.73} \end{aligned}$$

You would determine the territorial taxes in a similar way.