

# Determining 90% of net for compensation rates

If you are losing time from work due to a work-related injury, you may be entitled to wage loss replacement benefits.

## Section 56 of the *Workers' Compensation Act*

This is the section of the Act that tells us to pay compensation benefits based on 90% of net earnings.

*If your date of accident was prior to September 1, 2018 or on or after January 1, 2021 your earnings are subject to a yearly maximum.*

## Section 1(2) of the General Regulations

This is the section of the General Regulations that defines net earnings as the worker's gross earnings less the probable amount of Employment Insurance (EI), Canada Pension Plan (CPP) and income tax based on tables provided by the government.

### Section 1(2)

For the purposes of the Act and this Regulation, "net earnings" of a worker means the **worker's annual gross earnings** to the nearest \$100 **less the total of:**

- (a) **Employment Insurance** contributions for those earnings
- (b) **Canada Pension Plan** contributions for those earnings
- (c) Probable amount of **income tax** deducted or withheld for those earnings

\*based on tables produced by the Government of Canada for the immediately preceding calendar year.

To determine net earnings, we obtain the worker's gross earnings and then we use the tables produced by the Government of Canada (Canada Revenue Agency or CRA) to verify the net earnings amount to pay.

We do not deduct funds for EI, CPP or income tax from the worker and do not submit any money to the federal government. The tables provided by the Government of Canada are used only for calculating the probable amount of EI, CPP and income tax to determine net earnings. Once we determine a worker's net earnings, we pay benefits based on 90% of these net earnings.

## The compensation tables can be found in our Policy Manual under Appendix E:

<https://www.wcb.ab.ca/about-wcb/policy-manual/appendices/appendix-e.html>

There is no clause in the *Workers' Compensation Act* to adjust the rate of compensation based on an individual's tax circumstances. Compensation rates are calculated the same for all injured workers.

## Policy 04-01 Part II also supports the information above:

### 1. How are net earnings calculated?

WCB calculates net earnings by applying a standard formula to the worker's annual gross earnings rounded to the nearest \$100, as set out in s.1 of the WC Regulation. When rounding to the nearest \$100, WCB rounds up amounts of \$50 or more (for example, earnings of \$19,550 are rounded up to \$19,600).

The formula includes the deduction of Canada Pension Plan and Employment Insurance contributions, and the probable income tax on the gross earnings. The formula is the same for all workers, regardless of actual tax status.

To ensure consistency, WCB prepares tables for each calendar year, indicating gross income in \$100 increments and the corresponding weekly compensation rate, based on 90% of net earnings (see Appendix E, Compensation Tables).

### Example 1:

Your date of accident is March 1, 2019 and your employer confirms your gross earnings are \$60,600.00 per year. To determine 90% of net, we refer to the tax tables in Appendix E of our Policy Manual. The table verifies the equivalent 90% of net annual earnings and the weekly rate. Your benefits would be paid based on \$792.82 per week.

**Example 2:**

Your date of accident is January 30, 2021 and your employer confirms your gross earnings are \$113,000.00 per year. Because your accident was on or after January 1, 2021, your earnings are subject to a yearly maximum. The yearly maximum for 2021 is \$98,700. This means your rate is set based on earnings of \$98,700 per year. To determine 90% of net, we refer to the tax tables in Appendix E of our Policy Manual. The table verifies the equivalent 90% of net annual earnings and the weekly rate. Your benefits would be paid based on \$1,250.83 per week.

Gross Earnings	Weekly Rate	Monthly Rate	Net Income	90% of Net
Example 1: 60,600.00	792.82	3,444.98	45,933.11	41,339.80
Example 2: 98,700.00	1,250.83	5,435.13	72,468.46	65,220.61

