LEARNING ABOUT TAXES WITH INTUIT PROFILE: 2016 TY

Chapter 5 - How to complete a basic T1 return using ProFile

Contents

Chapter 5 - How to complete a basic T1 return using ProFile 2
Topics 2
Introduction to Chapter 5 2
Estimated time 2
Getting Started 3
Use the Personal information worksheet to enter new client information 3
Steps to create a New Client File: 3
Preparing Paul's tax return 7
Preparing Paul's tax return via ProFile 8
Steps to complete: 8
Preview your T1 Return (Flash Quiz) 10
Client Review 10
Chapter 5 - What we learned 12
Chapter 5 Quiz 13
Quiz 13
Answers 14
Chapter 5 Quiz 14

Chapter 5 - How to complete a basic T1 return using ProFile

Topics

- Introduction
- Getting started
- Where to get help with your return
- Preparing Paul's tax return
- What to include with your return and what records to keep
- What we learned
- Quiz 5

Introduction to Chapter 5

Estimated time

About 30 minutes

In this chapter, we will follow once again Paul through the process of preparing his income tax and benefit return. This time using Intuit ProFile software. Through this process, you will learn:

- how to get started on a ProFile tax return;
- using the Personal information worksheet;
- how to complete a ProFile basic tax return; and
- reviewing the T1 Summary.

Let's get started!

Disclaimer:
All characters appearing in the tax scenarios are fictitious. Any resemblance to real persons, living or dead, is purely coincidental.

Examples are based using Ontario as the Province. You may change provinces accordingly. Federal calculations will not change, but Provincial calculations will differ.

Getting Started

With the objective of minimizing tax payable, prepare each exercise using 2016 tax files in ProFile. List any assumptions you have made, and any notes and tax planning issues you feel should be placed in the file and discuss them after with your instructor or class.

Follow the step-by-step exercises contained in this handbook to build your knowledge of how to use ProFile. To maximize your practice, open ProFile in one monitor and view this guide in a second monitor, or, refer to a printed copy.

To file a ProFile return, you will need the following:

- all of your information slips (such as, T4, T5 and T2202A slips);
- information relating to any amounts to be included in income that were not reported on an information slip;
- receipts for any deductions or credits that you intend to claim;
- a calculator

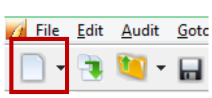
Use the Personal information worksheet to enter new client information

The Personal Information Worksheet is used to collect most of the general taxpayer information, such as name, address, social insurance number, spousal information, etc. in one convenient place. The information you enter here transfers to other related forms or schedules you use to prepare the return.

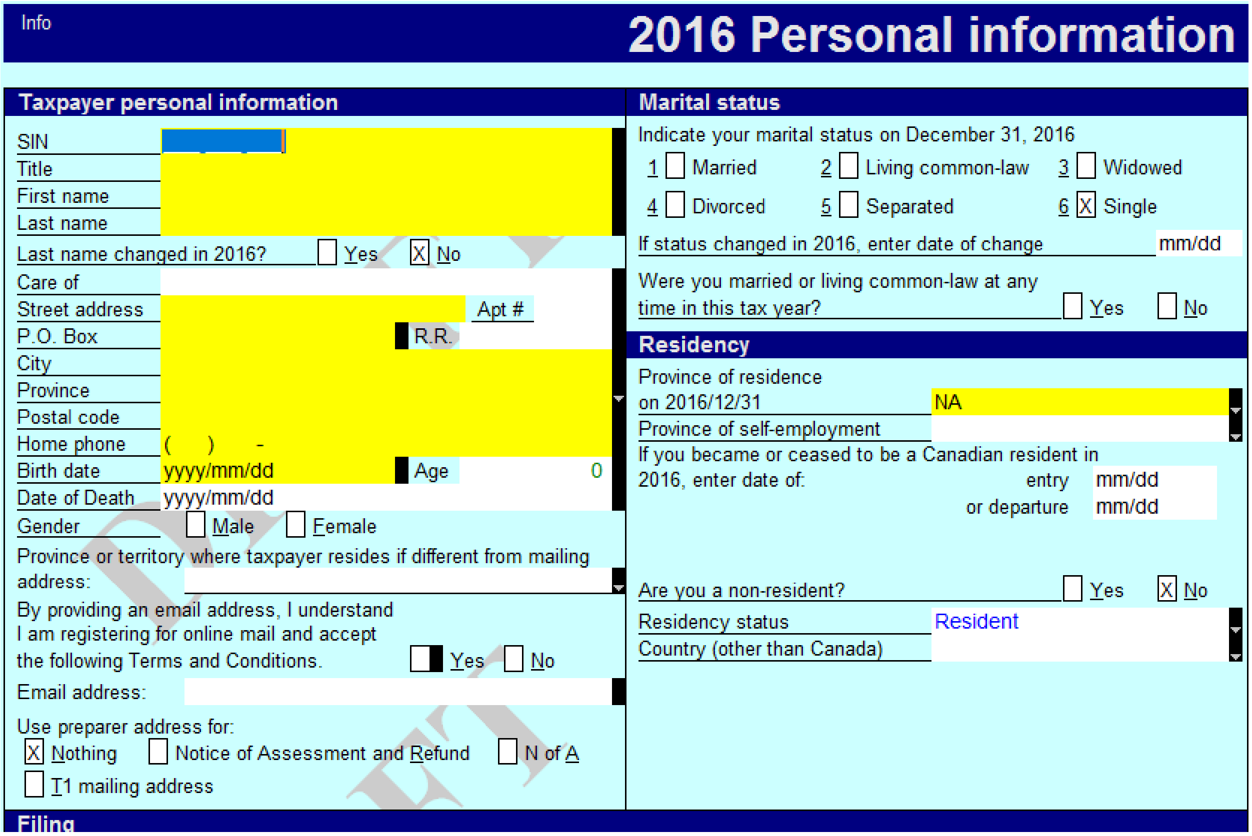
For this exercise, you will create a new client file, and continue to use Paul's information from the previous chapter.

Steps to create a New Client File:

1. Launch ProFile.
2. From the Icon bar, click the New Client File icon in the Icon Bar.



3. This will create a new file and open the Personal Information Worksheet.


Info

2016 Personal information

Taxpayer personal information

SIN
Title
First name
Last name
Last name changed in 2016? Yes X No
Care of
Street address Apt #
P.O. Box R.R.
City
Province
Postal code
Home phone ( ) -
Birth date yyyy/mm/dd Age 0
Date of Death yyyy/mm/dd
Gender Male Female
Province or territory where taxpayer resides if different from mailing address:
By providing an email address, I understand I am registering for online mail and accept the following Terms and Conditions. Yes No
Email address:
Use preparer address for:
X Nothing Notice of Assessment and Refund N of A
T1 mailing address

Marital status

Indicate your marital status on December 31, 2016
1 Married 2 Living common-law 3 Widowed
4 Divorced 5 Separated 6 X Single
If status changed in 2016, enter date of change mm/dd
Were you married or living common-law at any time in this tax year? Yes No

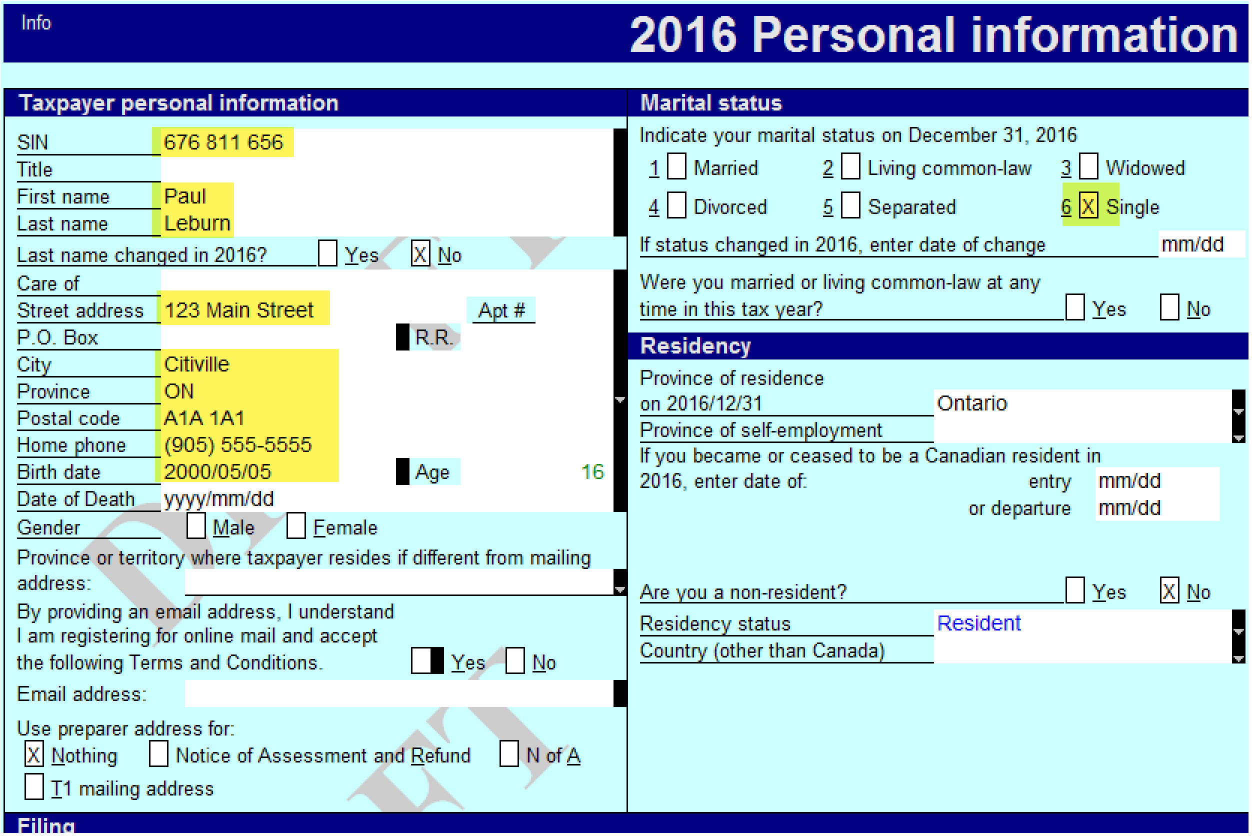
Residency

Province of residence on 2016/12/31 NA
Province of self-employment
If you became or ceased to be a Canadian resident in 2016, enter date of: entry mm/dd
or departure mm/dd
Are you a non-resident? Yes X No
Residency status Resident
Country (other than Canada)

Filing

4. Enter the Paul's Taxpayer personal information:

SIN:	676 811 656
First name:	Paul
Last name:	Leburn
Street address:	123 Main Street
City:	Citiville
Province:	ON
Postal code:	A1A 1A1
Home phone:	(905) 555-5555
Birth date:	2000/05/05
Marital Status:	Single


Info
2016 Personal information

Taxpayer personal information

SIN 676 811 656
Title
First name Paul
Last name Leburn
Last name changed in 2016? [ ] Yes [X] No
Care of
Street address 123 Main Street Apt #
P.O. Box R.R.
City Citiville
Province ON
Postal code A1A 1A1
Home phone (905) 555-5555
Birth date 2000/05/05 Age 16
Date of Death yyyy/mm/dd
Gender [ ] Male [ ] Female
Province or territory where taxpayer resides if different from mailing address:
By providing an email address, I understand I am registering for online mail and accept the following Terms and Conditions. [ ] Yes [ ] No
Email address:
Use preparer address for:
[X] Nothing [ ] Notice of Assessment and Refund [ ] N of A
[ ] T1 mailing address

Marital status

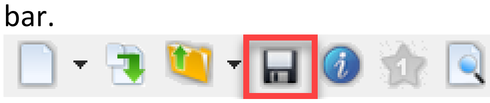
Indicate your marital status on December 31, 2016
1 [ ] Married 2 [ ] Living common-law 3 [ ] Widowed
4 [ ] Divorced 5 [ ] Separated 6 [X] Single
If status changed in 2016, enter date of change mm/dd
Were you married or living common-law at any time in this tax year? [ ] Yes [ ] No

Residency

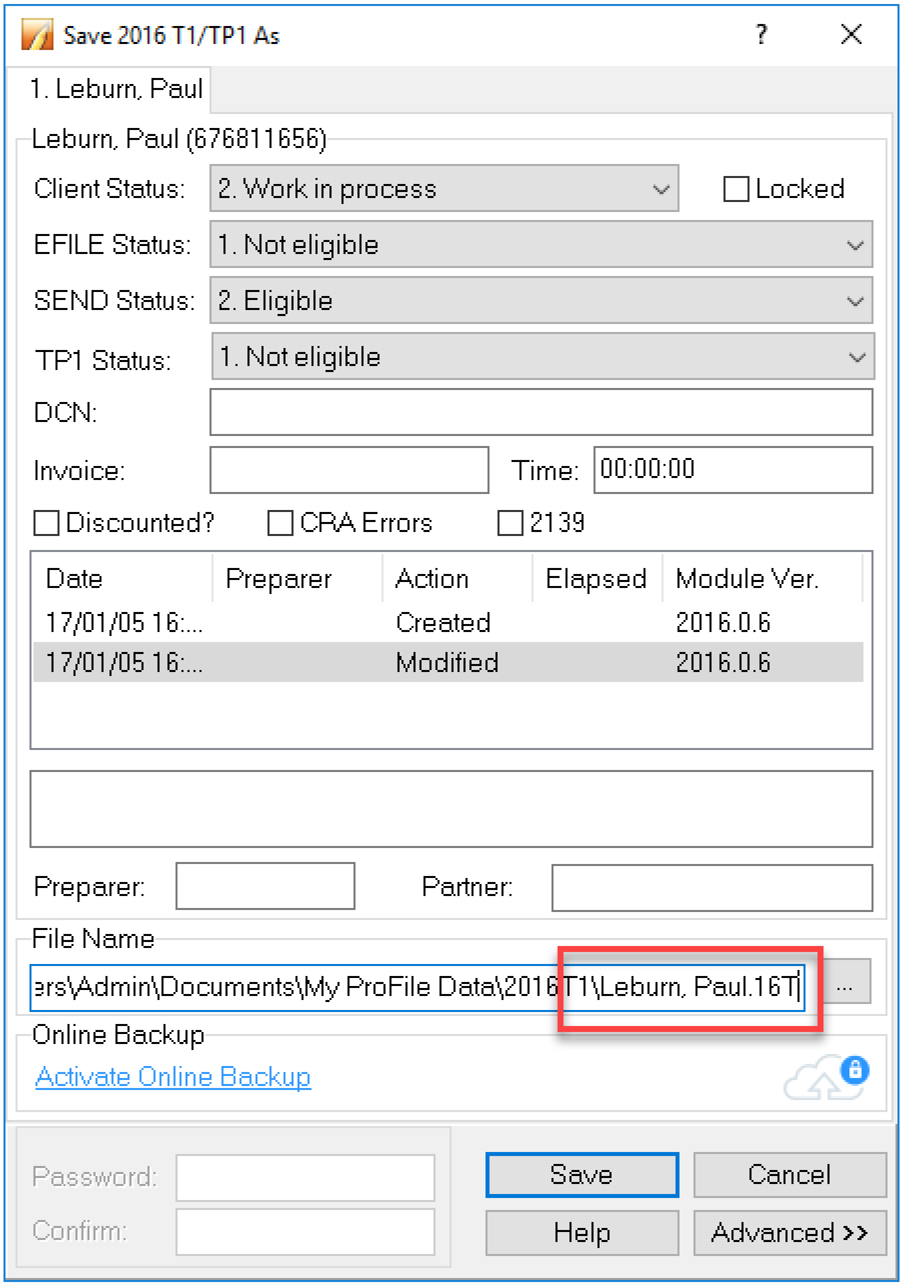
Province of residence on 2016/12/31 Ontario
Province of self-employment
If you became or ceased to be a Canadian resident in 2016, enter date of: entry mm/dd
or departure mm/dd
Are you a non-resident? [ ] Yes [X] No
Residency status Resident
Country (other than Canada)

Filing

5. After entering the personal information, save the file by clicking the Save icon in the Icon bar.



ProFile uses a default naming convention for files as the taxpayer's last name, first name(s). You may overwrite the file name if you choose.



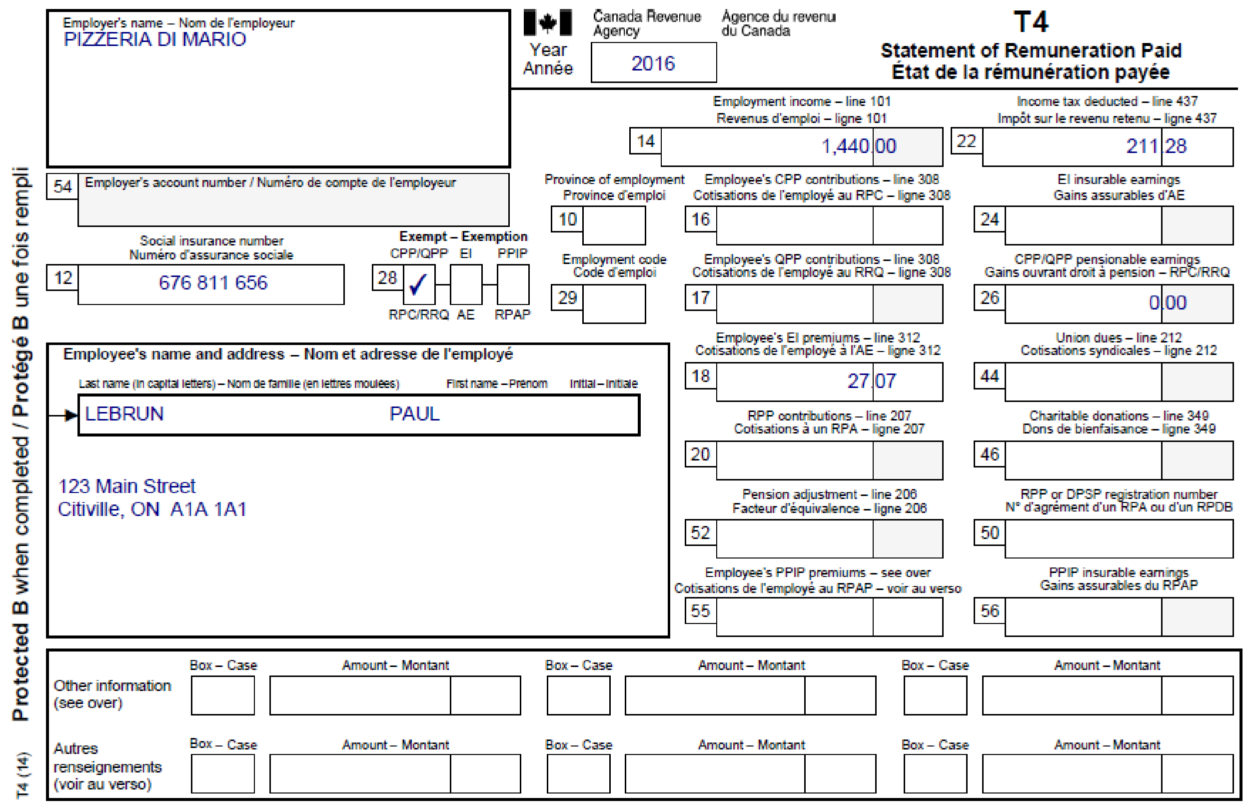
6. Click Save to finish saving the file.

You have now completed the Personal Information Worksheet for a new client. You're ready to start data entry for the taxpayer.

Preparing Paul's tax return

Paul's T4 slip

- Let's take a look at Paul's T4 slip to find the following information:


Employer's name – Nom de l'employeur
PIZZERIA DI MARIO

Canada Revenue Agency / Agence du revenu du Canada

Year / Année: 2016

T4
Statement of Remuneration Paid
État de la rémunération payée

14	Employment income – line 101 / Revenus d'emploi – ligne 101	1,440.00
22	Income tax deducted – line 437 / Impôt sur le revenu retenu – ligne 437	211.28
54	Employer's account number / Numéro de compte de l'employeur	
10	Province of employment / Province d'emploi	
16	Employee's CPP contributions – line 308 / Cotisations de l'employé au RPC – ligne 308	
24	EI insurable earnings / Gains assurables d'AE	
12	Social insurance number / Numéro d'assurance sociale	676 811 656
28	Exempt – Exemption: CPP/QPP ✓, EI, PPIP (RPC/RRQ, AE, RPAP)	
29	Employment code / Code d'emploi	
17	Employee's QPP contributions – line 308 / Cotisations de l'employé au RRQ – ligne 308	
26	CPP/QPP pensionable earnings / Gains ouvrant droit à pension – RPC/RRQ	0.00
18	Employee's EI premiums – line 312 / Cotisations de l'employé à l'AE – ligne 312	27.07
44	Union dues – line 212 / Cotisations syndicales – ligne 212	
20	RPP contributions – line 207 / Cotisations à un RPA – ligne 207	
46	Charitable donations – line 349 / Dons de bienfaisance – ligne 349	
52	Pension adjustment – line 206 / Facteur d'équivalence – ligne 206	
50	RPP or DPSP registration number / N° d'agrément d'un RPA ou d'un RPDB	
55	Employee's PPIP premiums – see over / Cotisations de l'employé au RPAP – voir au verso	
56	PPIP insurable earnings / Gains assurables du RPAP	

Employee's name and address – Nom et adresse de l'employé
Last name (in capital letters) – Nom de famille (en lettres moulées): LEBRUN
First name – Prénom: PAUL
Initial – Initiale:
123 Main Street
Citiville, ON A1A 1A1

Other information (see over) / Autres renseignements (voir au verso): Box – Case / Amount – Montant

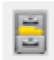
Protected B when completed / Protégé B une fois rempli
T4 (14)

- the employer's name;
- the year in which the income was earned;
- Paul's name and address;
- Paul's social insurance number (box 12);
- Paul's employment income (box 14);
- employment insurance premiums deducted (box 18);
- income tax deducted (box 22).

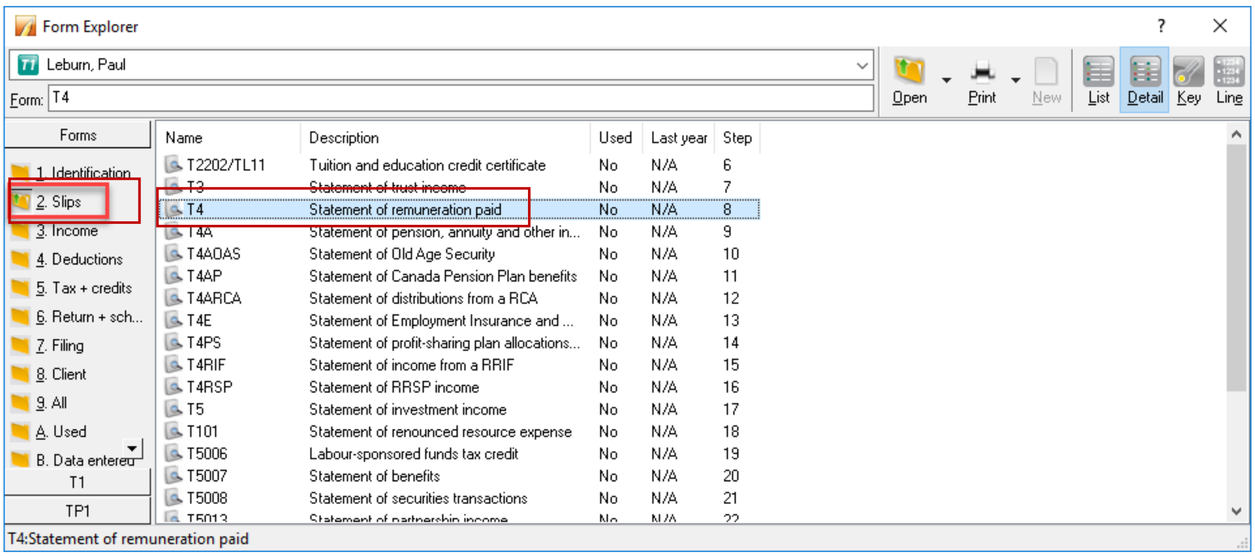
You will notice that box 28 is marked with an "X". This shows that Paul was exempt from paying Canada Pension Plan contributions during the past year, since he was under 18 years of age.

Preparing Paul's tax return via ProFile

Steps to complete:

1. Select the  button or Form Explorer list (F4). Select Slips and double-click on T4.

Tip: You can also just type "T4" in the search and click Enter. The form will appear quicker. If you know the form name/number or line number.



2. Enter information from the T4 Slip(s) in the T4 Slip Worksheet as shown.

T4
Statement of Remuneration Paid — **T4 Slip**

		Box	Slip #1	Slip #2	Slip #3	Slip #4	Total
Description			Pizzeria Di Mario				
Province of employment		10	Ontario				
Employment income		14	1,440.00	0.00	0.00	0.00	1,440.00
Employee's contributions	CPP	16	0.00	0.00	0.00	0.00	0.00
	QPP	17	0.00	0.00	0.00	0.00	0.00
	EI premiums	18	27.07	0.00	0.00	0.00	27.07
	PPIP	55	0.00	0.00	0.00	0.00	0.00
Exempt	CPP/QPP	28	Yes	No	No	No	
	EI		No	No	No	No	
	PPIP		No	No	No	No	
Employment code		29					
RPP contributions		20	0.00	0.00	0.00	0.00	0.00
Pension adjustment		52	0.00	0.00	0.00	0.00	0.00
Income tax deducted		22	211.28	0.00	0.00	0.00	211.28
EI insurable earnings		24	1,440.00	0.00	0.00	0.00	1,440.00
CPP/QPP pensionable earnings		26	0.00	0.00	0.00	0.00	0.00
PPIP insurable earnings		56	0.00	0.00	0.00	0.00	0.00
Union dues		44	0.00	0.00	0.00	0.00	0.00
Charitable donations		46	0.00	0.00	0.00	0.00	0.00

Other information

a. and enter the $500 he earned landscaping on slip 2 on Employment income not reported on slips

	Box	Slip #1	Slip #2	Slip #3	Slip #4	Total
Barbers or hairdressers	83	0.00	0.00	0.00	0.00	0.00
Transfer Box 81/82/83 earnings to T2125?						
Public transit pass	84	0.00	0.00	0.00	0.00	0.00
Employee-paid premiums for private health services plans	85	0.00	0.00	0.00	0.00	0.00
Volunteer allowance (non-taxable)	87	0.00	0.00	0.00	0.00	0.00
Indian (exempt income) - Self-employment	88	0.00	0.00	0.00	0.00	0.00
Employment income not reported on slips		0.00	500.00	0.00	0.00	500.00
Québec tax deducted (Non-Resident of Québec)		0.00	0.00	0.00	0.00	0.00

3. Select the  button or Form Explorer list (F4). Type in Line 364. Double Click on line 364. Enter Paul's, $600 ($50 × 12 months) public transit amount for his monthly bus passes on Line 3.

Public transit passes amount - line 364

Amounts for public transit passes from your T4 slips	0.00	1
Amounts for public transit passes from your spouse or common law partner's T4 slips	0.00	2
Amounts for public transit passes not included on your or your spouse or common-law partner's T4	600.00	3
Amounts for public transit passes from your dependant children (under age 19)	0.00	4
Total of lines 1, 2, 3 and 4	600.00	5
Amount claimed by your spouse or common-law partner 0.00 %	0.00	6
Enter this amount on line 364 of Schedule 1	600.00	7

Home buyers' amount - line 369

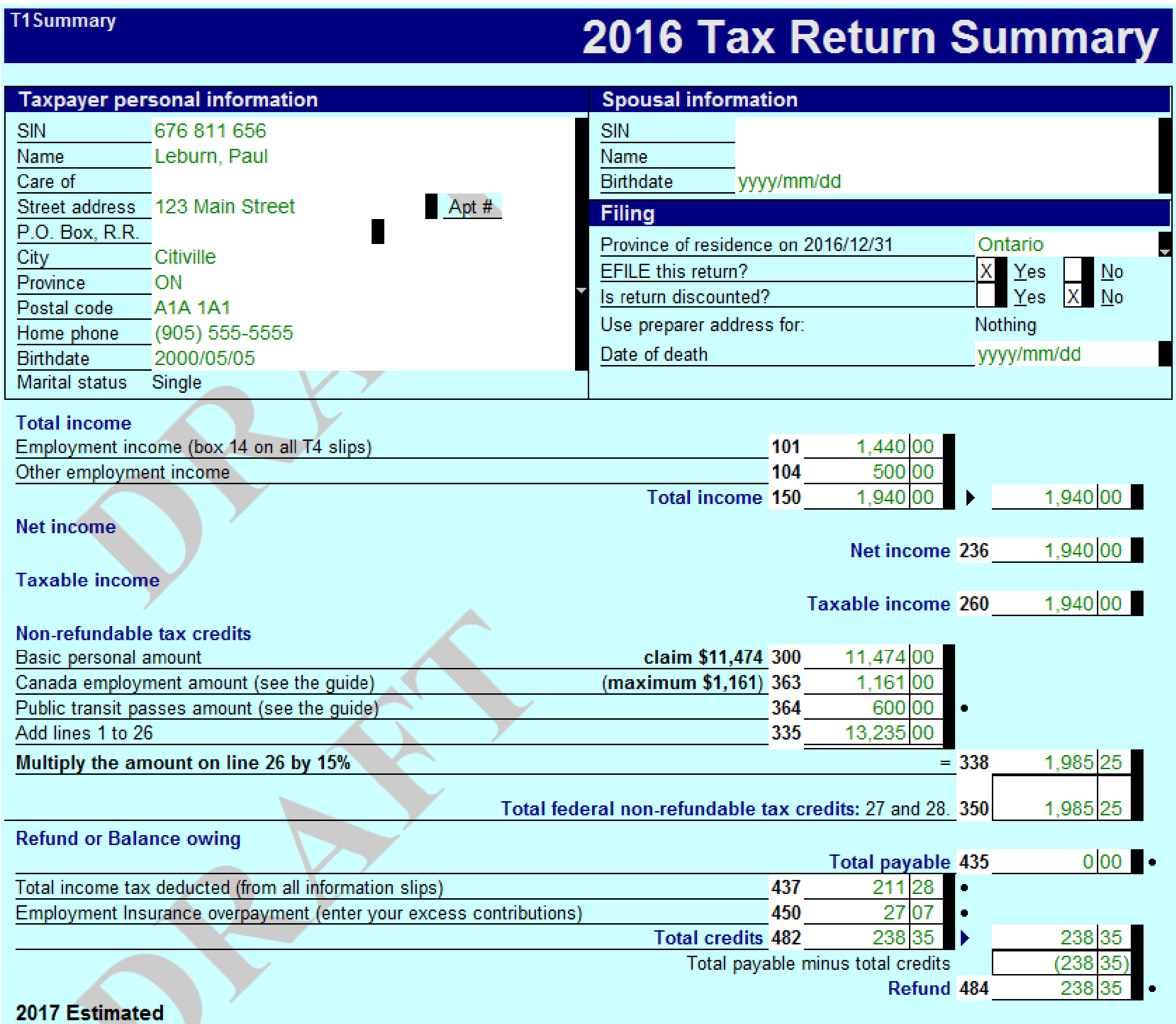
4. Click Save button in the icon bar to save your work.

Preview your T1 Return (Flash Quiz)

Client Review

As a tax preparer you need to explain to your client in summary why there is either a Refund or Balance, and what Deductions were applied to the taxpayer's situation. ProFile can help you review the areas you need to communicate to your client.

From the GoTo menu, Select T1 Summary (Ctrl+F10)



T1Summary

2016 Tax Return Summary

Taxpayer personal information	
SIN	676 811 656
Name	Leburn, Paul
Care of	
Street address	123 Main Street Apt #
P.O. Box, R.R.	
City	Citiville
Province	ON
Postal code	A1A 1A1
Home phone	(905) 555-5555
Birthdate	2000/05/05
Marital status	Single

Spousal information	
SIN	
Name	
Birthdate	yyyy/mm/dd

Filing	
Province of residence on 2016/12/31	Ontario
EFILE this return?	[X] Yes [ ] No
Is return discounted?	[ ] Yes [X] No
Use preparer address for:	Nothing
Date of death	yyyy/mm/dd

Total income				
Employment income (box 14 on all T4 slips)	101	1,440.00		
Other employment income	104	500.00		
Total income	150	1,940.00		1,940.00
Net income				
			Net income 236	1,940.00
Taxable income				
			Taxable income 260	1,940.00
Non-refundable tax credits				
Basic personal amount claim $11,474	300	11,474.00		
Canada employment amount (see the guide) (maximum $1,161)	363	1,161.00		
Public transit passes amount (see the guide)	364	600.00		
Add lines 1 to 26	335	13,235.00		
Multiply the amount on line 26 by 15%			= 338	1,985.25
Total federal non-refundable tax credits: 27 and 28.			350	1,985.25
Refund or Balance owing				
			Total payable 435	0.00
Total income tax deducted (from all information slips)	437	211.28		
Employment Insurance overpayment (enter your excess contributions)	450	27.07		
Total credits	482	238.35		238.35
			Total payable minus total credits	(238.35)
			Refund 484	238.35

2017 Estimated

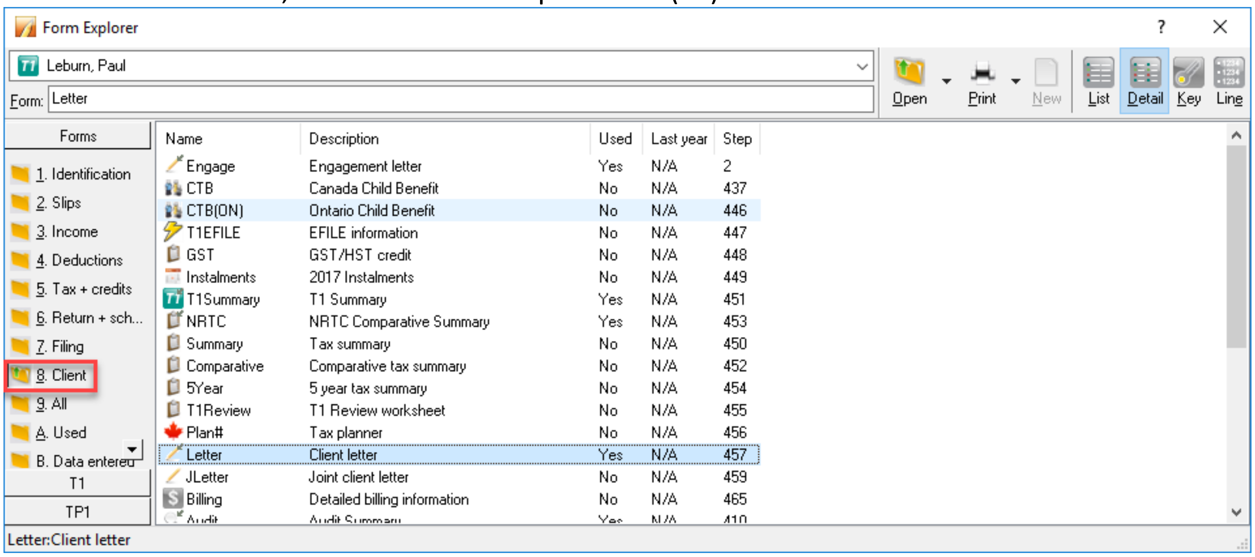
The T1 Summary gives you a quick review of the T1 that has been prepared.

- Compare the ProFile version with the hands-on version from the previous chapter.
- Lines 101 & 104 is automatically calculated by the T4 slips screen
- Lines 236 and 260 are carried forward
- Schedule 1 is automatically calculated for Lines 350 and 435
- Provincial schedules are automatically generated

How does it look? (Classroom)

- Are there any differences between ProFile and manual form?
- Why would ProFile not record the EI from Line 312 on Schedule 1?
- Why Would ProFile record the EI to Line 450?
- Does it confirm with current ITA?

From the GoTo menu, Select the Form Explorer list (F4). Select Client and double-click on Letter.



The Client Letter in Form Explorer (F4). ProFile will announce to the taxpayer all the estimated amounts as well.

Paul Leburn
123 Main Street
Citiville, ON
A1A 1A1

Dear Paul:

We have transmitted your return electronically to Canada Revenue Agency (CRA) using the EFILE system. The enclosed copy of your 2016 income tax return is for your records. We have prepared your return based on the information you provided to us. Keep all information slips, receipts, and other documents for six years, in case CRA asks to see them.

Your return shows a refund of $238.35.

Your RRSP deduction limit for 2017 is $349.

If you have any questions about your income tax return, please contact me at .

Sincerely yours,

Chapter 5 - What we learned

You have finished Chapter 5. Congratulations!

In this chapter we learned:

- how to get started on ProFile tax return;
- using the Personal information worksheet;
- how to complete a ProFile basic tax return; and
- reviewing the T1 Summary.

If there are any details that you would like to review, please go through the chapter again.

Chapter 5 Quiz

Now that you have finished this chapter, take a few minutes to answer the following quiz. This exercise will help you to review what you have learned.

Quiz

1. What amount is on Line 150?
2. What amount is on Line 350 and explain why?
3. What amount is on Line 484 and explain why?

Review the Tax Summary and Client Letter and answer the following questions.

4. What is the Refund/Balance amount?
5. What is the GST Credit amount, and explain why?

Answers

Chapter 5 Quiz

Question 1: $1,940.00

Question 2: $1,985.25

Question 3: $238.35, income tax deducted and EI overpayment

Question 4: $237.63 (Ontario) or $0.00 (just Federal)

Question 5: $0.00, not old enough (eligible April 2018)