

Minimum Wage and the Income Tax System

The following table compares the take-home pay of an individual earning minimum wage in 2007 to 2011.

Take-Home Pay for Saskatchewan Minimum Wage Earners (Individuals with No Dependents)				
	2007	2010	2011	% increase (2011/2007)
Saskatchewan minimum wage rate	\$7.95/hr ¹	\$9.25/hr	\$9.50/hr ²	19.5%
Basic personal income tax exemptions:				
Federal	\$9,600	\$10,382	\$10,527	
Saskatchewan	\$8,778	\$13,348	\$14,535	
Take-home pay – part time (1,600 hours):				
Gross employment income ³	\$12,720	\$14,800	\$15,200	
less: CPP/EI deductions	\$685	\$815	\$850	
Federal income tax	\$215	\$383	\$414	
Saskatchewan income tax	<u>\$358</u>	<u>\$70</u>	<u>\$0</u>	
Net take-home pay	\$11,462	\$13,532	\$13,936	21.6%
Federal GST Credit	\$337	\$380	\$384	
Saskatchewan Low-Income Tax Credit	<u>\$105</u>	<u>\$222</u>	<u>\$225</u>	
Disposable income	\$11,904	\$14,134	\$14,545	22.2%
Take-home pay – full time (2,000 hours):				
Gross employment income ³	\$15,900	\$18,500	\$19,000	
less: CPP/EI deductions	\$900	\$1,063	\$1,105	
Federal income tax	\$660	\$901	\$945	
Saskatchewan income tax	<u>\$684</u>	<u>\$450</u>	<u>\$370</u>	
Net take-home pay	\$13,656	\$16,086	\$16,580	21.4%
Federal GST Credit	\$358	\$380	\$384	
Saskatchewan Low-Income Tax Credit	<u>\$105</u>	<u>\$222</u>	<u>\$225</u>	
Disposable income	\$14,119	\$16,688	\$17,189	21.7%

1 Increased from \$7.55/hr effective March 1, 2007.

2 September 1, 2011 increase in minimum wage rate.

3 Assumes full year impact of the minimum wage rates presented above.

Highlights

Since 2007:

- **19.5% increase** in minimum wage;
- **46% reduction** in Saskatchewan income tax payable for a full-time worker and **100% reduction** (complete elimination) of Saskatchewan income tax payable for a part-time worker;
- **\$120 increase** in the refundable Saskatchewan Low-Income Tax Credit; and
- Overall increase in disposal income of **21.7% for a full-time worker** and **22.2 % for a part-time worker** due to the combined effect of the minimum wage increase and the Saskatchewan income tax reduction.