

Activity 3: Individual Tax Worksheet (Income Tax)

Income Tax

Q1. What does the government spend our taxes on? List five things.

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Q2a. What is a HST/GST income tax refund? Who can qualify?

Q2b. Kerry was born on January 15th and has never filed taxes before. Assuming she wants to qualify for the refund as soon as possible, how old will she be when she files for the first time? What month will she receive her first refund?

Q2c. What if she was born on March 15th?

Q2d. List and briefly describe another reason one might want to file taxes this year, assuming no tax is owed.

CRA Account

Q3. You'll need 4 pieces of information to file your income taxes. List them.

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Q4. What is full registration?

Your Yearly Tax Return

Q5. When is the deadline to file taxes in Canada? When can you start?

Q6. Explain the differences between tax slips, receipts, and certificates.

Q7. Would you rather do your taxes yourself or higher a professional? Explain the benefits of both.

Q8. Visit the CRA website and find 3 types of free tax software.

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Q9. What’s the difference between a deduction and a credit? List 5 credits/deductions.

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Q10. Tommy made \$70, 000 in 2019. He calculated that his personal exemption and deductions are worth \$12,304.00. How much federal tax does he owe?

Taxable Income	Federal Marginal Tax Rates
\$47,630.00	15%
\$95,259.00	20.5%
\$147,667.00	26%

Activity Answer Key

Income Tax

A1. The government taxes businesses and individuals to raise money for public goods and services.

- Taxes fund roads, bridges, schools, the health care and legal systems, army, police, and certain cultural / charitable activities.
- They're used to pay the salaries of government employees and also contribute to social services / benefits for certain groups, such as low income earners, students, retirees, children, and people with disabilities.

A2a. Cash back refund. You must be classified as a low-income earner based on your previous year's tax return. You must also be at least 19 years old.

A2b. She'll turn 18 in January and file taxes 3 months later, by the end of April. She'll get her first refund on the first Friday in April, the following year.

A2c. She'll turn 18 in March and file taxes 1 month later, by the end of April. She'll get her first refund on the first Friday in July, the following year.

A2d. Possible answers:

- Claim tuition tax credit: a non-refundable education tax credit, worth up to 15% of your yearly tuition. You can use it every year you're enrolled, or carry it forward to next year. If you carry it forward, you'll have claim it ahead of any other tax credit when you file the next year. 'Non-refundable' means that it can only reduce your tax bill; if you don't owe any tax, you don't get the credit as a cashback.
- Secure an RRSP tax shelter: It's a government program used to save for retirement. You can start contributing a portion of your income at any age - up to your contribution limit. RRSP contributions are made before taxes are applied to your income.
- Claim a tax refund if too much was deducted: Employers deduct federal and provincial income taxes from our paycheques. If you are entitled to additional tax credits your employers don't know about, they may be deducting more tax than you actually owe. Everyone has a basic personal exemption, which allows you to earn your first \$12,000 tax-free, every year.
- It's required by law if you owe tax: Regardless of age, if you owe the CRA tax, you're legally required to file. You might owe tax in a few situations. For example, if your employer has not deducted enough tax from your paycheque. Or if you had investment income - unlike for paycheques, tax is not deducted from your investment income and it's your responsibility to pay it when you file your yearly return.

CRA Account

A3. SIN, date of birth, postal code, total income from last year's tax return.

A4. Full registration saves and auto fills certain parts of your tax return for future use. This saves a lot of time and grief when doing taxes the following year.

Your Yearly Tax Return

A5. By the end of April. Electronic submission starts in February.

A6. Tax slips, certificates, and receipts are documents you submit when you file your yearly tax return.

- Tax slips are used by employers and financial institutions to show the CRA how much income you've earned - from work and investment income. You'll get them from your employer.
- Universities and colleges use certificates to show to the CRA you're currently enrolled and are paying tuition. You can download your certificates online, from your school's student portal.
- Receipts are used to show the CRA you purchased a particular good or service. Certain expenses are tax-deductible, such as uninsured medical or dental fees, certain moving expenses, or charitable donations. You need to collect receipts in order to claim deductions on these purchases.

A7. Tax professionals will do all the work for you, for a fee. Just provide them with any necessary tax slips, receipts, and certificates.

When you file taxes yourself, you'll use tax software. There are free and paid options. Doing taxes yourself will require more effort, but you'll save money and learn much more.

A8. Multiple answers. Make sure students find completely free software. Some have pay-as-you go policies or one-time fees.

A9. Deductions are subtracted from income before tax is calculated. Credits reduce the amount of tax you have to pay on your income (after deductions have been applied).

A10. \$9,208.03 Remember, he still owes provincial tax.



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