



LEARNING ABOUT TAXES WITH
INTUIT PROFILE: 2016 TY
Chapter 2 - The tax-filing process

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EDUCATION PROGRAM

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Chapter 2 - The tax-filing process



Topics

- Introduction
- About the CRA
- Getting information from the CRA
- Tax refunds, credits, and benefits
- Information about filing your return
- After you file
- CRA electronic services
- What we learned
- Quiz 2

Introduction to Chapter 2



Estimated time

About 12-20 minutes

In Chapter 2, you will learn:

- what the Canada Revenue Agency (CRA) does;
- how to get information to help you file a tax return;
- about refunds, credits, and benefits;
- how and when to file your tax return; and
- how to access and use CRA electronic services.

We will also check in on Paul from time to time.

About the CRA

The CRA mission is to administer tax, benefit, and related programs, and to ensure compliance on behalf of governments across Canada, thereby contributing to the ongoing economic and social well-being of Canadians. It does this by:

- collecting taxes and administering tax laws for the federal government and most provinces and territories;
- delivering credit and benefit programs to Canadians, such as:
 - Canada child benefit (CCB);

- goods and services tax/harmonized sales tax (GST/HST) credit; and
- working income tax benefit (WITB).
- collecting Canada Pension Plan (CPP) contributions and employment insurance (EI) premiums; and
- administering Canada's international tax agreements with other countries.

In carrying out its mission, the CRA touches the lives of many Canadians on a daily basis.

Getting information from the CRA

The CRA offers all of its services, (including Internet, telephone, and correspondence services), to Canadians in both official languages.

Remember how Paul was determined to learn about taxes? A few days after Paul and Omar went to the mall, Paul decided to visit the CRA Web site to find out if he needed to file a tax return.

CRA Web site

The CRA Web site www.cra.gc.ca is a valuable resource if you need tax and filing information, or information on programs and services.

The best way to navigate the site is to start in the section for Individuals. Menus throughout this section offer information sorted by topic or client group (such as information for students or employees).

The next day at school, Paul told Omar and Anya about browsing the CRA Web site. "I called this phone number for individual income tax and trust enquiries that I found on the site, and they told me that I might get money back if I file a tax return, so I am definitely going to send in a return."

"Where do we get a tax return anyways?" asked Omar. "I don't know. Let's look it up," answered Paul.

Forms and publications

CRA guides, forms, pamphlets, interpretation bulletins, information circulars, and other publications, give details on tax topics and can help you to understand the tax system. To get forms and publications, go to www.cra.gc.ca/forms or call **1-800-959-8281**.

If you are blind or partially sighted, you can get publications in braille, large print, e-text, or MP3 by going to www.cra.gc.ca/alternate. You can also get publications and personalized correspondence in these formats by calling **1-800-959-8281**.

Tax refunds, credits, and benefits

Even though Paul may not have to file a tax return, he may want to. By filing a tax return, he could qualify for a **tax refund, credit** or **benefit**.

Anya, Paul and Omar take the bus to Omar's house and on the way they begin to discuss taxes again.

"So, you said earlier you might get money back if you filed a tax return. How does that work?" asked Omar.

"I'm learning about taxes as I go," said Paul, "but I'm fairly sure that if I paid too much tax I'll get a refund."

Refunds

You are entitled to a refund if you:

- had too much tax withheld during the year;
- paid more tax instalments than necessary; or
- can claim more refundable tax credits than the total taxes you owe, such as:
 - Canada Pension Plan (CPP) overpayment;
 - employment insurance (EI) overpayment;
 - working income tax benefit (WITB); and
 - provincial or territorial credits, which vary depending on the province or territory where you live.

In addition to getting a refund, you may also want to file an income tax return to receive certain credits and benefits paid throughout the year, or to report amounts that can reduce the amount of tax you have to pay in the future.

"I know some people get money for other reasons. My mom gets a payment called the GST/HST credit," said Paul.

"Also, you know Ali's sister Fatima?" asked Paul. "Well, Ali told me that she gets the Canada child tax benefit to help with the cost of raising her baby."

"We have to find out if we can get something as well," said Omar.

Goods and services tax/harmonized sales tax (GST/HST) credit

The GST/HST credit is a tax-free quarterly payment that helps individuals and families with low or modest incomes offset all or part of the GST or HST that they pay.

If you turn 19 before April 1, 2018, you can apply for this credit on your 2016 income tax and benefit return. You have to file a return to apply, even if you have no income.

Canada child benefit (CCB)

Another important benefit of filing a tax return is that you may be eligible for the CCB, a tax-free monthly payment made to eligible families to help them with the cost of raising children under age 18. The amount of the benefit varies depending on the number of children, their ages, and the family net income. Depending on your province or territory of residence, you might also be entitled to related provincial or territorial benefits.





Even if you have no income to report, you and your spouse or common-law partner have to file a tax return each year for the CCB to be calculated and paid.

*You can still apply to get payments for these benefits if you were eligible and had a child who was under the age of 18 before July 2016, even if you did not apply in previous years:

- Canada child tax benefit
- national child benefit supplement
- universal child care benefit

The last regular payments for these previous-year benefits were issued in June 2016.

Find out if you are eligible for benefits and credits

	 Married or common-law with children under 18 years old	 Single with children under 18 years old	 Married or common-law with no children	 Single and 19 or older with no children
<u>Canada child benefit</u>	Yes	Yes	No	No
<u>Goods and services tax/harmonized sales tax (GST/HST) credit</u>	Yes	Yes	Yes	Yes
<u>Provincial and territorial benefits and credits</u>	Yes	Yes	Yes	Yes

Tuition amounts

The tuition, education, and textbook amount is a non-refundable tax credit available to students to reduce the amount of income tax they have to pay.

If you do not have to pay tax, you can carry forward or transfer all or part of your unused tuition, education, and textbook amounts. To carry forward the credit to use in a future year, you must file a tax return and attach a completed Schedule 11.

Registered retirement savings plans (RRSPs)

Money that you contribute to an RRSP can be used to reduce the amount of tax you have to pay. The amount of RRSP contributions that you can deduct on your tax return is determined by your RRSP deduction limit. This is often called your "contribution room".

The RRSP deduction limit is calculated based on the income you report on your tax return and on the carry-forward of unused amounts from previous years.

You may want to file a tax return to begin building up your RRSP contribution room and have a greater deduction limit available for use in future years.

Information about filing your return

If you earned income during the year you may have to complete an income tax and benefit return and send it to the CRA.

Paul is not sure if he will owe income tax for 2016. However, he is hoping to get a refund and is planning to file a return.

"I sure could use a refund myself, right now," said Omar. "How do I file a tax return anyways?"

Generally, income tax returns are due by April 30, and the CRA begins processing returns in mid-February. Therefore, Paul and Omar should file their 2016 tax returns between mid-February and April 30, 2017.

Income tax and benefit return

The income tax and benefit return is the form you use to report income and apply for benefits such as the Canada child tax benefit (CCTB), the goods and services tax / harmonized sales tax (GST/HST) credit, and the working income tax benefit (WITB).

The T1 General, *Income Tax and Benefit Return* covers all tax situations. It is available by going to www.cra.gc.ca/forms.

Filing options

The CRA encourages all Canadians to file their taxes electronically to reduce costs, achieve greater accuracy and faster processing, and be environmentally friendly. The CRA's electronic tax-filing services are known as NETFILE and EFILE.

NETFILE is a fast, easy and secure service that allows you to send your return directly to the CRA from mid-February to the end of November using the Internet. Internet-filed returns must be prepared using one of the commercial tax preparation software packages or Web applications certified by the CRA to meet its system requirements. This would be Intuit's TurboTax.

EFILE is an automated system that allows registered electronic tax-filing service providers (businesses) to send individual income tax return information to the CRA electronically. You cannot do this yourself. To use this service, take your documents to a tax preparation service provider who will prepare your electronic return and send it to us using EFILE. This would be Intuit's ProFile.

You can also mail a paper tax return to your tax centre.

After you file

It usually takes about four to six weeks to process paper returns and two weeks to process returns filed using NETFILE and EFILE.

"So what happens after you file your tax return?" asks Anya. "What if you make a mistake or forget to claim something? What if you don't agree with whatever changes they made on your tax return?"

"Then I guess I can tell them that I don't agree with them," responds Paul.

"I think you should find out if you can do that, just in case," says Anya.

After the CRA processes your tax return, CRA will send you a notice of assessment showing any changes or corrections made (such as identifying and correcting a math error). The notice will indicate if you are entitled to a refund or if you have a balance owing.

If you overpaid your taxes during 2016, the CRA will issue a refund cheque attached to your notice of assessment, or directly deposit the funds into your account at a financial institution in Canada on the assessment date if you are registered for this service.

On the other hand, if you have a balance owing because you paid less taxes than you should have, and you did not attach the payment to your return when it was filed, the notice of assessment will contain instructions on how to pay the balance owing to avoid any interest charges.

How to change your return

If after you filed your return, you realize that you omitted some tax information that may affect the calculation of your taxes for the year, **do not file another return for that year**. You should wait until you receive your notice of assessment before requesting any change to a return that has not been processed.

You can request a change:

1. using My Account, one of the CRA's electronic services; or
2. by sending a completed Form T1-ADJ, *T1 Adjustment Request* (or a signed letter providing the same information), **and** supporting documents for the changes you want to make, to your tax centre.

If you or the CRA make a change to your original assessment, the CRA issues a notice of reassessment.

CRA electronic services

Paul wants to get his refund as quickly as possible so that he can buy the new video gaming console being released soon. He has decided to start direct deposit, one of the electronic services the CRA offers to individuals.

The CRA's electronic services are quick, easy and secure ways to view, change and manage your personal tax information. Some of the most widely used services are:

Child and family benefits calculators – Estimate the amount of CCB, GST/HST credit, WITB and other provincial and territorial benefits that you may be entitled to receive.

Direct deposit – You can have your income tax refund, CCB and UCCB payments, GST/HST credit, and WITB advance payments deposited directly into your account at your financial institution in Canada.

Electronic payments – Make your payment online using the CRA's My Payment service or using your financial institution's telephone or Internet banking services.

My Account – This is a secure, convenient, and time-saving way to access and manage your tax and benefit information online, seven days a week! If you are not registered with My Account but need information right away, use Quick Access to get fast, easy, and secure access to some of your information.

Tax Information Phone Service (TIPS) – For personal and general tax information by telephone, use the automated service, TIPS, by calling **1-800-267-6999**.

Chapter 2 - What we learned

Congratulations! You have completed Chapter 2. We covered a lot of information in this chapter.

We learned about:

- what the CRA does;
- how you can use the CRA Web site to get the tax information you need;
- the services and resources the CRA offers to taxpayers;
- tax refunds, credits, and benefits;
- filing an income tax and benefit return; and
- the electronic services offered by the CRA.

Before proceeding to Chapter 3, take a few minutes to answer the quiz on the next page to see how much you have learned, and how much you can remember from this chapter.

Chapter 2 Quiz

Answer the following quiz to see how much you have learned and how much you remember from Chapter 2.

The following statements are either **True** or **False**.

Quiz

1. The CRA is responsible for making all of the tax laws in Canada.

True False

2. Individuals can get most of the forms and publications they need from the CRA Web site.

True False

3. If you do not owe income tax, you do not have to file a tax return.

True False

4. If you will turn 19 before April 1, 2018, you might be eligible for the GST/HST credit.

True False

5. Tuition fees must be reported and claimed in the year the fees are paid.

True False

6. You can file a tax return using commercial tax preparation software and CRA's NETFILE service. (ie. Intuit's TurboTax and ProFile)

True False

7. You have to wait for your refund cheque to come in the mail.

True False

Excellent! You are now ready to begin Chapter 3.

Answers

Chapter 2 Quiz

Question 1: **False**

The CRA administers the tax laws proposed by the Department of Finance and passed by Parliament.

Question 2: **True**

Question 3: **True**

Generally, you do not have to file a tax return if you don't owe tax. However, by filing a tax return you could qualify for a tax refund, or certain credits or benefits.

Question 4: **True**

Question 5: **False**

Although you must report your tuition fees in the year they are paid, you can carry forward the amount to claim in a future year.

Question 6: **True**

Question 7: **False**

You can have your tax refund deposited directly into your account at a financial institution in Canada.