Income Tax Clinic

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My background.....

• Associate - ARCHER gestion de patrimoine
• B. Comm (U Laval) & Grad Studies (McGill)
• Career: Financial services, IT
• IQPF candidate: Financial Planning

Interests: Personal Taxation & Financial Education
Scholarships and Student Aid Office

www.mcgill.ca/studentaid

- Offers advice on financial matters including
  - Budgeting
  - Debt management
  - Loan repayment

- Administers 13 government aid programs
  - Help students determining their government aid jurisdiction

- Administers University need-based programs
Frugal Scholar
Money Management Program

- Created for student by students
- Promote mindful spending habits
- Special events and workshops in the fall and winter
Find this presentation.....

- Revised! New pages on: Prior year filing & Disability
- SEARCH: “McGill prepare your taxes” or “McGill Frugal Scholar”
- https://www.mcgill.ca/studentaid/finances/prepare-your-taxes
- Appendix (for extra info)
Goals of the Tax Clinic

• Understand Taxation Basics
• Focus: topics for STUDENTS
• Quebec tax - some differences
• Know the documents you need
• Ready to file your own taxes online (April 30)

Caveat: I cannot advise on your individual situation.
TAX Guides Available

at CANADA POST office

at DESJARDINS BANK

Online Guides & Telephone Support:

- CRA  http://www.cra-arc.gc.ca
- Revenu Québec  http://www.revenuquebec.ca
TAX TIP - Guides for Students

Students - CRA booklet P105

CRA Videos
http://www.cra-arc.gc.ca/tx/ndvdlssgmntsstdnts/vds-eng.html

International Students
http://www.cra-arc.gc.ca/internationalstudents/

Out of Province Students
TAX TIP - Guides for New Residents

1. CRA “Newcomers” webpage
   http://www.cra-arc.gc.ca/newcomers/

2. RevQC booklet “IN-119”

3. Social Insurance Number SIN/NAS
   http://www.servicecanada.gc.ca/eng/home.shtml
   1-800-206-7218
A word about residency....... 

Income taxation, Canada: based on **residency**, not citizenship

Residency for tax purposes: not clearly defined

Determining your residency: some examples....

- House or apartment
- Spouse & dependents
- Bank accounts or credit cards;
- Provincial Driver's licence;
- Provincial Health Insurance card
- Length of time spent in Canada, more than ½ year?
Determining Residency Status....

CA Resident for Tax Purposes?

QC Resident for Tax Purposes?

Or, Ask the CRA!
http://www.cra-arc.gc.ca/E/pbg/tf/nr74/nr74-12e.pdf
## Tax Software - some are Free!

### U-FILE / IMPOT-EXPERT
http://www.ufile.ca/tips-and-tools/file-for-free

### TURBO-TAX / IMPOT-RAPIDE
https://turbotax.community.intuit.ca/questions/1190102-can-i-file-for-free-using-turbotax

### SIMPLE TAX
https://simpletax.ca/

### H & R BLOCK
https://www.hrblock.ca/online-tax-software/

### Volunteer Tax Prep Services in Montreal
Let’s Get Started!

1. Why file taxes & what if you don’t?
2. Taxation key terms
3. Steps to Filing Your Tax Return
   - Residency for Tax Purposes
   - Tax Forms & Receipts
   - Income, Deductions & Credits
   - Tax Refund? or Tax Bill?
4. Introduction to “U-File” software
Why pay taxes?

To fund public services...

Health, Education, Transportation, Communication, Law & Order, Regulatory, Defense, Social services, Public Safety....
If you owe and don’t file....

The Government can:

- Impose fines/penalties
- Charge interest on unpaid taxes
- Prosecute, in some cases
And you may **LOSE** out on.....

- Tax Refunds $$$
- Tax Credits $$$
- “Carry forward” of credits
  - Tuition
  - Student loan interest
  - Moving expenses (if eligible)
TAX TIP - Filing Prior Tax Years

Start filing with first year you had:

- Tuition fees or
- Income or
- Student loan interest paid

To maximize your:

- GST credit (avail for prior years)
- “Carry forward” of credits, tuition etc.
- RRSP contribution room
- Refunds, if any
TAX TIP - Filing Prior Tax Years

**Option 1**, if 2013 = 1st year at university

In tax software:
- Choose 2013, enter data & print
- File CRA & RevQC, paper copy
- Wait for assessment from each govt (8-12 wks)
- Then, file electronically 2014, 2015, 2016, in order
TAX TIP - Filing Prior Tax Years

Option 2, if 2013 = 1st year at university

In tax software:

• Choose 2013, enter data, print
• Then, choose 2014, enter data, print
• Then, choose 2015, enter data, print
• Then, choose 2016, enter data, print
• File all years together to CRA & RevQC, paper copy
• Wait for assessment from each government (2-3 mths)
• Then, next year, file 2017 electronically!
TAX TIP - Filing Prior Tax Years

Then, **ENJOY**!

- Your GST rebates $$, if eligible
- Your Tuition credits, carried forward
- Your tax refunds $$, if any
- Your RRSP contribution room (if eligible)
“You must pay taxes. But there’s no law that says you gotta leave a tip.”

- Morgan Stanley advert
Taxation key terms

- **“Income”** - money you received
  - includes foreign sources

- **“Deduction”** - subtracted from “Income”
  - reduces Taxable Income

- **“Tax Payable”** - your tax bill, before credits

- **“Credit”** - subtracted from Taxes Payable

- **Refund or Pay?** = Taxes Payable - Credits
Common Income for Students

- **Scholarships / Bursaries** (usually, non-taxable)
- **Research Grants** (usually employment income)
- **Employment income** (salary, commissions, tips, bonuses)
- Employment Insurance payments (EI)
- Self-employment income
- **RESP withdrawals**
- Investment Income (Interest, Dividends, etc.)
Non-Taxable Income (usually)

- Scholarships
- GST/HST/Solidarity credits rec’d
- Cash gifts
- Inheritances
- Tax Free Savings Acct (TFSA) income
- CA Child Benefit (CCB)
- QC Child Tax Benefit
- Child support rec’d
- Strike pay
- Life insurance
- Lottery winnings!
Common Deductions/Credits for Students

- Tuition, Education, Books
- GST/HST Credit, CA
- Moving Expenses, if eligible
- Child Care Expenses, if eligible
- Professional membership & Unions
- Medical Expenses, if enough
Some Quebec differences...

- Living alone credit
- Solidarity credit (RL-31 for housing)
- Foreign researchers, specialists, professors
- Quebec Drug Insurance “Tax” (RAMQ) $660
  - unless covered by private insurance
  - must indicate in software!
TAX TIP - Tax Forms (official)

Where to get tax forms?

University> T2202A & RL-8, Tuition & Months
Employer> T4 & RL-1, Employment Income
EI> T4E, Employment Insurance
Issuer> T4A & RL-1, Scholarships, RESP
Bank> T5 & RL-3, Investment Income
Landlord> RL-31, Solidarity Credit (housing)
Daycare> RL-24, RL-30 for daycare + RC-62
Charities> Official Receipts for Donations
TAX TIP - Tax Forms (official)

- FEBRUARY & MARCH - Tax Forms avail
- Keep contact details UP-TO-DATE
- Electronic Tax Forms
  - Download from McGill, STM, Bank, etc.
  - Request Tax Receipts by EMAIL
- Keep copies of tax documents, 6 years
- Scan & Store electronic copies
TAX TIP - Tax Receipts (all year)

What receipts / documents to keep?

• Moving expenses: travel, hotel, food, movers...
• Public Transit (STM) final year 2017
• Student loan interest paid
• Medical expenses - pharmacy, therapy, dental, vision, tests, ambulance...
• All tax documents from the Government
• Charitable donations
• Business income & expenses
• Home renovations for owners
Credits - For Students

1. Tuition
2. Education (ends 2016)
3. Textbooks (ends 2016)

Tax forms: T2202A & RL-8

- Transferable to one of:
  Parent / Grandparent / Spouse
OR
Carry forward to FUTURE tax year with tax payable
Credits - For Students

- Student Loan Interest paid
  - Carry forward for 5 years
  - Only student can claim this credit
Refundable Credits - Say “YES”!

- **GST Tax Credit (CA)**
  Goods and Services sales tax
  Canadian resident, age => 19

- **Solidarity Tax Credit (QC)**
  Combines QC sales tax and property tax
  - Tenant or subtenant
  - RL-31 from Landlord by February 28
Non-Refundable Credits - For Anyone

- Basic Personal Amount (CA & QC)
- Living alone (QC)
  
  [Link](http://www.revenuquebec.ca/en/citoyen/declaration/produire/comment/aideligne/ligne361.aspx)

- Public Transit (CA) final year 2017
  

- Medical Expenses (CA & QC)
  
  [Link](http://www.cra-arc.gc.ca/medical/)
  [Link](http://www.revenuquebec.ca/en/citoyen/credits/frais_med/)

- Employment Amt (CA) & Deduction for workers (QC)
  
Non-Refundable Credits - For Anyone

- Charitable Donations
- 1st-Time Donor's Super Credit (final year 2017)
- 1st Home buyer ($750)
Other **Non-Refundable** Credits

- Disability
  (see Appendix)
- Volunteer Firefighter / Search and Rescue Volunteer, $450
- Political Contributions
- Dividends, if eligible income
- Investment Expenses, if eligible
Simple calc’s........by software

- **Add Income** - employment, EI, investments, capital gains, scholarships, business..., incl. foreign sources

- **Minus Deductions** - RRSP, moving expenses, union fees-CRA, childcare, pension contributions, losses etc.

  **Result:** **Taxable Income**

- **Taxes Payable** = **Taxable Income** x Tax Rates (CA & QC)

- **Minus Credits** - tuition, moving, medical, public transit, donations, union fees-RevQC, age, disability....

  **Result:** **Refund or Pay**
Recap: Tax Filing 2016, Step-by-Step

1. Determine your **Residency for Tax Purposes**
2. Gather **Tax Documents** (Employment, tuition, public transit, moving, medical, banking, etc.)
3. Enter data for **Income, Deductions & Credits**
   
   $$$: Refund or Pay ?

4. Submit **Tax Returns** to CRA & RevQC by April 30
5. **Receive Tax Assessments** from CRA & RevQC
Ready to File !
Recap: Tax Software, many more....

**U-FILE / IMPOT-EXPERT**
http://www.ufile.ca/tips-and-tools/file-for-free

**TURBO-TAX / IMPOT-RAPIDE**
https://turbotax.community.intuit.ca/questions/1190102-can-i-file-for-free-using-turbotax

**SIMPLE TAX**
https://simpletax.ca/

**H & R BLOCK**
https://www.hrblock.ca/online-tax-software/

Volunteer Tax Prep Services in Montreal
TAX TIP - File your tax return!

“You must pay taxes. But there’s no law that says you gotta leave a tip.”

- Morgan Stanley advert
U-FILE software overview

How to enter the discount code?
http://www.ufile.ca/tips-and-tools/file-for-free
Code: CFS1981

How to enter a scholarship / bursary?

What to Print from Ufile “Tax Return” section?
Click on left hand menu & follow the
“Assembly Instructions p1” and “Assembly Instructions p2”
APPENDIX
Additional information follows............
TAX TIP

For 2017 - changes to tax legislation

• Federal budget

• Quebec budget
Some Quebec differences...

- Foreign researcher, specialist, professor
- Living alone credit
- Solidarity credit (incl. housing allowance, RL-31)
- Graduates working in remote regions
- Tuition fee minimum can be >1 school
- QC Deduction for workers
- Donations (cultural, ecological, art/music)
- Childcare while seeking employment
- Certain “eco” home renovations
- Union fees treated as tax credit not income deduction
Quebec health, extra “taxes”...

- Quebec Drug Insurance (RAMQ)
  - unless covered by private insurance
  - claim as CRA medical expense, next year

- Health Contribution (income-based)
  (new! 2016: zero if income < $134,000)

- Health Services Fund (non-employment income)

- Health insurance paid by **employer** is taxable
Social Insurance Number

ServiceCanada.gc.ca

http://www.servicecanada.gc.ca/eng/home.shtml

1-800-206-7218

**NOTE**: Not eligible to get a SIN?

Complete form **T1261** & send it to the CRA.


1-800-959-8281
Registered Savings / Investment Accounts Approved by CRA:

TFSA / CÉLI - TAX-FREE SAVINGS ACCOUNT

RESP / REÉÉ - REGISTERED EDUCATION SAVINGS PLAN

RRSP / REÉR - REGISTERED RETIREMENT SAVINGS PLAN

RDSP / REEI - REGISTERED DISABILITY SAVINGS PLAN
TFSA / CÉLI - TAX-FREE SAVINGS ACCOUNT

- Canadian resident, 18 years, SIN
- CASH & investments (stocks, bonds, mutual funds, ETFs, etc.)
- $5500 deposit limit 2017
- Deposit limits accum. since 2009 / 18th b-day
- Income is TAX FREE: interest, dividends, capital gains, ...
- TAX FREE !

**NOTE:** Tricky for US citizens & non-residents
CRA FAQ  http://www.cra-arc.gc.ca/tx/ndvdls/fq/menu-eng.html

Income Tax and Benefit Guide 2016  
http://www.cra-arc.gc.ca/E/pub/tg/5000-g/5000g-16e.pdf

Do I have to file a return?  
http://www.cra-arc.gc.ca/E/pub/tg/5000-g/5000g-16e.pdf

GST/HST Credit – New Residents of Canada  
http://www.cra-arc.gc.ca/E/pbg/gf/rc151/rc151-12-16e.pdf


Scholarships, fellowships, bursaries, study grants  

Scholarship Exemption – Part-time enrolment  
International Students  http://www.cra-arc.gc.ca/internationalstudents/


Determining Residence Status


Ask the CRA!
Submit an NR4 form for an opinion on your residency status
http://www.cra-arc.gc.ca/E/pbg/tf/nr74/nr74-12e.pdf


Tuition Tax Credit  

Solidarity credit  
Foreign researchers & specialists

Moving Expenses

Living Alone

Tax Credit List http://www.revenuquebec.ca/en/citoyen/credits/  

Medical Expenses
If you don’t file, you can **LOSE** out on.....

- Tax Refunds $$$
- Tax Credits $$$
- “Carry forward” of credits
  - Tuition
  - Student loan interest
  - Moving expenses
If you don’t file, you can **LOSE** out on....

- Aid $ for students, parents, employees, small business, etc.

- Access to mortgage & other credit (banks want to see tax history)

- RRSP contribution rights are **earned**, must file taxes to accumulate contribution room (unlike TFSA)
Other Income Sources

- Taxable capital gains
- Business income
- Rental income
- Income from foreign sources
- Employment Insurance payments
- Trust Income

Worker’s Compensation benefits
- Social services benefits
- Universal Child Care Benefit, replaced 2016
- Support payments received
Other Deductions to Income

- Pension plan contributions
- Deduction for Workers (QC)
- Support payments made
- Child care expenses
- RSP contributions
- Capital losses that offset capital gains
- Business losses
- Clergy Residence
Deductions & Credits - For Workers

- Canada Employment Amount (CA)
- Deduction for workers (QC)
- WITB (CA) [link]
- Work Premium (QC) [link]
- Tax Shield (QC) [link]
- CPP or QPP contributions
- EI premiums
- PPIP premiums
Non-Refundable Credits For Families

- Spouse or partner
- Eligible dependent
- Single parent (QC)
- Family Tax Cut (CA), final year 2015
- Children's arts (CA), final year 2016
- Medical expenses: self, spouse & dependent children
  (if >3% of Net income or >$2,237)
- Caregiver for impaired dependent
- Adoption expenses
Benefits & Credits For Seniors

- Pension income, CPP, QPP, OAS, GIS
- Age amount credit >65
- Pension income deduction, $2000
- Seniors’ activities credit
- Home Support services credit
- Independent living
- GST & Solidarity etc.....


RevQC [https://www.google.ca/webhp?sourceid=chrome-instant&ion=1&espv=2&ie=UTF-8#q=revenu+quebec+tax+credits+for+seniors](https://www.google.ca/webhp?sourceid=chrome-instant&ion=1&espv=2&ie=UTF-8#q=revenu+quebec+tax+credits+for+seniors)
Benefits & Credits For Disability

- Benefits & credits for DISABLED taxpayers, students, dependents, & caregivers
- Need medical form T2201 to prove the disability
  

- CRA [Link: http://www.cra-arc.gc.ca/disability/]
Refundable **Tax Credits - Money Back!**

**For Low Income Taxpayers**
- Working Income Tax Benefit
- Medical Expenses Supplement (if eligible)

**For Families**
- Children’s fitness CA - ends 2017
Income, Deduction, Credit

- **Income** - money you received from various sources, including foreign

- **Deduction** - an amount you can subtract from Income, to calculate Taxable Income

- **Taxes Payable** = Taxable Income x Tax Rate

- **Credit** - an amount you can subtract from Taxes Payable, to calculate **Refund or Pay**

  - Types of Credit: **Refundable** and **Non-refundable**
Taxable Income

Income

Less

Deductions

Equals

Taxable Income

Example

$10,000

- $2,000

____

$8,000
Taxes Payable

Taxable Income
\[ x \]

Tax Rate (Federal, 1st tax bracket)
= Federal Taxes Payable

Example

\[
\begin{align*}
$8,000 \\
x \\
15\% \\
\hline \\
$1,200
\end{align*}
\]
Now, Calculate **Refund** or **Pay** Amount

- **Subtract** Taxes already paid:
  - Payroll
  - Instalments

- **Subtract**:
  - Tax Credits
  - Quebec Abatement, 16.5%

- RESULT : **Refund** or **Pay**?
Refund or Pay?

Fed Taxes Payable

Less

Tax Paid already

Tax Credits

Equals

Refund or Pay

Example

$1,200

- ($1,500)

( $ 500)

=  

Refund $800
What if you don’t pay your taxes?

“Make sure you pay your taxes; otherwise you can get in a lot of trouble!”

- Richard M. Nixon