

Tax-Exempt Deductions

Tax-Exempt Deductions are deductions which are subtracted from a person's gross income to determine the person's taxable income.

Tax-exempt deductions include the following:

- ★ {
- Union or Professional Dues
 - RPP
 - RRSP
 - Child Care Expenses
 - Others

Taxable Income

Taxable Income is income on which income tax is calculated.

Taxable Income = gross income – tax-exempt deductions.



Helen is a chemical engineer who works for a research chemical company. She has a gross monthly income of \$5 750. She pays union dues of \$65 per month; contributes \$500 per month to a Registered Retirement Savings Plan, and has child care expenses of \$200 per month. Calculate her annual taxable income.

→ union + RRSP + child care

$$\begin{aligned}
 \text{Taxable Income} &= \text{Gross income} - \text{Tax deductions} \\
 &= (5750)(12) - [(65)(12) + (500)(12) + (200)(12)] \\
 &= 69\,000 - [780 + 6000 + 2400] \\
 &= 69\,000 - 9180 \\
 &= \boxed{\$59\,820}
 \end{aligned}$$