

Newcomer Finances Toolkit

Income Tax

Worksheets



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Income Tax

When you get money, it is called **income**.

Income tax is money you pay the government when you have income.

The government uses tax money to pay for roads, schools, hospitals, and many other things.

Tax money also pays for government **benefit** programs such as the Canada Child Tax Benefit (CCTB) and Old Age Security.

You pay tax on most income, such as money you get from working and from most **investments**.

Investments are things you buy to make a **profit**, like land or **shares** in a company.

You must pay tax on cash income too.

You don't pay tax on some income, such as Canada Child Tax Benefit payments and most gifts and **inheritances**.



When you work, your employer usually takes off income tax, Employment Insurance (EI), and Canada Pension Plan/Quebec Pension Plan (CPP/QPP) from your pay and sends it to the government.

Your employer should give you a **pay stub** to show how much income tax was paid.

Your employer gives you a **T4 slip** by the end of February to show how much money you made the year before and how much you paid in income tax, EI, and CPP/QPP.

If you own a business or you get rent money, you must send in the tax money yourself.

Usually you pay by **instalments** (amounts you send in during the year).

Maria's Story

When Maria and her husband came to Canada, they wanted to work.

A man who came from the same country said he had a job for them.

They worked as cleaners at night in a big office building.

They worked hard and made some money.

Then it was time to do income tax.

They asked for their T4 slips to show how much money he sent to the government in income tax.



The man said, “You are not employees. You are contractors.”

The man did not send income tax money to the government for them.

He said, “You have your own business.”

Maria and her husband had to pay the income tax.

They had no receipts to claim deductions for a business.

So they got paid only a little bit for all their hard work.

- If you are an employee, you should get a pay stub every time the employer pays you. The pay stub shows how much money you made and how much money was sent to the government for income tax, EI, and CPP/QPP. Keep the pay stubs.
- If you are a contractor, you pay income tax and CPP/QPP on your income. You can deduct your business expenses from your income. Keep the receipts for your expenses.

Who Pays Income Tax?

People who are **residents** of Canada for tax purposes pay income tax. Being a resident for tax purposes is different from what Citizenship and Immigration Canada (CIC) calls a resident. You become a resident for tax purposes when you have **residential ties** with Canada, usually on the day you arrive in Canada.

Some examples of residential ties are:

- a home in Canada
- family members who move to Canada to live with you
- things you own in Canada, such as a car, furniture, or clothing
- social ties in Canada (such as membership in a Canadian recreational or religious group)
- a Canadian driver's licence
- a Canadian bank account or credit cards
- health insurance with a province or territory

Newcomers with residential ties to Canada may be:

- Protected persons (refugees)
- Permanent residents (according to CIC)
- People who have applied to CIC to be permanent residents
- People who have approval-in-principle from CIC to stay in Canada

Income Tax Returns

If you owe taxes, you must **file** (send in) an income tax **return**. It's the law. You can get an income tax return from February to May at the post office or from a Service Canada location.

You can get a copy online from the Canada Revenue Agency (CRA) or in tax software.

You can call 1-800-959-2221 to have a tax return mailed to you.

Make sure you have the return for the province or territory where you live because they are all different.

You file one tax return for each year or part of a year that you are a resident for tax purposes.

If you live in Quebec, you may need to file a federal (Canada) return and a Quebec return.

On your tax return, you put your income, **deductions** (amounts that you can take off your income) like child care expenses, and **credits** (amounts you already paid) like income tax you paid to another country.

You must **report** world income (income from Canada and income from other countries) on your Canadian tax return.

You are responsible for paying all the tax you owe.

You can claim all the deductions and credits that apply to you.

You must file your return by April 30 every year.

You file a return for the year before (for example, you file your 2008 tax return by April 30, 2009).

If you owe money, you must pay it by April 30. If you are late, you will pay interest on the money you owe.

If you or your spouse or common-law partner were **self-employed** (had a business), you must file your return by June 15. But if you owe money, you must pay it by April 30.

Why Should I File?

If you owe tax, you must file a return.

If you don't owe tax or you have no income, you should file a return because you may get money back.

If you paid too much tax, you will get a **refund**.

You may get Working Income Tax Benefit (WITB) **advance** payments for working low-income people.

You may get a GST/HST credit for low and modest income people.

You may get Canada Child Tax Benefit payments to help with the cost of raising children under age 18.

You may get tax credits and family benefits from the province or territory where you live.

In your first year in Canada, you may be able to get the GST/HST credit, the Canada Child Tax Benefit, or the Universal Child Care Benefit.

You must fill in applications for these credits or benefits if you haven't filed your first income tax return yet.

You can get the applications online, at a Service Canada location, or by mail if you call 1-800-959-2221.

You can get your refunds or credits by direct deposit to your bank account or by cheque.

Marital Status

For income tax:

You have a **spouse** if you are legally married.

You have a **common-law partner** if you are not legally married and you are living in a conjugal relationship, **and** he or she:

- Has been living with you in a conjugal relationship for at least 12 continuous months, **or**
- Is the parent of your child by birth or by adoption, **or**
- Has custody and control of your child (or had custody and control before the child turned 19) and your child is completely dependent on that person for support.

If you lived together in a conjugal relationship for at least 12 continuous months and separated, and then go back to living together in a conjugal relationship, you are common-law partners.

In this definition, 12 continuous months means any period that you were separated less than 90 days because of a breakdown in the relationship.

You are **separated** if you are living apart from your spouse or common-law partner for more than 90 days because of a breakdown in your relationship.

You are **single** if you don't have a spouse or a common-law partner.

You are **divorced** if a judge ends your marriage in court.

You are **widowed** if your spouse died.

If your marital status changes, tell the CRA because it may change your CCTB or your GST/HST credits.

You can fill out a form called Marital Status Change or you can write a letter to tell the CRA your new status and the date of the change.

If you are now married or living common-law, tell the CRA your spouse or partner's name, address, and social insurance number. Both you and your spouse or common-law partner must sign the form or letter.

You can send the form or letter to your tax centre.

Papers to Keep for Tax Time

You need to keep some papers and receipts for income tax.

You will need these papers to show your income and to **claim** deductions and credits.

Deductions and credits are amounts you can take off your income so that you pay less income tax.

These are some of the papers and receipts you should keep:

- **Information slips** (T4, T5) from your employer, the bank, the government, and any others. These papers show your income, and they come in January or February every year.
- Other papers that show your income (like invoices if you are a contractor)
- Your own records if you are paid in cash
- Bills for your expenses and any income tax you paid by instalment if you have a business or a rental property
- Receipts for any employment expenses
- Rent **receipts** or **property tax bills**
- Union or professional **dues** (money you pay to be a member)
- Public transit receipts (such as bus passes)
- **RRSP contributions**
- Child care **expenses** (bills)
- Moving expenses, if you moved to be at least 40 km closer to work (or to college or university if you are a student)
- Adoption expenses
- Medical expenses (such as prescription medicine, dentist, glasses, private health insurance)
- Receipts for children's sports activities
- Receipts for income tax you paid in another country
- Receipts for donations to Canadian charities or Canadian political parties
- Receipts for household renovations done before Feb. 1, 2010



Filing Your Return

You put your **social insurance number** (SIN) on your tax return.

If you aren't eligible for a SIN but you want to file or have to file a tax return, you can apply for an Individual Tax Number.

Put the province or territory you lived in on December 31 of last year for Province of Residence.

If this is your first tax return in Canada, put the month and day you **entered** Canada (**not** the day you got your Permanent Resident status from CIC) on the first page of the return.

If you have a spouse or common-law partner, you must give information about that person on the first page of the return.

You must report world income on your income tax return.

To convert your income or deductions to Canadian dollars, you can use the Average Exchange Rates on the CRA website.

Canada has tax **treaties** (agreements) with many countries so that people don't pay tax on the same income in two countries.

You can check the treaty countries on Finance Canada's website.

If your income is from a country with a tax treaty, you can call the CRA's International Tax Services Office at 1-800-267-5177 for information.

If your income is from a country without a tax treaty and you paid income tax or profits tax in the other country, check to see what you can deduct on your income tax return.

If you file your income tax return by mail, you send in all your information slips and the receipts and forms that the return says to attach.

Keep a copy of any papers and receipts you send, and keep any papers and receipts you didn't attach.

You keep the papers and receipts for six years in case the Canada Revenue Agency wants to see them.

If you want to file your income tax return online, check the CRA website at www.netfile.gc.ca to see if you can use Netfile.

If you are filing an income tax return for the first time, you can't file by telephone.

If you file your income tax return online or by telephone, you keep the papers and receipts.

Getting Help

You can get help with your income tax return.

You can pay someone to help you, like an accountant or a tax preparation company.

Free Tax Clinics

Associations and organizations in your area offer free tax clinics for people with low incomes.

To go to a free tax clinic, you must have simple taxes.

You can ask at a settlement agency, social service agency, food bank, community centre, or library about free tax clinics.

You can also call 1-800-959-8281 to find out about tax clinics close to you.

Representatives

If you want someone to talk to the CRA for you about your taxes, you must send the CRA a **consent** form.

The consent form tells the CRA that you agree to let them talk about your taxes with your **representative**.

Your representative could be your spouse, common-law partner, other family members, a friend, or an accountant.

You can have more than one representative at a time, but you must send a different consent form for each representative.

If you don't want that person to be your representative anymore, you can **cancel** the consent.

Safety Tips

Even if someone else prepares your tax return, **you are responsible** for the information on the return.

Never sign a blank tax form.

Get a copy of your tax return to keep.

Don't use tax preparers who offer you false claims (like false charitable donations or false child care expenses).

Don't use tax preparers who say they can get you a bigger refund than other preparers.

If they don't do your taxes right, you will pay the taxes, interest, and maybe a penalty or a fine.

After You File

When you send in your income tax return, the CRA checks it to see if there are any mistakes.

The CRA sends you a Notice of Assessment with any changes they made. If you don't agree with the changes they made, you can call 1-800-959-8281 and tell them.

If you still don't agree after you talk with the CRA, you can ask for a review of your assessment.

If you get a refund, the cheque is at the bottom of the Notice of Assessment. You can also get your refund by direct deposit into your bank account. If you owe money and you didn't send the payment when you sent your return, the Notice of Assessment will tell you how to pay.

When you move, remember to tell the CRA your new address by calling 1-800-959-8281.

If your address changes and you don't tell the CRA, your payments for GST/HST credit, CCTB, UCCB, or WITB will stop, even if they are by direct deposit.

The CRA will mail you a new return or an access code for online filing next year in January.

Problems with Income Tax

Missing Information

You should get a T4 information slip from your employer by the end of February for the income you earned the year before.

If you don't get a T4 slip by March, ask your employer for it.

If you can't get all of your information slips by the time you need to send your return, file by April 30 anyway.

Use your pay stubs to find out your income, deductions, and credits.

Send your return by mail and attach a note with the payer's name and address, the type of income, and what you are doing to get the T4.

Changing Your Return

If you find out you made a mistake or you forgot something when you filed your return, you can change it.

You send an **adjustment request** to the CRA.

Do not send another return with the new information.

Wait until you get your Notice of Assessment before you send an adjustment request.

Send an Adjustment Request form or a letter to your tax centre.

You write the change you want to make, the tax year that you want to change, your SIN, your address, and a daytime telephone number.

You also send any papers or receipts that show the change you are making, such as T4 slips or charitable donation receipts.

If the CRA finds out that you have not paid tax on income, you will have to pay the tax you owe and a **penalty** or **fine**, and serious offenders can even go to jail.

If you didn't pay tax that you owed before, you can tell the CRA.

If you tell them and pay the tax before they ask you, then you will pay only the tax plus the interest, with no penalty.

You put Voluntary Disclosures Program on any information that you send.