



## Understanding your Pay Statement

Understanding the tax deductions on your pay stub

By law, an employer must deduct the following amounts from your employment earnings:

- Income tax
- Employee contributions to Employment Insurance (EI)
- Employee contributions to the Canada Pension Plan (CPP)

These deductions mean that the amount on your paycheque will be less than the total you earned. Your employer must withhold and remit these amounts directly to the Canada Revenue Agency (CRA). However, you do get credit for having paid these amounts, which are reported on your T4, when you file your annual tax return.

Fort McMurray Catholic Schools Staff are paid by direct deposit. A pay statement is emailed to each employee on the day of the direct deposit. Your pay statement will contain the following common terms:

- Earning or Gross pay – Your “gross” pay is the amount you make every week, every month or every hour before your employer deducts any income taxes, payroll taxes (EI and CPP) or other items.
- Employer Paid Benefits: The portion of the benefit costs paid by the District (the employer) in accordance with legislation, collective agreements or contract of employment. For teachers, the employer paid portion of the ATRF (Alberta Teachers Retirement Fund) monthly contribution is paid directly by Alberta Education and will not be shown on your Pay Statement.
- Deductions: The income tax, EI and CPP paid directly to the CRA on your behalf along with your portion of premium cost for benefits such as pension (LAPP or ATRF), Union Dues and Group Insurance Plan. You may also have asked for other money to be deducted from your pay and directed to other agencies such as the repayment of loans, WBHDC Rent or donation to the United Way.
- Net pay – Your “net” or “take home” pay is your gross pay, less all amounts deducted and remitted to CRA on your behalf by your employer.

## Required deductions

Income tax

In Canada, we pay income tax at graduated rates. This means that the tax rate goes up as your income goes up. All payroll systems, including the one used by the District, must be certified by the CRA and must use the applicable federal tax rates for the Province in which the salary is earned.

Canada Pension Plan (CPP) and Employment Insurance (EI)

These programs are run by the federal government and participation is mandatory. You may benefit in the future by receiving payments from these programs. For example, EI protects



workers who become unemployed by paying out benefits to those who apply and qualify. If you retire after age 60, the CPP pays benefits to seniors who qualify.

In addition to the amounts that are deducted and withheld from your pay, your employer also makes contributions to EI and CPP on your behalf. The amount depends on how much you contribute.

Why is my net pay in January less than December of the previous calendar year?

There may be a number of reasons as to why your net pay may be decreased in January of a new taxation year. Most likely, this decrease is because employee and employer contributions to Employment Insurance (EI) and Canada Pension Plan (CPP) are based on all eligible earnings beginning with the first pay each January and contributions cease during the calendar year once the maximum contributions are reached. For those employees who earned more than the CPP and EI ceilings, the maximum contributions would probably have been reached prior to the December pay period.

The contributions for CPP and EI will cease during the new taxation year once the annual maximum is reached again. This will therefore increase the net pay.

Abbreviations used on Pay Statement for Employer Paid Benefits and Deductions

Below is an explanation of some of the Employer Paid Benefits and Deductions code you may see on your Pay Statements. Not all codes are listed.

Canada Revenue Agency (CRA)

- CPP: Canada Pension Plan ([CPP CRA Website](#))
  - 2017 contribution rate is 4.95 % of pensionable earning for both employer and employee
  - 2017 Annual Maximum Contribution is \$ 2,564.10
- EI: Employment Insurance ([CRA EI Website](#))
  - 2017 employee contribution rate is 1.63 % of insurable earning. Employer contribution is 2.282% (1.4 times employee's premiums)
  - Annual maximum employee contribution is \$ 836.19

## Pension

- LAPP: Local Authorities Pension Plan – [See LAPP Website here](#)
- ATRF: Alberta Teachers' Retirement Plan – [See ATRF Website here](#)

## FMCSO Group Insurance and Benefits Plan

- Life: Life Insurance (by Manulife Life Insurance Company)
- AD&D: Accidental Dismemberment and Death insurance (by SSQ Financial Group)
- LTD: Long Term Disability Insurance (by Manulife Life Insurance Company)
- Dental: Dental Insurance Plan (Alberta Blue Cross)
- EHC: Extended Health Coverage (Alberta Blue Cross)
- Vision Care: Vision Care Benefit (Alberta Blue Cross)



## **Others**

- WCB: Worker's Compensation Board (Teachers are exempt from WCB except for Principals, Vice-Principals and those teaching industrial arts and home economics)
- CUPE Dues: Union Dues payable to the Canadian Union of Public Employees (CUPE)
- ATA Dues: Dues payable to Alberta Teachers Association (ATA)
- WBHD 16-17: Rent paid to Wood Buffalo Housing Development Corporation (WBHDC)
- WBHDC Loan: Reimbursement of Damage Deposit paid by FMCS D to Wood Buffalo Housing Development Corporation (WBHDC)
- Summer Ben: Prepayment of Employee's share of Summer Benefits
- Res Loan: Reimbursement of Residential Loan
- Res Loan Int: Residential Loan Interest
- CSB Bonds: Canada Savings Bond
- United Way: Donations to United Way

## **Taxable Benefits**

- TXB: In Employer Paid Benefit Box, the prefix "TXB" indicates it is a taxable benefit. The premiums paid by the employer will be added to your Taxable Earnings on your T4A for the taxation year.