TAX GUIDE
NEWCOMERS

TAXACCOUNT

TAXCCOUNT

Taxccount.com serves as the Canadian arm of Legal Quotient Consultant, specializing in a comprehensive array of accounting and tax services. Dedicated to catering to a wide range of clients, including individuals, expatriates, businesses, and multinational corporations with connections to Canada, Taxccount.com is committed to providing top-tier tax and accounting solutions across the nation. With a focus on leveraging advanced technology and leveraging deep financial expertise, we tailor our offerings to suit the unique needs of our clients. Our objective is to empower our clientele with the necessary insights and tools for informed financial decision-making, thereby ensuring optimal tax management and enhanced financial well-being.

(416) 732-6889

info@lqconsultants.com

www.taxccount.com

Suite 250 997 Seymour St.
Vancouver BC V6B 3M1 Canada

Suite 305 381 Front St w Toronto,
Ontario M5V3R8, Canada

Division Of:

LEGAL QUOTIENT CONSULTANTS

TOPICS

CHAPTER ONE:

TAX BREAKS FOR NEWCOMERS IN CANADA TAX BREAKS FOR NEWCOMERS IN CANADA

Moving to Canada might seem to be an easy decision considering the vast opportunities it offers. But the one thing that most people tend to forget is the taxation system. Gaining insight into the functioning of income tax in this context can enable you to utilize tax advantages, which encompass potential financial benefits through government payments. Continue reading to delve into the specifics.

If you're new to Canada, you could qualify for benefit and credits. To access these potential benefits and credits, it's necessary to annually complete and submit an income tax and benefit return. This process ensures you receive any entitled benefits and credits, fulfill any owed Canadian taxes, or obtain a tax refund.

Points to remember –

- Irrespective of your income, there is a significance of filing your Personal income tax return in Canada. Regardless of the income status, filing of income tax return enables you to request tax benefits and qualify for payments.
- Recent immigrants also have the opportunity to get certain financial benefits before submitting their initial income tax return.
- Typical benefits related to tax that the newcomers may obtain encompass the GST/HST credit, the Canada child benefit (CBB), and the climate action incentive payment (CAIP).

Basics for first time tax filers in Canada

Income tax refers to a government-imposed financial levy on an individual's or entity's earnings, profits, or other forms of financial gain.

It is typically calculated as a percentage of the income earned, with the rate varying depending on the specific income level and applicable tax laws. The revenue generated from income taxes is used to fund public services, infrastructure, social programs, and other government expenditures.

Just like most other countries in the world, a part of the income goes to the government as part of income tax. The percentage of tax that you might pay in Canada would depend on certain factors like:

- Your place of residence
- Your income amount
- Your deductions, credits, and expenditures (items you've paid for that might make you eligible for a reduction in income tax).

For people in employment, your employer will typically deduct your income tax from your salaries and will deposit it with the CRA on your behalf. The amount which is deducted and deposited on your behalf can then be set off against your actual income tax liability when you file your income tax return.

For example, during the entire year, your employer deducted CAD 5,000 from your salary and deposited the same with the CRA. When you file your Income tax return, let’s say you have a total income tax of CAD 10,500; now, the 5,000 will be adjusted against your liability, and you would have to pay an additional 5,500 (10,500 - 5,000) while filing the return. On the other hand, let’s say your income tax liability is CAD 3,000, you will get a refund of CAD 2,000 (5,000 - 3,000)

However, if you're self-employed, you might need to handle your income tax payments independently.

Each year, a significant portion of Canadians is required to settle their income tax obligations with the CRA. This process can be complex and might involve completing documentation that outlines your specific tax situation. In this case, we recommend you hire a tax consultant to advise you and file your income tax return. You can contact **Taxccount.com** to deal with this and make the compliance easier for you.

Once the return is filed, the CRA will evaluate your tax return, ascertain the appropriate tax liability for the year, and issue either a tax bill or a refund, based on the taxes already paid or withheld.

But…… should I really file income tax return in Canada?

If you are a resident in Canada and want to receive any benefits or credits, then it is mandatory for you to file income tax returns regularly. Even with minimal or no income, we advise you to file your taxes to access potential benefits and credits you might qualify for, including –

- Goods and Services Tax (GST) / Harmonized Sales Tax (HST) credit
- Canada Workers Benefit
- Canada Child Benefit (CCB)
- Certain provincial benefits are determined by your income tax returns.

Canadian residents pay income tax to both the federal government and their respective province or territory. However, unless you reside in Quebec, you need to fill a single tax return. The CRA handles all the matters concerning to other provinces in Canada.

How do I file a tax return in Canada?

You have multiple options for submitting your tax return:

- Traditional paper filing
- Electronically filing using authorized tax software

We believe that a simple method is utilizing the "My Account" feature on the CRA's website. Alternatively, if you favor paper filing of your income tax return, you can request the package online from the CRA website or by contacting the CRA at 1-855-330-3305.

Understanding the 90% rule for newcomers to Canada

The "90% rule" for newcomers in Canada refers to the requirement that to be eligible for certain tax benefits and credits, a person must have been a resident of Canada for at least 90% of the tax year. This rule ensures that individuals who have been in the country for the majority of the year can access these benefits and credits. It's important to understand and meet this rule's criteria when applying for tax-related benefits as a newcomer in Canada.

If you're in Canada only for part of a year, the associated figure is adjusted to match the proportion of the year you spent as a resident. However, if 90% of your income during the period when you weren't a resident of Canada is derived from Canadian sources, you can claim the complete Basic Personal Amount, along with other non-refundable tax credits.

Tax for work-permit holders in Canada

There might be a case that you work in Canada but are not a Canadian resident. Even in such cases, you have to pay income tax. However, the specific amount and procedure may differ.

For instance, nonresident seasonal agricultural workers from other countries are only required to pay income tax on their Canadian earnings. If you possess a work permit in Canada, it's recommended to examine the CRA guidelines relevant to your circumstances.

'Welcome to Canada' tax benefits

"Welcome to Canada" tax benefits include the financial advantages and credits available to newcomers who have recently arrived in Canada. These benefits are designed to help ease the transition and support newcomers in their initial period of settling in the country. This often include various deductions, tax credits, and subsidies that can assist newcomers with their financial needs during the early stages of their residency in Canada. These benefits aim to provide additional assistance to newcomers as they adapt to their new life and surroundings in Canada.

Tax incentives are legitimate strategies to reduce your tax liability or obtain additional funds. Newcomers to Canada can take advantage of these opportunities by filing an income tax return as soon as they become eligible to do so. In certain cases, you have the option of getting tax benefits on your initial arrival in Canada, even before you have submitted your tax return. As a newcomer in Canada, there are three specific tax benefits that you should know of.

- **GST/ HST Credit**

The GST/HST tax credit serves as a repayment for the sales tax you've paid on your purchases of goods and services. If you fulfill the eligibility requirements, the government determines the credit amount based on your family's net income and the number of dependent children you have.

When you become a resident, it's necessary to submit the RC151 GST/HST Credit Application Form. If you qualify, payments are disbursed every quarter. To continue receiving these payments, both you and your spouse (if applicable) must ensure on-time submission of your tax returns each year.

- **Canada Child Benefit**

The CCB is a tax-free financial assistance program provided by the Canadian government to help eligible families with the costs of raising children. It is designed to provide financial support for the upbringing of children under the age of 18. The CCB takes into account various factors such as family income, the number of children in the household, and their ages.

Eligible families receive monthly payments from the government, and the amount of the benefit is determined based on the family's adjusted net income. The CCB aims to alleviate the financial burden associated with child-rearing expenses and assist families in providing a healthy and supportive environment for their children.

To avail these benefits, you must apply through Form RC66, the Canada Child Benefits Application, and RC66SCH, the Status in Canada/Statement of Income form. Additionally, both you and your spouse (if applicable) need to submit your tax returns punctually each year to maintain eligibility for receiving these payments.

Climate Action Incentive Payment (CIAP)

The CIAP is a program in Canada that provides financial assistance to residents of provinces that do not have their own carbon pricing system. The payment is intended to help offset the costs associated with the federal carbon pricing program, which aims to reduce greenhouse gas emissions and combat climate change.

Under this program, eligible individuals and families receive a direct payment from the government as part of their income tax return process. The payment amount varies based on factors such as family size and location, but it is designed to provide extra support to households facing higher costs due to carbon pricing initiatives. The Climate Action Incentive Payment is one of the ways Canada is working to encourage energy efficiency and transition to more sustainable practices while also helping citizens manage associated expenses.

Newcomers who have not yet completed a tax return can make an application by sending in form RC66 (for those with children) or RC151 (for those without). The CRA provides an online guide explaining the functioning of CAIP.

4 pro tips for first time tax filers in Canada

Now that you have read so far, we will give you some tips to help you manage it all. Whether you are studying for your degree, working part time in Canada, or are about to get retired, the one thing common is that everyone needs to pay taxes. If you are filing taxes for the first time in Canada, it can be quite a struggle and an overwhelming experience. We are here to help you.

Follow these 4 pro tips for first time tax filers in Canada

- **Start organizing the information!**

Yes, don't wait for the last date to gather the information. Have all the relevant information including T4 statement from the employer, all other income statements, and tax slips with you. Make sure that you possess receipts, charitable donation slips, and any other documents you deem necessary for accurately reporting your income and making claims for deductions.

The Canada Revenue Agency (CRA) recommends retaining your tax records and paperwork for a period of six years after filing, in the event that your return undergoes a review process. It is a good idea that you sign up for CRA My Account. It will be the one place where you will be able to access numerous slips and essential details from your tax history that could be required when filing your return.

Given below is a list of documents that you should gather at the time of tax filing.

Slips required for tax filing:

- Employment income (T4)
- Employment Insurance Benefits (T4E)
- Tuition/ Education Receipts (T2202A)
- Canada Child Benefit (RC66)
- Social Assistance Payments (T5007)
- Worker's Compensation Benefits (T5007)
- Mutual Funds (T3 or T5, and if sold T5008)
- Dividends received (T5)
- Interests Payment Received (T5)
- Old Age Security and CPP Benefits (T4A – OAS, T4AP)
- Other Pensions and Annuities (T4A)

Receipts required for tax filing:

- Medical expenses
- Childcare expenses
- Adoption expenses
- Interest paid on student loans
- Moving expenses
- RRSP contribution receipts
- Political contributions
- Charitable donations
- Professional or union dues
- Employment expenses such as – tools costs for tradespersons and apprentice mechanics
- Child, spouse, or common law partner support payments
- Office-in-home expenses

Some of the other documents that you might require are:

- Disability Tax Credit Certificate
- Notice of Assessment/ Reassessment
- Canada Revenue Agency Correspondence
- Declaration of Conditions of Employment (T2200)
- Rental income
- Automobile/ travel logbook and expenses related to vehicle
- Volunteer firefighters and search and rescue certifications
- Sale/ deemed sale of stocks, bonds, or real estate
- Business, farm, or fishing expenses

Receipts required for tax filing:

- Medical expenses
- Childcare expenses
- Adoption expenses
- Interest paid on student loans
- Moving expenses
- RRSP contribution receipts
- Political contributions
- Charitable donations
- Professional or union dues
- Employment expenses such as – tools costs for tradespersons and apprentice mechanics
- Child, spouse, or common law partner support payments
- Office-in-home expenses

Some of the other documents that you might require are:

- Disability Tax Credit Certificate
- Notice of Assessment/ Reassessment
- Canada Revenue Agency Correspondence
- Declaration of Conditions of Employment (T2200)
- Rental income
- Automobile/ travel logbook and expenses related to vehicle
- Volunteer firefighters and search and rescue certifications
- Sale/ deemed sale of stocks, bonds, or real estate
- Business, farm, or fishing expenses

Create CRA My Account

Believe us, It is really easy to create an account on the CRA website. It would make all things tax related easy for you. You can track your refund, check your benefit and credit payment, view or change your return, and view your TFSA and RRSP contributions on a single platform.

Here's how CRA My Account can prove to be beneficial for you –

- **Access to personal information**

My Account provides secure access to your personal tax information, including past tax returns, assessments, and notices of assessment. This allows you to review your tax history and ensure the accuracy of your records.

- **Convenient online services**

Through My Account, you can perform various tax-related tasks online, such as filing your tax return electronically, updating your personal information, and managing direct deposit information for refunds.

- **Slips and documents retrieval**

My Account allows you to access and download various tax slips, such as T4, T5, and RRSP contribution slips. This is especially useful during tax season when you need these documents to complete your tax return accurately.

- **Correspondence and communication**

The platform provides a secure channel for receiving and responding to communications from the CRA. You can view your notices of assessment, messages, and other important correspondence.

- **Benefit and credit information**

My Account provides information about government benefits and credits you may be eligible for, such as the Canada Child Benefit (CCB) and the Goods and Services Tax/Harmonized Sales Tax (GST/HST) credit.

- **Payment and balance information**

You can view your tax account balance, recent payments, and installments through My Account. This helps you keep track of your tax obligations and any outstanding amounts.

- **Quick and secure**

My Account offers a secure way to access your tax information and perform various tasks online without needing to visit a physical CRA office or mail documents. It saves time and reduces paperwork.

- **Mobile friendly**

CRA has a mobile app version of My Account, making it convenient to access your tax information and perform tasks using your smartphone or tablet.

- **Faster processing**

When you use My Account to file your tax return electronically, the processing time is generally faster compared to paper filing.

- **Environmental impact**

Using My Account reduces the need for paper forms and documents, contributing to an eco-friendlier approach to managing your tax affairs.

It's important to note that while CRA My Account offers many benefits, it's essential to use it securely. Protect your login credentials and only access your account from trusted devices and networks to ensure the privacy and security of your personal tax information.

- **File your tax return accurately**

When utilizing NETFILE to submit your return, it's crucial to ensure the accuracy of your information. If any personal details like your name, date of birth, or SIN don't correspond with the CRA's records, your tax filing will be declined. Prior to submission, carefully review all details and confirm that your name aligns precisely with your Social Insurance Number document.

Maintaining high levels of accuracy is also essential due to potential penalties and interest charges. If information is omitted or inaccurately stated on your return, you could incur a penalty of either $100 or 50% of the amount of understated tax or overstated credit, whichever is higher.

Attempting to deceive on your tax return is never recommended, as the repercussions could extend beyond mere fines and penalties, potentially leading to more serious consequences.

- **Easily file your tax by the deadline**

If you don’t follow the deadline to pay your tax, you might have to pay a penalty as well as interest on any balances you owe to the CRA. It also has the potential to postpone the disbursement of certain tax benefits you’re entitled to.

  - The standard deadline for filing personal income tax for individuals is April 30th, unless there are specific situations leading to an extension.
  - If you're self-employed or have self-employed earnings, your tax filing deadline is June 15th. However, if you owe a balance, it must be paid by April 30th, unless exceptional circumstances result in a government-mandated extension.
  - When filing taxes for your incorporated business, determine the deadline based on your business's fiscal year-end. For most businesses, with a fiscal year-end of December 31st, the filing deadline would be June 30th, with taxes due within 3 months. An exception applies if your net income exceeds $500K, in which case taxes are due within 2 months of your fiscal year-end.

CHAPTER TWO:

ARE YOU REQUIRED TO FILE AN INCOME TAX RETURN?

When you generate income through employment, your employer is required to withhold tax installments from each paycheck and forward them to the Canada Revenue Agency (CRA). The amount which is deducted and deposited on your behalf can then be set off against your actual income tax liability when you file your income tax return. If your employer hasn't withheld enough over the year, you may need to pay additional tax when you submit your tax return. Conversely, if your employer has withheld excess amounts due to the deductions or credits, you're eligible for, you typically receive a refund after filing your annual return.

The CRA mandates that the annual tax filing for the majority of citizens; however, there are exceptions. Let's examine who needs to file a Canadian T1 General tax return and when.

If any of the following applies to you, then you need to file personal income tax -

- You are required to settle taxes on income earned in the preceding calendar year.
- Tax authorities have asked you to submit a return.
- You have engaged in the sale or disposition of assets, such as real estate or corporate shares.
- You possess a taxable capital gain or are reporting a capital gains reserve that you previously claimed on your return for the last year.
- A portion of your Old Age Security or Employment Insurance benefits needs to be reimbursed.
- You have yet to repay the funds withdrawn from your RRSP under a qualified plan, like the Home Buyers' Plan.
- You are contributing to the Canada Pension Plan (CPP).
- You and your spouse or common-law partner have opted to split pension income in the previous year.
- You've made Employment Insurance premium payments on self-employment and other eligible earnings.

- You aim to avail the Canada Workers Benefit (CWB) or you received CWB advance payments in the year.
- You or your spouse or common-law partner wish to initiate or continue receiving the following payments (including any linked provincial or territorial payments): Canada child benefit (CCB), GST/HST credit, Guaranteed income supplement (GIS).

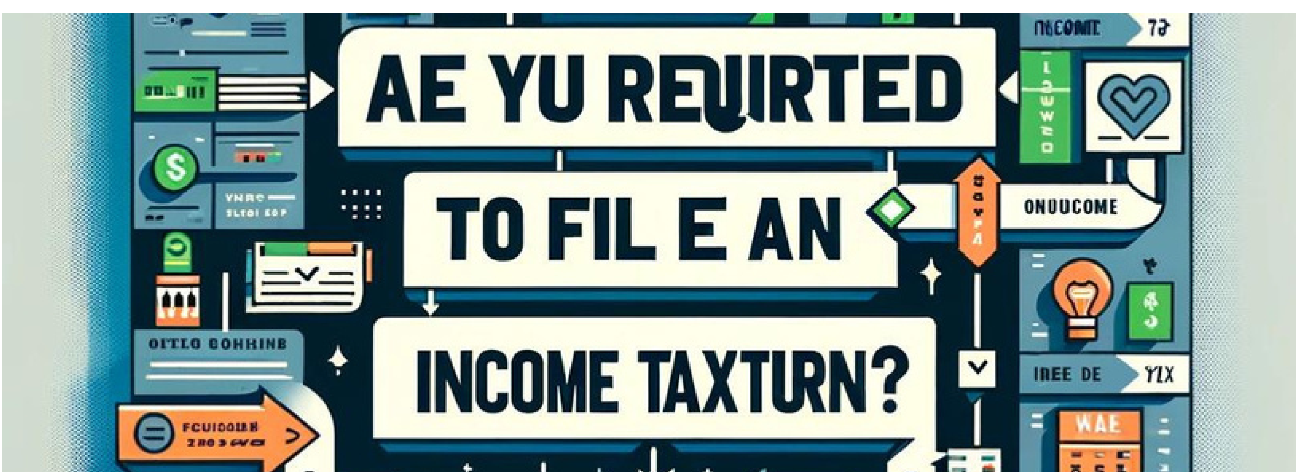
Minimum income to file tax returns in Canada

Every individual who earned income within a given calendar year is required to file taxes, regardless of the income amount. In essence, there is no specific income threshold. Even if your earnings were zero, we advise you to submit a tax return on an annual basis.

However, the amount of tax you owe is contingent on your income level. Canada employs a tiered taxation structure, indicating that the greater your earnings, the higher your tax liability becomes. Given below are the tax brackets for federal tax of the year 2022 –

- 15% on the initial $50,197 of taxable income
- 20.5% on the subsequent $50,195 of taxable income (pertaining to the range between $50,197 and $100,392)
- 26% on the subsequent $55,233 of taxable income (falling within the range between $100,392 and $155,625)
- 29% on the subsequent $66,083 of taxable income (falling within the range between $155,625 and $221,708)
- 33% of taxable income exceeding $221,708

In addition to this, each province and territory possesses its distinct tax brackets. Beyond federal taxes, you also hold an obligation to pay provincial or territorial taxes.



When to file your income tax return?

According to current regulations, you must submit your tax return and settle any owed taxes by April 30th of the subsequent year. For example, your income tax return for the year 2022 must be filed and the taxes must be paid up to 30th April 2023. However, if you, your spouse, or a common-law partner are self-employed and operated a business during the return year, the forms could be submitted by June 15th. In instances like these, while personal tax forms might have a submission deadline of June 15th, any outstanding taxes should still be settled by April 30th.

No exception for age or occupation

Regardless of your age, whether you're 10 or 85, it doesn't impact your obligation to file a tax return. If you fulfill any of the criteria mentioned above, the CRA anticipates receiving an income tax return from you.

In the same way, even students are not exempted from paying taxes. Whether you are a young 17-year entrepreneur who makes money through a small business, or earn through a part time job, as soon as children begin to earn income, it's advisable for them to initiate the process of filing a tax return.

Residency for tax purposes

Your status as a resident in Canada doesn't determine the necessity of filing a Canadian income tax return. However, it does impact the manner in which you file your taxes, the income you are required to report, and the eligibility for specific credits or deductions. If you satisfy any of the criteria set forth by the CRA, such as those mentioned earlier, filing a tax return is obligatory regardless of your residency status.

In case you reside in another country yet receive income from a business owned in Canada, investments held in Canada, or possess property within Canada, you will be obliged to submit an income tax return.

Tax residency in Canada differs from immigration residency. Individuals who could be categorized as tax residents include –

- Canadian citizens and permanent residents
- Refugees (protected persons)
- Individuals with approval-in-principle from Immigration, Refugees and Citizenship Canada to remain in Canada
- Temporary residents, including foreign students and foreign workers

For tax purposes, you attain Canadian residency when you establish substantial residential connections in Canada, generally starting from the day of your arrival in the country.

Residential ties include –

- Assets in Canada, like a residence
- A spouse or common-law partner and dependents relocating to Canada to reside with you
- Personal possessions within Canada, such as a vehicle or furniture
- Connections and relationships established in Canada

Other relevant ties include –

- Possession of a driver's license issued in Canada
- Ownership of Canadian bank accounts or credit cards
- Enrollment in health insurance provided by a Canadian province or territory

Why it is advisable to file a tax return?

Even if it's not obligatory, there are instances where it's still beneficial to file your return for the following reasons –

- You intend to claim a refund
- Information provided on your tax return influences your eligibility for specific federal and provincial benefit programs. Even if you had no income, you might still qualify for benefits like the GST/HST Credit or provincial programs such as the Ontario Trillium Benefit.
- Your RRSP contribution room begins to expand as soon as you generate income. Having more room for RRSP contributions can be advantageous, even if you don't anticipate a refund.
- If you aim to avail the Canada Workers Benefit (CWB) or wish to sustain your receipt of the Canada Child Benefit (CCB).
- In case you attended school and incurred eligible tuition fees, it's necessary to report these figures on your tax return, even if you're not utilizing them. While you might not require the credits for this year, it's crucial to report them in your present-year tax return to facilitate carrying them forward or transferring them.
- Additionally, if either you or your spouse aim to persist in receiving the Guaranteed Income Supplement (GIS) alongside your Old Age Security (OAS) payments.

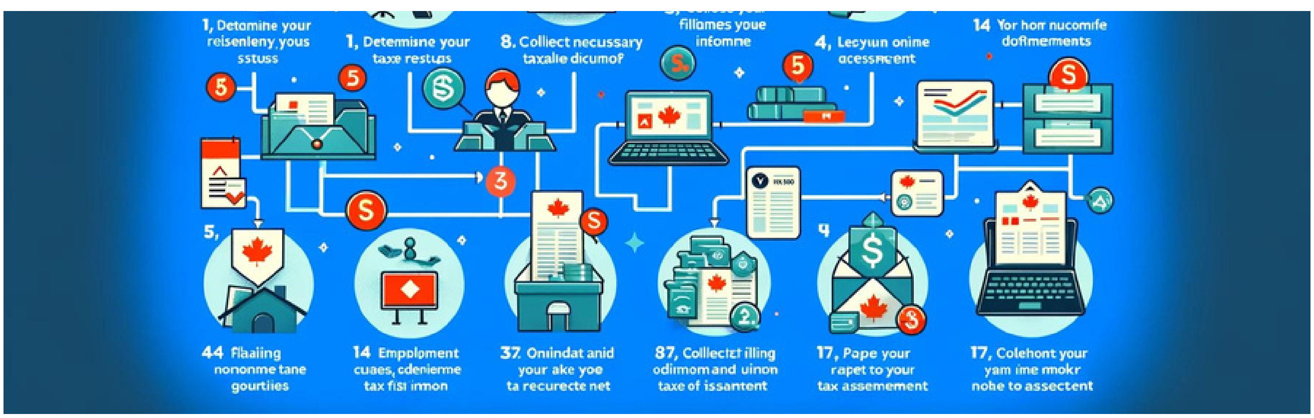
CHAPTER THREE:

TAXES FOR NEW CANADIANS: STEP-BY-STEP GUIDE FOR FILING YOUR TAXES

If you are a newcomer in Canada and are filing your taxes for the first time, it can be a daunting and overwhelming experience. But when you have the right information, the process gets easier. This chapter has all the information that you need as a new Canadian to file your taxes.

In Canada, individuals are responsible for remitting personal income tax, which is levied by both the federal and provincial/territorial governments. This entails the payment of two distinct forms of income tax: federal income tax and provincial/territorial income tax. The exact kind of income tax you owe is determined by the province or territory where you reside on December 31st of the previous year.

The oversight of tax regulations for the federal, territorial, and the majority of provincial governments in Canada is managed by the Canada Revenue Agency (CRA). It's crucial to be aware that Quebec operates differently in this regard. In Quebec, Revenu Quebec has the responsibility of administering its own provincial income tax system, distinct from the rest of the provinces and territories. This distinct approach in Quebec is due to its unique jurisdiction over certain areas, including taxation. Therefore, while the CRA is the central authority for much of Canada, Quebec has an independent agency overseeing its provincial income tax matters.



What is income tax and when to file it?

Let’s start with the basics of understanding what is a tax return and when are tax returns due in Canada.

An income tax return furnishes a comprehensive overview of your earnings and deductions over the preceding calendar year, encompassing the period from January 1 to December 31. It encompasses federal, provincial, and territorial taxes that you've paid or owe. This process also aids in ascertaining whether you qualify for a reimbursement from the government, representing a portion or the entirety of the tax amount deducted from your earnings during that year.

The requirement for filing an income tax return is determined by your residency status in Canada. If you are a Canadian resident, it's recommended to file a tax return in the following situations –

- You've obtained income from different sources, whether they are within Canada or overseas.
- You need to address tax obligations with the government or seek a refund or benefits.
- You plan to apply for the Goods and Services Tax/Harmonized Sales Tax (GST/HST) credit or applicable provincial credits.
- The Canada Revenue Agency (CRA) has asked for your tax return submission.
- You have either received government tax benefits or generated income from selling capital assets.

When should I file my tax return in Canada?

If you live in Canada, you know that apart from summer, winter, spring, and fall, there is a fifth season – the tax season and it is one of the most important ones. In Canada, individuals, with the exception of those who are self-employed, are required to submit their income tax returns for a particular calendar year by April 30th of the subsequent year. This means that by April 30th of each year, individuals need to provide the government with a comprehensive report of their income, deductions, and other relevant financial information for the previous calendar year. This information is used by the government to calculate the amount of taxes owed or to determine if the individual is eligible for any tax benefits or refunds. Filing by the deadline is crucial to avoid potential penalties or interest charges for late submissions. It is important to note that a penalty is applicable for failing to meet the deadline for filing your returns.

Deadlines that you need to remember –

- The deadline for filing personal income tax is April 30. This means that for the 2023 tax year, you need to have your filing completed by April 30, 2024.
- If you or your spouse/common-law partner have self-employment income, the deadline is extended to June 15.
- If you owe taxes, the payment deadline remains April 30, regardless of whether you file your taxes by June 15.
- If either April 30 or June 15 falls on a weekend (Saturday or Sunday), the deadline moves to the following Monday.

Tax Filing for Newcomers

If you're a newcomer, your initial tax return is typically expected on the deadline corresponding to the year you become a tax resident. For instance, if you arrived in Canada in July 2023, your first tax return would be due by April 30, 2024. However, it's feasible to apply for specific benefits and credits even prior to this deadline.

Filing tax on foreign income

For individuals living in Canada, any income earned outside the nation after your arrival is classified as "foreign income" and must be reported on your tax return in Canadian currency. If you have paid foreign taxes on income earned outside of Canada and this income has been reported on your Canadian tax return, you might qualify for the Federal Foreign Tax Credit. To avail of this credit, it's necessary to reveal the foreign income you earned, including details about your gains, losses, and profits. When reporting foreign income on a Canadian tax return, make sure to –

- Specify the country where the funds come from.
- Disclose the entire income amount (i.e., the amount before any deductions for foreign taxes).

Benefits of filing tax return in Canada

Filing taxes in Canada has various benefits. Some of the main ones include –

- **Potential refunds**

Filing a tax return allows you to claim tax credits, deductions, and benefits you might be eligible for. This can lead to receiving a tax refund, which is a reimbursement of excess taxes withheld from your income.

- **Proof of income**

Your tax return functions as an authoritative documentation of your income, holding importance for various situations. For instance, it can be necessary when applying for loans, mortgages, or rental agreements. These entities often request your tax return as evidence of your financial stability and ability to meet financial commitments. The comprehensive overview of your income provided in your tax return offers assurance to lenders, landlords, and other parties that you have a reliable source of funds, which in turn can facilitate smoother transactions and negotiations.

- **Carryover of deductions and credits**

Some tax deductions and credits can be carried forward to future years if not fully utilized in the current year. By filing your tax return, you ensure these carryover amounts are properly accounted for in the future.

- **Access to government benefits**

Many government benefits and credits are based on your reported income. By filing your tax return, you can qualify for benefits such as the Canada Child Benefit, Goods and Services Tax/Harmonized Sales Tax (GST/HST) credit, and various provincial credits.

- **Building credit history**

If you're a newcomer to Canada, having a history of filing tax returns can contribute to building a positive credit history, which is important for various financial transactions.

- **Contribution to retirement savings**

By filing a tax return, you can contribute to tax-advantaged savings accounts like the Registered Retirement Savings Plan (RRSP) and receive tax deductions for those contributions. This helps you save for retirement while reducing your tax liability.

- **Compliance with tax laws**

Filing your tax return ensures that you are compliant with Canadian tax laws. Failure to file can result in penalties and interest charges.

- **Support for financial planning**

Filing a tax return provides insight into your financial situation, helping you plan for the future, set financial goals, and make informed decisions about investments and savings.

- **Documentation for immigration and citizenship**

If you're in the process of immigration or applying for citizenship, having a history of filing tax returns can provide evidence of your financial stability and integration into Canadian society.

- **Claiming business expenses**

If you're self-employed or have business-related income, filing a tax return allows you to claim legitimate business expenses, which can reduce your taxable income.

Impact of residency on income tax returns in Canada

Residency status has a significant impact on income tax returns in Canada. The Canadian tax system is based on the principle of "residency-based taxation," which means that your tax obligations are determined by your residency status for tax purposes. This is how residency status impacts income tax filings in Canada.

- **Taxable Income and Reporting:**
  - **Resident:** If you are recognized as a tax resident of Canada, you are required to report your worldwide income on your Canadian tax return. This encompasses earnings from both within and outside of Canada.
  - **Non-Resident:** If you are classified as a non-resident, typically you need to disclose only the income earned within Canada on your Canadian tax return.

- **Deductions and Credits**
  - **Resident:** Residents can claim various deductions, credits, and benefits available under the Canadian tax system, such as the Canada Child Benefit, GST/HST credit, and medical expense deductions.
  - **Non-Resident:** Non-residents may have limited access to deductions and credits. Some credits, like the basic personal amount, might still be available to certain non-residents.

- **Tax Rates**
  - **Resident:** Residents are subject to the progressive Canadian tax rates that apply to their taxable income, which can vary depending on the province or territory.
  - **Non-Resident:** Distinct withholding tax rates are applicable to different categories of Canadian-source income, such as dividends, interest, and rental income, for non-residents.

- **Tax Treaties**

Canada has tax treaties with many countries to avoid double taxation and provide specific rules for determining residency and taxing rights for various types of income. These treaties can affect how income is taxed and reported.

- **Tax Treaties**

Canada has tax treaties with many countries to avoid double taxation and provide specific rules for determining residency and taxing rights for various types of income. These treaties can affect how income is taxed and reported.

- **Departure Tax**

When an individual ceases to be a resident of Canada, they may be subject to a "departure tax" on certain types of property appreciation, such as real estate and investments, at the time of departure.

- **Newcomers and Emigrants**

Newcomers to Canada might have specific tax obligations in their first year of residency, and emigrants might have tax implications related to their departure.

Information required for filing your taxes in Canada

When filing your taxes, one of the prerequisites is to furnish essential details such as your complete name, address, email address, and all income earned during the preceding year. The other things that you need to provide include –

  - Ensure that you have completed the process of applying for and obtaining your Social Insurance Number (SIN). This serves as an identification for income tax-related matters as well as for accessing various benefits.
  - If you are currently working in Canada, each employer you have worked for during the tax year will issue a T4 slip to you. The T4, also known as the Statement of Remuneration Paid, should be provided by your employer by the end of February.
  - If you've recently come to Canada, it's important to furnish details about the income you earned before arriving in the country.

- If you acquired income from foreign employment subsequent to your relocation, you should also have those figures on hand.
- For foreign assets exceeding $100,000, you are required to disclose them on Form T1135 within your tax return.
- When dealing with your dependents, whether they are your spouse, children, or elderly parents, it's essential to provide all the relevant information about them.
- The potential tax credits and deductions available to you are contingent on your specific tax situation. For example, if you've incurred expenses for childcare, you may be eligible to include them in your tax return. Likewise, if you've paid medical expenses for yourself, your spouse, or your children, you might be able to claim those costs (remember to retain all official receipts).
- If you are bringing assets into Canada, you must provide details, including their market value on the day of your entry. This valuation will be utilized to calculate your capital gains or losses if you decide to sell these assets at a later date.
- For residents of Québec, an additional tax return must be submitted to Revenu Québec. (Québec is the only province in Canada where filing two tax returns is required.)

Canada Tax Checklist

Stay organized and get a head start on tax season with our consolidated Canada tax checklist.

- **Personal information**
    - Social insurance number (SIN)
    - Date of birth
    - Information about spouse/ common-law partner
    - Information about dependents
    - Spouse and/ or child net income amounts
    - Total amount of installment payments made to the CRA
    - Last year’s tax return
    - Tuition transfer amount from child or spouse
    - Notice of assessment from last year’s return
    - Other CRA correspondence

- **Income**
  - Employment income (T4)
  - Self-employed business income (T2125, T5013, T4A)
  - Interest, dividends, mutual funds (T3, T5, T5008)
  - Rental income and expenses (T776)
  - Old Age Security and CPP benefits (T4A-OAS, T4A-P)
  - Pension and annuity income (T4A)
  - RRSP and RIF income (T4RSP, T4RIF)
  - Employment insurance benefits (T4E)
  - COVID-19 benefits received (T4A) Social assistance payments (T5007)
  - Workers' compensation benefits (T5007)
  - Other income not reported on a slip (e.g. tips)
  - RL-1 Employment and other income (QC only)
- **Receipts**
  - RRSP contributions
  - Employment expenses (T2200 signed by employer)
  - Work-from-home expenses due to COVID-19 (T2200S)
  - Tool expenses
  - Union dues not included on your T4 slip
  - Exams for professional certification
  - Teacher's school supplies
  - Childcare expenses
  - Support payments paid or received
  - Adoption expenses
  - Disability tax credit for self or dependents
  - Medical expenses
  - Personal attendant/facility care expenses
  - Charitable donations
  - Northern residents' deduction
  - Digital News subscription expenses
  - Political contributions
  - Moving expenses
  - Home accessibility expenses
  - Home Buyers' Amount
  - Tuition expenses
  - Student loan interest amounts
  - Tax-exempt scholarships

- **Other information**
    - Sale of principle residence
    - Sale or deemed sale of stocks, bonds, or real estate
    - RRSP deduction limit and unused amounts
    - Tuition carry forward amounts
    - Loss carry forward amounts
    - Other carry forward amounts (donations etc.)

Steps for filing tax return in Canada

Filing taxes might seem a cumbersome task, but you can easily do it online. Just follow these steps.

- Collect all the information and documents outlined in the preceding section.

- Decide on the method you wish to use for filing your taxes and make the necessary preparations. In case you choose to file your tax return through traditional mail, you can acquire a paper filing package from the CRA. If you're considering engaging an accountant's expertise, it's advisable to seek recommendations from local channels. (As a newcomer, you might qualify for complimentary tax assistance—details on locating a free tax clinic are furnished by the CRA.)

- Progress through your tax return, methodically completing the forms one step at a time. If you're using the paper method, take care to review your calculations for accuracy. If you're utilizing online platforms or employing an accountant, ensure that all your income, deductions, credits, and expenses have been accurately included.

- Submit your tax return before the due date. After the CRA has completed the processing of your return, you'll obtain a Notice of Assessment. This document outlines their findings and provides crucial details regarding your tax status, including whether you have a tax liability or are eligible for a refund. Safeguard this document in a secure place, as you'll require it for future reference.

We know this can sometimes be tiresome and complex for you, that's why we recommend you deal with a tax consultant to deal with this matter. You can contact Taxccount.com for the same.

CHAPTER FOUR:

20 POPULAR CANADIAN TAX DEDUCTIONS AND CREDITS IN 2023

The taxation system of each country is different. If you have just moved to Canada and are still figuring out the tax system, then this chapter will be really helpful for you. You will understand in detail about the 20 most popular Canadian tax deductions and credits relevant in 2023.

The Canada Revenue Agency (CRA) has outlined more than 400 tax deductions and credits. It is nearly impossible to remember all of them, that's why we have summarized the 20 most popular ones. The three main points that you need to remember are –

1. Tax deductions serve to decrease your income prior to the application of any credits.
2. Non-refundable tax credits decrease the amount of tax you owe but cannot independently generate a refund for you.
3. Refundable credits have the potential to lead to a tax refund, even in cases where you owe no tax.

What is the difference between deductions and credits?

- **Tax deductions**

Tax deductions in Canada are expenses that you can subtract from your total income to arrive at your taxable income. This means that your income is reduced before calculating the tax you owe. Deductions are often related to specific expenses, such as contributions to Registered Retirement Savings Plans (RRSPs) or employment expenses. The resulting lower taxable income generally leads to a reduction in the amount of tax you are required to pay. The more deductions you have, the less income is subject to taxation.

For example, if you earn $30,000 and have $5,000 in eligible deductions, your taxable income would be reduced to $25,000, potentially resulting in lower overall taxes.

- **Tax credits**

Tax credits, on the other hand, are direct reductions of the amount of tax you owe. They are applied after your tax liability has been calculated. Tax credits are generally categorized into two types: non-refundable and refundable.

  - **Non-Refundable Tax Credits:** These credits can reduce the amount of tax you owe to zero, but they cannot create a tax refund on their own. If the total credits you're eligible for exceed your tax liability, you won't receive the excess as a refund. Common non-refundable tax credits in Canada include the Basic Personal Amount, the Medical Expense Credit, and the Charitable Donation Credit.

  - **Refundable Tax Credits**: Refundable credits, as the name suggests, can lead to a tax refund even if your tax liability is already zero. If the total of your refundable credits is greater than your tax owing, you may receive the excess as a refund. The Canada Child Benefit (CCB) is an example of a refundable tax credit.

20 popular Canadian tax deductions that you should know of

1.GST/ HST Credit

The Goods and Services Tax (GST) and Harmonized Sales Tax (HST) credit is a tax-free payment made by the Canadian government to help individuals and families with low to modest incomes offset the impact of the GST and HST. These taxes are added to the cost of most goods and services in Canada. The GST/HST credit is designed to provide financial assistance to those who may be disproportionately affected by these consumption taxes.

To be eligible for the GST/HST credit, you need to meet certain criteria, including being a resident of Canada and at least 19 years old. Additionally, you must have filed your income tax return for the previous year, even if you had no income. The Canada Revenue Agency (CRA) uses the information from your tax return to determine your eligibility and the amount of the credit.

The amount of the GST/HST credit is calculated based on your family income, marital status, and the number of eligible family members in your household. The credit is calculated and paid quarterly, usually in January, April, July, and October.

2.Ontario Trillium Benefit

The Ontario Trillium Benefit (OTB) is a financial assistance program provided by the government of Ontario, Canada, to help eligible individuals and families with low to moderate incomes offset some of the costs associated with energy expenses, property taxes, and sales taxes. The OTB combines three different tax credits into a single payment, making it more convenient for recipients. The three components that make up the Ontario Trillium Benefit include –

- **Ontario Energy and Property Tax Credit (OEPTC)**

This component provides financial assistance to eligible individuals and families to help offset the cost of energy expenses and property taxes. The amount of the credit is based on your household income, energy costs, and property taxes.

- **Northern Ontario Energy Credit (NOEC)**

This credit is specifically targeted at residents of northern Ontario to help them with the higher energy costs associated with living in the northern parts of the province.

- **Ontario Sales Tax Credit (OSTC)**

The OSTC is designed to assist individuals and families with the sales tax they pay on purchases. This credit is calculated based on your family income and the amount of sales tax you paid.

Like the GST/HST credit at the federal level, the Ontario Trillium Benefit is also income-tested, which means that as your income increases, the amount of the benefit decreases. The benefit is typically paid on a monthly basis, and the specific amount you receive depends on your individual or family circumstances.

To qualify for the Ontario Trillium Benefit, you generally need to be a resident of Ontario and file your income tax return for the previous year. The information from your tax return is used to determine your eligibility and calculate the amount of the benefit you're entitled to receive.

Keep in mind that the eligibility criteria, payment amounts, and application process may vary from time to time. So, it is recommended that you check the official website , Ontario Ministry of Finance or contact their office to get the latest and most accurate information.

3. Charitable Tax Credit

By contributing to a charitable organization, you become eligible for tax advantages linked to your donations. The Charitable Donation Tax Credit is accessible to individuals who provide financial support to a recognized recipient (such as a registered charity).

Entities with registered charity status encompass entities like The Canadian Red Cross or numerous amateur athletic associations. To ascertain whether a charity holds registration, you can refer to the Canada Revenue Agency (CRA) website. Equipping yourself with knowledge about the prerequisites for charitable donations allows you to aid others while also benefiting yourself.

4. Self-Employment Expenses

Self-employed means when you work for yourself. The CRA considers you self-employed if you function as an autonomous contractor, a sole proprietor, or participate as a partner in a business partnership, delivering a service or product with the anticipation of profit, there are typically three categorizations for self-employment –

- **Independent Contractor**: You offer a distinct service to another entity based on a contractual arrangement.
- **Sole Proprietor**: You manage your business individually, and your business remains unincorporated.
- **Partnership**: Your self-employed enterprise is operated collaboratively by two or more individuals.

Your income will depend upon the type of work you do as a self-employed professional. Claiming business-related expenses on your tax return is essential for several reasons. It not only helps reduce your taxable income and lowers the amount of tax you owe but also provides a clearer and more accurate representation of your business's financial health. Deducting eligible expenses can lead to significant savings and better financial planning. Some of the most common expenses for self-employed people are –

- Advertising
- Vehicle expenses
- Office supplies
- Bank fees
- Mobile cost
- Inventory management
- Business-use-of home expenses

5. Work from home tax credit

Ever since the pandemic, the CRA introduced work from home tax credit for Canadians to save on their taxes. For the tax year 2021, the Canada Revenue Agency (CRA) permits all employees working from home to claim an increased flat-rate employment expense of up to $500, a rise from the $400 allowed in the previous year.

If you possess the recently introduced T2200-s form, titled "Declaration of Conditions of Employment for Working at Home Due to COVID-19," with your employer's signature, you could potentially claim beyond the standard flat rate. This form provides a comprehensive breakdown of eligible expenses you can seek reimbursement for, including any already compensated amounts.

In response to the COVID-19 pandemic, the Canadian government introduced temporary simplified methods for claiming home office expenses for the 2020 tax year. These methods were designed to make it easier for individuals who were required to work from home due to the pandemic.

The two methods introduced are –

- **Temporary Flat Rate Method**: This method allows eligible employees to claim a flat-rate deduction of $2 for each day they worked from home during a period of at least four consecutive weeks in 2020 due to COVID-19. The maximum claim under this method was $400 (200 working days).

- **Detailed Method**: With the Detailed Method, you would need to keep track of actual home office expenses, such as utilities, rent, and other eligible costs. However, under this method, only a portion of these expenses that can be attributed to your work space would be deductible. This method requires more documentation and calculations but may be more advantageous if your actual expenses exceed the temporary flat rate.

6. Canada Workers Benefit

The Canada Workers Benefit (CWB) serves as a refundable tax credit aimed at providing support to individuals and families with modest incomes earned through employment. Comprising two components, the CWB consists of a fundamental sum along with a supplement for individuals with disabilities. Claiming the CWB can be done during the process of filing your annual income tax return.

Commencing in July 2023 and rooted in the 2022 tax year, the CWB will introduce advance payments via the Advanced Canada Workers Benefit (ACWB). These prepayments, amounting to half of the CWB, will be spread across three installments. This innovative approach aims to place more funds directly into the hands of workers, assisting them in managing the escalating costs of daily living.

7. Eligibility

You are eligible for the fundamental CWB if you meet these conditions -

- Generate income from employment, and your net income falls beneath the net income threshold specified for your province or territory of domicile.
- Maintain Canadian residency for the entire fiscal year.
- Attain the age of 19 or older by December 31, or cohabit with either your spouse or common-law partner, or your dependent child.

You are not eligible for CWB in the following circumstances –

- You are a full-time student at a designated educational institution for over 13 weeks during the year, unless you possess an eligible dependent on December 31.
- You are incarcerated in a prison or comparable facility for a minimum duration of 90 days within the year.
- You are exempt from Canadian taxation due to your role as an officer or representative of another nation, such as a diplomat, or if you are a family member or employee of such an individual.

8. Registered Retirement Savings Plan Deductions

The Registered Retirement Savings Plan Deduction represents the highest sum a Canadian taxpayer can yearly invest in a savings plan and subtract from their taxable income for that specific year. When you contribute to your RRSP, the amount you contribute is deducted from your taxable income for the year. This means that the income on which you're taxed is reduced by the amount of your RRSP contribution.
Typically, this amount equals 18% of the individual's earned income from the preceding year, capped at an annual threshold. In the 2021 tax year, the annual ceiling stands at C$27,830, while for 2022, it is set at C$29,210.

9. Home Buyers' Amount

The Home Buyers' Amount (HBA) is a non-refundable credit designed to benefit individuals purchasing their first homes or those with disabilities. It enables them to claim up to $5,000 in the year they acquire a home. To qualify for the Home Buyers' Tax Credit, you must fulfill both of the following conditions –

- You, your spouse, or your common-law partner have bought a qualifying home.
- You are a first-time home buyer, meaning you have not lived in a property owned by you, your spouse, or common-law partner in the year of purchase or the four years preceding it.

The condition is that you need to be classified as a first-time home buyer, a term outlined by the Canada Revenue Agency (CRA) as someone who has not resided in a different property owned by you or your partner during the year of purchase or any of the four years prior.

In the context of the 2022 federal budget, there's a proposed enhancement from $5,000 to $10,000 for the tax credit. Once this proposal is ratified, the tax credit will amount to $1,500.

10. Moving expenses

In case you have relocated more than 40 km for work in Canada, you can claim moving expenses.

Individuals who have relocated and set up a new residence for the purpose of employment or operating a business at a different location can claim deductions for qualifying moving costs. It's necessary to qualify as either a deemed or factual resident of Canada, and the move should involve transitioning from your usual place of residence to a new place where you intend to establish your new normal residence.

It encompasses individuals who have relocated within Canada, shifted from another country to a new employment site in Canada, moved from Canada to a new job location outside the country, and certain individuals who have transitioned between two non-Canadian locations.

Full-time students might also meet the criteria to deduct eligible moving expenses from a portion of their scholarships, fellowships, bursaries, and research grants that are considered taxable income.

11. GST/ HST Residential Rental Property Rebate

The GST/HST Residential Rental Property Rebate is designed for proprietors and landlords who own new residential rental properties. This rebate potentially enables you to request a refund for a portion of the GST and/or the federal share of HST paid upon acquiring a new or significantly renovated housing complex within a residential structure. You are eligible to get this rebate if –

- A landlord who has purchased a newly constructed or substantially renovated residential rental property.
- A landlord who has constructed your own residential rental property.
- A landlord who has made an addition to a multi-unit residential rental complex.
- A builder or individual who was required to account for GST/HST under the self-supply or change-in-use regulations.

The fair market value of the residential unit at the time the tax was payable on the property should be below $450,000. For land or a site in a trailer park, the fair market value should be less than $112,500.

The rental accommodation or land must have the intended purpose of being used as a long-term residence.

12. Climate Action Incentive

The Climate Action Incentive Payment (CAIP) is a recurring payment provided quarterly to residents of Alberta, Manitoba, Ontario, and Saskatchewan. Its purpose is to assist in mitigating the expenses linked to the federal pollution pricing. Before 2021, this incentive, referred to as the Climate Action Incentive (CAI), was an annually claimed refundable tax credit on personal income tax filings.

Only one credit is permitted per household, and the sum you receive is determined by your family's size.

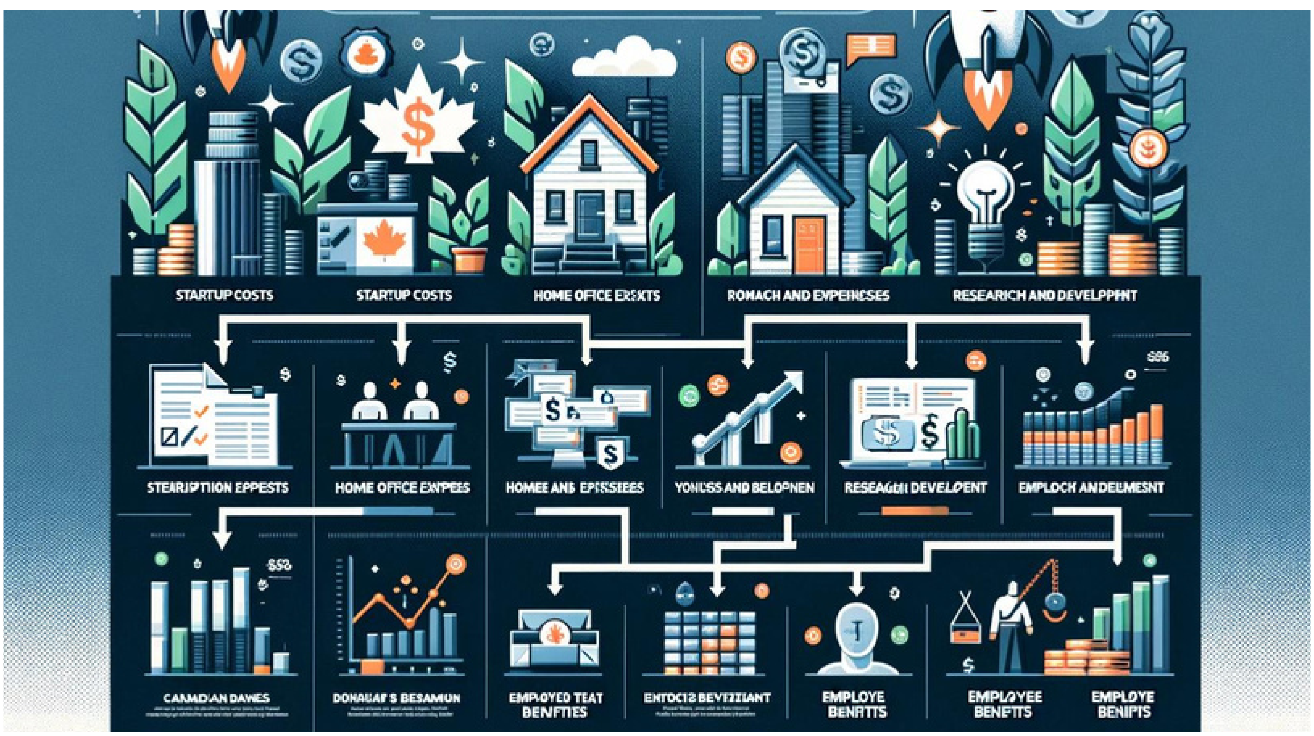
For individuals residing in British Columbia, there's the option to apply for the BC Climate Action Tax Credit, which is provided alongside the GST/HST Tax Credit. This credit serves to aid low-income families and individuals in mitigating the carbon taxes they incur.

13. Home Accessibility Tax Credit

The Home Accessibility Tax Credit (HATC) is a tax credit available in Canada to help individuals with disabilities or those who support individuals with disabilities make their homes more accessible. This credit allows eligible individuals to claim expenses related to home renovations or improvements that increase accessibility and mobility within the residence.

The HATC provides a non-refundable tax credit for eligible expenses, which means it can reduce the amount of income tax you owe but cannot result in a tax refund beyond the taxes owed. The credit is calculated as a percentage of the eligible expenses incurred in a tax year. Eligible expenses for the Home Accessibility Tax Credit might include costs associated with modifications to accommodate a person with a disability, such as –

- Installing ramps or elevators
- Widening doorways and hallways
- Adding handrails and grab bars
- Lowering counters and sinks
- Installing non-slip flooring
- Building accessible bathrooms



14. Medical expenses

You can have a lot of medical expenses if you stay in Canada. But did you know that medical expenses can earn you a credit at the time of filing your taxes? Whether it is just a regular visit to the dentist or seeing a specialist, there are certain factors that you need to keep in mind to file for a claim. For optimal benefits from your claim, it's generally advisable to assign one spouse the responsibility of claiming all medical expenses for the immediate family, including yourself, your spouse, and children under 18, as well as any dependents you provide support for. Some of the most common overlooked medical expenses include –

- Private medical insurance premiums
- Tutoring for children with disabilities
- Home renovations that improve mobility or access
- Travel expenses to seek medical treatment (over 40 km one-way)
- Prescription contact lenses or glasses
- Dentures and dental implants
- Fertility Expenses (In vitro and surrogacy-related expenses and procedures, has an expanded list of eligible expenses, and will be covered under the federal budget, once approved.)

15. Canada Child Benefit

The Canada Child Benefit (CCB) is a monthly tax-free payment provided to qualifying families as assistance for the expenses associated with raising children who are under 18 years old. The CCB might encompass the child disability benefit and potential provincial and territorial programs associated with it.

The maximum Canada child benefit you could get is $6,765 per year for children under 6, and $5,708 per year for children aged 6 to 17. Your Canada child benefit is based on your family income from the previous year, the number of children in your care, and the age of your children.

16. Child Disability Benefit

The Child Disability Benefit (CDB) is a component of the Canada Child Benefit (CCB) program that provides additional financial assistance to families caring for children with disabilities. It is designed to help offset the extra costs associated with raising a child with a disability. The CDB is a tax-free monthly payment provided to eligible families, and it's meant to provide additional support beyond the regular Canada Child Benefit payments.

To qualify for the Child Disability Benefit, the child must have a severe and prolonged impairment in physical or mental functions that is expected to last for at least 12 months. This impairment must also significantly restrict the child's ability to perform the daily activities that children of the same age typically do.

Families with eligible children can receive the Child Disability Benefit in addition to the regular Canada Child Benefit. The amount of the benefit varies depending on factors such as the severity of the child's disability and the family's income.

17. Canada Caregiver Credit

The Canada Caregiver Credit (CCC) is a non-refundable tax credit available in Canada to provide financial assistance to individuals who provide care or support to family members with physical or mental impairments. This credit replaces and combines three previous credits: the Caregiver Credit, the Family Caregiver Credit, and the Credit for Infirm Dependents.

The Canada Caregiver Credit is intended to acknowledge the efforts of caregivers who support family members with various challenges. It's available to individuals who are providing care or support for –

- A spouse or common-law partner
- A child under 18
- A parent or grandparent

To be eligible for the Canada Caregiver Credit, the person being cared for needs to have an impairment in physical or mental functions. The degree of impairment determines the credit amount. The credit is generally higher for individuals with more severe impairments.

Remember that the person receiving the care must reside in Canada and must be dependent on the caregiver for assistance with their daily living needs.

Like other non-refundable tax credits, the Canada Caregiver Credit can be used to reduce the amount of income tax you owe. However, it cannot result in a tax refund beyond the taxes you owe.

18. Child Care Expenses

You have the option to deduct child care expenses that qualify for tax benefits. These eligible expenses include payments made to day nursery schools, daycare centers, caregivers like nannies and babysitters, overnight boarding schools and camps offering lodging, day camps, and day sports schools.

However, there are restrictions on who can make these claims. For instance, in a household with two parents, only the spouse or common-law partner with the lower net income is eligible to claim child care expenses. It's essential to thoroughly review the criteria before you proceed with filing your tax returns.

19. Tuition Tax Credit

The tuition tax credit is a non-refundable tax credit accessible to students pursuing post-secondary education. This implies that if you cover tuition and other qualifying educational expenses (subject to specific conditions), you can inform the Canada Revenue Agency (CRA) when you file your tax return. Consequently, they will reduce your tax liability, either immediately or in subsequent years.

If you are 16 years old or older and engaged in education beyond high school, whether on a full-time or part-time basis, you qualify for the tuition tax credit. Here are a few specifics –

- If you're pursuing your studies within Canada, they should be at a recognized post-secondary institution or another establishment where you're acquiring or enhancing job-related skills, such as a trade school
- If your studies are taking place outside Canada, you need to be enrolled in full-time courses for a minimum of three weeks
- Your expenses for each educational institution must be at least $100

20. Disability Tax Credit

The disability tax credit (DTC) is a non-refundable tax credit designed to assist individuals with impairments, or their eligible family member providing support, in lessening the potential income tax they might need to pay. In case you possess a significant and enduring impairment, you have the option to apply for this credit. If your application is approved, you can then claim the credit during the tax filing process.

If a medical practitioner confirms that you experience a severe and extended impairment in one category, substantial limitations in two or more categories, or require therapy to sustain a crucial function, you could potentially meet the criteria for the DTC. The categories are –

- Walking
- Hearing
- Mental functions
- Eliminating (bowel or bladder functions)
- Speaking
- Vision
- Life-sustaining therapy
- Dressing
- Feeding

Significant limitation means that 2 or more limitations exist together all or almost all of the time (generally at least 90%).

21. Interest paid on student loan

The credit for interest paid on a student loan is frequently disregarded. To assist students and graduates in alleviating a portion of the financial stress linked to repaying student loans, the CRA provides a deduction for eligible interest payments on student loans. The student loan tax credit provides a 15% reimbursement on any funds you contribute to your government student loans.

You have the option to carry over any unclaimed student loan interest to any of the subsequent five years. Therefore, it's important to maintain proper documentation for reference. In order to qualify for this credit, you must be a Canadian citizen, permanent resident, or protected person, and you need to possess an eligible student loan.

The federal and numerous provincial governments collaborate to provide grants and loans to students facing financial constraints. To qualify, you need to meet the following criteria –

- You must be a Canadian citizen, permanent resident, or protected person
- You should hold permanent residency in a province or territory that disburses student loans
- You must be capable of demonstrating your financial need

CHAPTER FIVE:

HOW TO APPLY FOR GST/ HST CREDIT IN CANADA?

The Goods and Services Tax (GST) Credit, referred to as the Harmonized Sales Tax (HST) Credit in certain provinces, is a tax-free payment issued by the Canadian government every quarter. Its purpose is to aid individuals and families with modest and limited incomes in mitigating the effects of the Goods and Services Tax (GST) and the Harmonized Sales Tax (HST) incurred on qualified goods and services. The design of the GST/HST Credit is aimed at providing economic assistance to those facing the greatest financial hardships. Its goal is to support individuals and families with lower earnings in better managing the financial burdens associated with consumption taxes. The amount of the credit is determined based on various factors, including the individual or family's net income, marital status, and number of children.

How does GST/ HST credit work?

Families with limited or moderate incomes receive tax-free quarterly payments from the Canada Revenue Agency (CRA) through the GST/HST credit. These payments serve to counterbalance the GST or HST they incur over the year.

If you meet the requirements, these same families might get extra money from their province or territory in addition to their GST/HST payments. Let's talk about the details of the GST/HST credit. The amount of money you get from the GST/HST credit depends on things like how much money your family makes, whether you're married, and if you have kids. In the tax year 2021 (encompassing distributions from July 2022 to June 2023), the highest credit values are as follows –

- $467 for single individuals
- $612 for those who are married or in a common-law partnership
- $161 for each child under 19 years of age

The Canada Revenue Agency (CRA) follows a regular schedule for disbursing GST/HST tax credit payments, which occurs on the 5th day of July, October, January, and April. In specific cases, based on an individual's family circumstances as of October 2022, certain individuals might receive an extra one-time GST credit payment between November 4, 2022, and January 5, 2023. This additional payment is designed to provide temporary assistance to individuals who might be facing financial challenges during that period. The CRA considers various factors to determine eligibility for this supplementary payment, which could offer extra support to individuals and families when they need it the most.

GST/ HST credit eligibility requirements

To qualify for the GST/HST credit, your adjusted net family income must be below a certain limit. For the 2021 tax year, this limit varies from $49,166 to $64,946. The specific limit depends on factors like whether you're married and how many children you have in your household. Additionally, you need to be considered a Canadian resident for income tax purposes not only in the month before but also at the start of the month when the CRA distributes the GST/HST credit payment. Finally, you must meet at least one of the following conditions -

- Should be of the age of 19 years or above
- Have a spouse or common-law partner
- Qualify as a parent living with or having lived with your child.

In case you are a parent who has a joint custody of the child, then you'll be eligible to receive half of the GST/HST credit specifically meant for that child. This rule also applies to applicable provincial credits. However, if a child welfare agency has legal, physical, or financial responsibility for the child, you are not entitled to receive the GST/HST credit intended for that child.

How to apply for GST/ HST credit?

In most situations, if you want to receive your GST/HST credit, all you need to do is submit your tax return. This applies even if you have no income to declare.
As a new resident of Canada, you need to fill a form for this purpose and follow some easy steps. You can get all the information related to being a new resident in Canada on the official CRA page.

You need to complete one of the following forms –

- **If you have children**: Complete and sign Form RC66, known as the Canada Child Benefits application, to request various child and family benefits, encompassing the GST/HST credit.

- **If you don't have children**: Complete and sign Form RC151, designed as the GST/HST Credit Application for individuals who are becoming residents of Canada.

After completing the form, send it via mail to your designated tax center.

Claiming GST/ HST credit for your child

If you've already applied for the Canada Child Benefit (CCB), you're likely receiving the child-related portion of the GST/HST credit automatically. However, if you haven't applied for the CCB, if there's a new addition to your family, or if a child has recently started living with you, you'll need to go through a manual registration process to ensure you receive the GST/HST credit for that child. This involves providing the necessary information to the authorities to ensure you receive the financial support you're entitled to.

Steps for manual registration

Follow these simple steps –

- Log into CRA My Account

- Navigate to the section titled "Apply for child benefits"

- Validate your contact details, marital status, and citizenship

- Include your child's name, gender, date of birth, and place of birth

- Once this is done, you can view your application status in the CRA My Accounts section.

- Other ways to register for GST/ HST credit
  - Complete and sign Form RC66, the application for Canada Child Benefits
  - Send the duly filled form to your designated tax center

- Alternatively, you can easily apply by selecting the relevant checkbox on your yearly tax return. If your eligibility aligns with the credit, the CRA will provide notification accordingly

CHAPTER SIX:

ALL YOU SHOULD KNOW ABOUT CANADA CHILD BENEFIT (CCB)

If you are raising a child or children under the age of 18 years, you can get tax-free payments under the Canada Child Benefit (CCB) program.

It is true that raising a child can be really expensive and a significant part of your income can go into their care, education, and healthcare. It is really important that as a parent in Canada you should be aware of the benefits that you can avail and one of the most beneficial one is Canada Child Benefit.

What is Canada Child Benefit?

The Canada Child Benefit (CCB) is a tax-exempt monthly allowance extended by the Canadian government to qualifying families having children below the age of 18. Its purpose is to assist families in managing the expenses related to raising children, serving as a pivotal initiative aimed at alleviating child poverty within Canada.

In 2016, the CCB was introduced as a replacement for various pre-existing child benefit programs, merging them into a unified and more efficient payment system. The amount of the CCB payment is based on factors such as family income, the number of children in the family, and the age of the children. Families with lower incomes receive higher payments, and the benefit is gradually reduced for higher-income families.

To receive the Canada Child Benefit, parents or guardians need to file their income tax returns, even if they have no income to report. This is because the eligibility and payment amount are determined based on the family's reported income. The CCB aims to provide financial support to families to help cover expenses related to raising children, such as clothing, food, housing, education, and other basic needs.

Eligibility criteria for Canada Child Benefit program

In order to qualify for the Canada Child Benefit, either you, your spouse, or your common-law partner need to have the status of a Canadian citizen, permanent resident, protected person, or an individual acknowledged as Indigenous under the Indian Act. Alternatively, you might meet the criteria as a temporary resident if you have lived in Canada for the past 18 months and hold a valid permit indicating residency status for the following month.

You must also meet these requirements –

- Reside with at least one child under 18 years old
- Be primarily responsible for the child's care
- Maintain Canadian tax residency status

If you are looking after a foster child or providing care through a kinship or close relationship program, you would be eligible for the Canada Child Benefit only if you are not already receiving funds from the Children’s Special Allowances (CSA) program. In a household with two parents or guardians, only one individual who holds primary responsibility for the child's care should apply for the Canada Child Benefit. To determine this, consider the following –

- Who attends to the child's daily needs and activities?
- Who ensures the child's medical needs are addressed?
- Who arranges child care when required?

In cases where two individuals share responsibilities equally and one of them is female, the Canada Revenue Agency (CRA) assumes that the female parent is primarily responsible for the child's care. Therefore, the female parent should apply for the CCB. Nevertheless, if the primary responsibility lies with the other parent, the mother can offer a letter verifying this, and the other parent would then apply for the CCB. In cases of same-sex parents, one of them should seek the Canada Child Benefit for all the children.

When dealing with joint custody scenarios, the CRA advises you to determine the duration each parent dedicates to caring for the child and utilize this data to individually apply for the Canada Child Benefit.

Advantages of Canada Child Benefit

The Canada Child Benefit (CCB) offers several benefits to eligible families –

- **Financial Support**

The Canada Child Benefit (CCB) offers tax-free monthly disbursements to families to assist them in managing the expenses linked to child-rearing. The payment's value is calculated considering elements like family income, the count of children, and their respective ages.

- **Reduction of Child Poverty**

The CCB is designed to reduce child poverty by providing targeted financial assistance to families with lower incomes. This helps ensure that all children have access to essential needs such as food, clothing, and education.

- **Simplicity and Consolidation**

The CCB consolidated several previous child benefit programs into a single, streamlined payment system. This makes it easier for families to receive and manage their benefits.

- **Tax-Free**

The CCB payments are tax-free, meaning that families do not need to pay taxes on the amount they receive. This helps families keep more of the support they receive.

- **Universal Coverage**

The CCB is available to eligible families regardless of whether they are employed or unemployed. This makes it accessible to a wide range of families, including those facing temporary financial challenges.

- **Indexed to Inflation**

The CCB payments are indexed to inflation, which means that the benefit amount is adjusted each year to account for increases in the cost of living.

- **Encourages Work**

The CCB is designed to provide greater benefits to families with lower incomes, which can help incentivize parents to work while still receiving the support they need.

- **Flexibility**

Families can use the CCB payments to cover a variety of expenses related to raising children, such as housing, childcare, education, extracurricular activities, and more. This flexibility allows parents to allocate the funds where they are most needed.

- **Support for Various Family Structures**

The CCB supports a variety of family structures, including single-parent households, two-parent households, and same-sex couples, ensuring that a wide range of families can benefit from the program.

- **Positive Impact on Child Well-being**

By providing financial support to families, the CCB contributes to improving the overall well-being of children by ensuring they have access to basic necessities and opportunities for growth and development.

How to apply for Canada Child Benefit?

To apply for Canada Child Benefit, you need to fill the Canada Child Benefits Application (**RC66**) form.

If you're submitting an application for the first time, you might be required to furnish supporting documents. These could include evidence of your immigration status in Canada and documentation confirming the birth of –

- Children born outside of Canada, or
- Children born in Canada who are aged 1 year or older

For specifics on acceptable proof, you can refer to the details provided on the CCB application form. It's recommended to send photocopies of these documents rather than the originals.

What is the maximum amount that I can receive through CCB?

If you satisfy the criteria for the CCB, you might potentially receive a maximum of $6,997 per child on an annual basis. The precise amount is determined by the Canada Revenue Agency (CRA), taking into account various factors, including the following –

- The number of children residing in your household
- The age of your children
- Your family's overall net income
- Eligibility for the child disability benefit for your child or children
- Your family's combined net income, which includes your own net income and that of your spouse or common-law partner, if applicable

The highest amount is achievable when all your children are under the age of 6. For each child aged between 6 and 17, you could receive an annual sum of up to $5,903. The CRA recalculates your payment amount every July, leading to slight variations between your payments in June and July each year.

Regarding the Child Disability Benefit (CDB), those who have submitted a completed Form T2201 Disability Tax Credit Certificate to the CRA can potentially receive a maximum of $2,985 for the year 2022.

Frequently Asked Questions (FAQs)

- **When will I get my Canada Child Benefit payments?**

Beginning in July of the benefit year, your benefit payments are spread out across a duration of 12 months, concluding in June of the subsequent year. By consistently reapplying annually and meeting the criteria for the CCB, you can anticipate a continuous stream of payments without interruptions.

- **Where should I submit my CCB application?**

After completing your CCB application in full, proceed to send it, along with any required supplementary forms or documents, to a tax services office situated in your local area.

- **What occurs after I submit my application?**

Approximately within 80 calendar days from the submission of your CCB application, you should anticipate receiving a Canada Child Benefit Notice. This notice will furnish you with information regarding the amount of your benefit (if eligible) and the calculation method employed.

To retain eligibility for the CCB, it's crucial for both you and your spouse or common-law partner to file separate tax returns each year, even if there is no income to report.

- **Does my marital status matter if I want to claim CCB payments?**

Ensuring your marital status is current and promptly notifying the CRA of any changes is of utmost importance. This is crucial because alterations to your marital status can potentially affect your benefit payments.

Division Of:

LEGAL QUOTIENT CONSULTANST

(416) 732-6889

info@lqconsultants.com

www.taxccount.com

Suite 250 997 Seymour St.
Vancouver BC V6B 3M1 Canada

Suite 305 381 Front St w Toronto,
Ontario M5V3R8, Canada