

## Module 2 - Income and Taxes

## HANDOUT 2-3

### Reading a pay stub

**Pay Period:** This is the date range you are being paid for. It is usually biweekly (every two weeks). It could also be semi-monthly – that is, always on the 15th and 30th of the month. Sometimes the pay period is monthly.

**Pay Date:** This is the date that you can cash the cheque. The cheque is no longer valid (stale-dated) six months from that date.

**SIN:** This is your Social Insurance Number. You must keep it very private, to protect yourself from identity theft. DO NOT carry your SIN card in your wallet! If your pay stub includes your SIN, file it safely, and then shred it before throwing it away.

**Pay Rate:** This is the amount you are paid per hour. Some people make a salary that does not depend on their hours worked. On their pay stubs, they see only the amount of pay in the pay period, but not an hourly rate of pay.

**# of Hours:** This is the number of hours in this pay period. Check to make sure it is correct. If you have worked more hours, speak with your employer. If your employer uses a time clock, always remember to punch in and out so your hours are recorded.

**Gross Pay:** This is the amount you have earned before any deductions.

**Year to Date:** Many pay stubs will keep a running total of your earnings and deductions for the year.

**Federal Income Tax:** Your employer will calculate the amount of federal income tax to deduct from your earnings. The tax system in Canada is 'progressive'. This means that the more income you make, the higher percentage of your income will go toward taxes.

**Provincial Income Tax:** Your employer will also calculate the amount of provincial income tax to deduct from your earnings. This amount will be lower than the federal tax and is different in each province.

**Canada Pension Plan (CPP):** For those 18 years old and over. Employers will deduct 4.95% from your gross earnings over \$3500 until you reach the maximum contribution. The 2015 maximum was \$2,479.95. It goes up each year.

**Employment Insurance (EI):** Employers deduct 1.88% (excluding Quebec) from your gross earnings until you reach the maximum contribution. The maximum was \$930.60 in 2015.

**Net Pay:** This is the Gross Pay minus the deductions – the amount you take home.

**Your employer must provide you with a pay stub to show your earnings and deductions. Check to make sure that the information is correct!**