Solution to Hand-In assignment 1

Part (1) Employment income - Current employer:

Salary		$70,000
Deduct:		
Auto travel costs		
Lease	$6,000	
Insurance	1 800	
Repairs	600	
Gasoline	4,200	
	$12,600	
Employment portion 10,000/22,000 x $12,600		(5,727)
Meals out of town (50% x $2000)		(1,000)
		$63,273

Part (2) Employment income - New offer:

Salary		$60,000
Auto standby charge ([$650 x 12] x 2/3)		5,200
Auto operating benefit 12,000 km x 27¢		3,240
Low interest loan		
Prescribed rate (2% x $100,000)	$2,000	
Less actual interest (1% x $100,000)	(1,000)	1,000
Life insurance		900
Club dues		4,200
		$74,540

CPP, EI are tax credits and NOT DEDUCTIONS from Employment Income

Medical insurance paid by the employer on behalf of the employee is NOT a taxable benefit

Part (3) Increase (decrease) in disposable income:

Reduction in gross salary		$(10,000)
Increase in tax cost		
($63,273 - $74,540) x 40%		(4,507)
Cash savings from benefits:		
Lease on auto ($500 x 12)		6,000
Operating costs		
insurance	$ 1,800	
repairs	600	
gas	4,200	6,600
Travel (meals)		2,000
Mortgage interest ($100,000 x [4% - 1%])		1,000
Life insurance		1,200
Medical insurance		1,600
Club dues		4,200
Increase in disposable income		$ 10,093

CONCLUSION:
CHANGE JOBS, YOU WILL HAVE $10,093 MORE DISPOSABLE INCOME.
ALTHOUGH GROSS SALARY IS LOWER, YOU HAVE MORE BENEFITS THAT'S ONLY COSTING YOU THE TAXES BUT SAVING YOU THE CASH OUTLAY.