

## TAXATION



- Taxes fund various public expenses that citizens enjoy “for free”
- Some examples of what the government provides or subsidizes:
  - Healthcare
  - Roads
  - Public parks / recreation
  - Education
  - Armed forces
  - Transit
  - Welfare / EI / CPP
  - Canadian media
  - Border patrol
  - Emergency services



- Types of taxes:
  - Income tax
    - Based on how much money you earn at a job
    - Taken off paycheques automatically and a report is issued to the government stating earnings and taxation

- This is a sample income tax statement called a T-4, which you receive when you are employed. It breaks down how much you earned and what you paid into (such as pension plans, employment insurance and charity)

Employer's name - Nom de l'employeur ABC Construction Company 9700 Lake City Way N.E. Seattle, WA 98115		Canada Revenue Agency Agence du revenu du Canada Year/Année: 2012		T4 STATEMENT OF REMUNERATION PAID ÉTAT DE LA RÉMUNÉRATION PAYÉE	
14 Employment income - Revenu d'emploi: 65,000.00		22 Income tax deducted - Impôt sur le revenu retenu: 17,000.00			
16 Employee's CPP contributions - Cotisations de l'employé au RPP: 170.00		24 EI insurable earnings - Gains assurables d'EI: 700.00			
17 Employee's CPP contributions - Cotisations de l'employé au RCSC: 0.00		26 CPP/RCSP pensionable earnings - Gains assujettis à la pension: 0.00			
18 Employee's EI premiums - Cotisations de l'employé à l'AE: 30.00		44 Union dues - Cotisations syndicales: 40.00			
20 RPP contributions - Cotisations à un RPA: 120.00		46 Charitable donations - Dons de bienfaisance: 10.00			
52 Pension adjustment - Facteur d'équivalence: 0		50 RPP or RCSP registration number - N° d'ajustement d'un RPA ou d'un RCSC			
55 Employee's PPF premiums - Cotisations de l'employé au RPA - voir au verso		56 PPF insurable earnings - Gains assujettis au RPA			
10 Province of employment - Province d'emploi: CN		28 Employment code - Code d'emploi: X			
12 Social insurance number - Numéro d'assurance sociale: 345 675 656		29 RPP/RCSC - AE - RPA			
54 Payroll account number / Numéro de compte de retenues		Employment code - Code d'emploi			
Employee's name and address - Nom et adresse de l'employé Last name / Nom de famille: Buhner First name / Prénom: Jay Home Run Lane RT 4 Box 345 Vancouver, BC B4E4S9 CA		Other information (see notes)			
Other information (see notes)		Autres renseignements (voir au verso)			

- Sales tax
  - A percentage added to the cost of items purchased (in Ontario the rate is 13%, or 13 cents per dollar)
  - There are different rates between provinces. Ontario's is 13%, Alberta's is 5%, and BC's is 12% for example.
  - This is not added to fresh food like produce and bread, but it is added to packaged goods (e.g. pop, candy, chips)
  - These fund provincial programs (think back to our division of powers from the beginning of the year)
- Property tax
  - Paid monthly or quarterly to the municipal government
  - Based on how much your property is worth (for instance, a high-demand, renovated cottage on the lake will demand more tax than a "fixer-upper" in a poorer part of town)
  - Funds municipal programs and services
- Excise taxes (gas / gambling / alcohol / cigarettes)
  - Used mostly to deter undesirable behaviour by the public like smoking, driving high-pollution cars, and drinking
  - Funds used for provincial / federal programs, in some cases those aimed at addiction recovery / rehabilitation

*Thinking Critically:*

1. You go to the grocery store and purchase a loaf of bread, some tomatoes and sliced turkey. The prices add up to \$5.60. Do you need to add tax?  
  

YES
NO
2. You then go to Chapters and find a book you have been after. The cost is \$10.00. After tax, what would you have spent if the rate is 13%? (hint: 13% as a fraction is 13/100. Multiply this by 10 to get the "added tax", then add it to the original amount to get the final price)
3. You purchase 4 lottery tickets at \$4 each. Your total comes to \$20. What type of tax was likely added to your purchase?

How much tax was added?