



INTUIT PROFILE – 2017/18 TRAINING GUIDE

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## **Learning about Taxes with Intuit ProFile**

### **Chapter 5: Advanced T1 Work**



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## About the Author

**Michael Di Lauro, CPA CMA, *Hein & Associates CPAs***



Michael is a CPA, CMA with a strong background in training and technology. Over the years Michael has written dozens of training materials and has taught QuickBooks, ProFile, Microsoft Office and other software applications to thousands of individuals. When not teaching or training you'll often find Michael in various coffee shops, throughout Ottawa and Montreal, discussing business and technology with friends, clients and, even, perfect strangers.

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## ADDITIONAL RESOURCES

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In addition to this document, Intuit provides numerous resources to accounting professionals. Refer to these sites to explore additional tutorials and training opportunities:

- <http://accountant.intuit.ca/professional-accounting/index.jsp>
  - <http://profile.intuit.ca/professional-tax-software/index.jsp>
  - <http://profile.intuit.ca/professional-tax-software/training.jsp>
-

## Introduction

Intuit ProFile Tax software is reliable and easy-to-use, and it offers sophisticated features that help tax preparers experience a more productive tax season. The following paragraphs summarize the key components of Intuit ProFile Professional Tax software

ProFile T1 imports and converts data created by competing software products. Whether you carry files forward individually or in batches, you will find the process quick and convenient. Using ProFile's WYSIWYG (what you see is what you get) forms, you can view and edit federal T1 and Québec TP1 forms in either French or English. You can also print all tax forms in either language at the click of a button.

ProFile T2 is designed for professional preparation of corporate tax returns in all provinces and territories. ProFile T2 includes:

- Federal T2 returns, including T2 RSI (for 2006-2009 and earlier) and Corporation Internet Filing
- Provincial corporate tax returns for Alberta (including AT1 RSI), for Ontario returns with taxation years ending prior to January 1, 2009 (including CT23 disk filing) and for Quebec (CO-17).
- Provincial capital tax returns for Manitoba, Saskatchewan and British Columbia

ProFile T3 prepares Trust income tax returns and supporting schedules, including T3 and T5 slips that the trust receives. Simply enter slip information on intuitive income-reporting screens and ProFile T3 automatically transfers the amounts to the appropriate forms. ProFile T3 also integrates business and rental income statements. In addition to T3 slips, the software allows you to prepare NR4 slips for non-resident taxpayers (including the NR4 summary).

ProFile FX (Forms Expert) gives you more than 80 of the most commonly-used CRA forms which supplement the form-sets in Intuit's other tax applications. Here are a few highlights of ProFile FX:

- Customizable options help you complete and file the forms you need.
- Automatic form selection facilitates form printing.
- Audit and review features help pinpoint potential errors
- Forms flexibility lets you print facsimile forms on plain paper or directly onto pre-printed CRA forms. ProFile FX also prepares magnetic media files for T4, T4A, T5, T5018 and NR4 slips, as well as for the RL1, RL2, RL3 and RL4.
- Import identification from an existing ProFile T1 or T2 data file minimizes potential data entry errors.



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## Benefits of Using ProFile

ProFile is powerful, efficient and secure tax software that helps you get your work done fast and efficiently. Here's how you benefit by using Profile:

- With phone, email or in-product live chat support, you have year-round access to knowledgeable Canadian technical experts
- With its comprehensive set of forms and schedules, ProFile lets you handle just about every tax scenario in any jurisdiction, including Québec
- With a built-in auditor that runs up to 2,800 diagnostic checks of your tax returns, ProFile has your back
- Flexible Licensing means you can install ProFile on more than one personal computer without having to pay additional licensing fees
- Work with QuickBooks? So does ProFile! There's no need for manual data entry because you can now export data from QuickBooks directly into ProFile

Plus, with ProFile you enjoy a consistent level of advanced features that include:

- Customizable client correspondence
- Database queries and reporting
- Online tools to quickly and easily stay in touch with your clients

## Chapter 5: Advanced T1 Work

### CHAPTER 5 LEARNING OBJECTIVES

At this chapter's conclusion, students will understand:


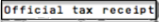
- How to prepare a T1 when there are dependents
- How ProFile optimizes a T1
- How to prepare T1 for the self-employed

### DEPENDANTS AND DEDUCTIONS

Now that you have learned the basics, let's explore T1 preparation at a more advanced level.

Building on the previous example, assume that a married couple, Jane and Javier Cosan, also submit additional forms.

- These forms include the following RSP slip

		TD Waterhouse Canada Inc. 77 Bloor St. W. P.O. Box 5999, Station F Toronto, ON M4Y 2T1	
REGISTERED RETIREMENT SAVINGS PLAN		ATTACH TO FEDERAL INCOME TAX RETURN	
DATE	ACCOUNT NUMBER	DURING THE FIRST 60 DAYS OF THE YEAR	DURING THE REMAINDER OF THE YEAR
FEB 24, 2017		8000.00	
		CONTRIBUTOR'S NAME <b>Jane Cosan</b>	
Jane Cosan 12 Main St Anytown, ON M4A 1A2		ANNUITANT'S SOCIAL INSURANCE NUMBER <b>444-444-442</b>	CONTRIBUTOR'S SOCIAL INSURANCE NUMBER <b>444-444-442</b>
		Contribution was in whole or in part, in kind <input type="checkbox"/>	
		The Canada Trust Company La Société Canadienne Trust <small>(Authorized Signature) / (Signature des personnes autorisées)</small>	
Registered under the income tax act (CANADA) and subject thereto.			

- And a schedule of Medical Expense

Medical Expenses			
	Date	Description	Amount
Javier	Jan 12, 2016	Eyeglasses	812.88
Jane	Jan 12, 2016	Eyeglasses	910.44
Jane	Mar 31, 2016	Root Canal	1440.12
Javier	June 14, 2016	Crown	1299.02
<b>TOTAL</b>			<b>4462.46</b>

- Further assume that Jane also submitted to you the following T4 and tuition slip for her daughter, Maria, who is a full-time student at Concordia University

Canada Revenue Agency / Agence du revenu du Canada

**Tuition, Education, and Textbook Amounts Certificate**  
**Certificat pour frais de scolarité, montant relatif aux études et montant pour manuels**

Protected B / Protégé B when completed / une fois rempli

T2202A (16) For student / Pour étudiant

Issue this certificate to a student who was enrolled during the calendar year in a qualifying educational program or a specified educational program at a post-secondary institution, such as a college or university, or at an institution certified by Employment and Social Development Canada (ESDC).

Tutor fees paid in respect of the calendar year to any one institution have to be more than \$100. Fees paid to a post-secondary institution have to be for courses taken at the post-secondary level. Fees paid to an institution certified by ESDC have to be for courses taken to get or improve skills in an occupation, and the student has to be 16 years of age or older before the end of the year.

Do not enter the cost of textbooks on this form. Students calculate the education and textbook amounts based on the number of months indicated in Box B or C below.

Delivrez ce certificat à un étudiant qui était inscrit, au cours de l'année civile, à un programme de formation admissible ou à un programme de formation déterminé dans un établissement postsecondaire, comme un collège ou une université, ou dans un établissement reconnu par Emploi et Développement social Canada (ESDC).

Les frais de scolarité payés à un établissement postsecondaire doivent viser des cours de niveau postsecondaire. Les frais payés à un établissement reconnu par ESDC doivent viser des cours suivis en vue d'acquies ou d'améliorer des compétences professionnelles, et l'étudiant doit avoir 16 ans ou plus avant la fin de l'année.

N'inscrivez pas le coût des manuels sur ce formulaire. L'étudiant calcule les montants relatifs aux études et pour manuels d'après le nombre de mois indiqué dans les cases B ou C ci-dessous.

Name of program or course / Nom du programme ou du cours: **Fine Arts**

Student number / Numéro d'étudiant: **323122**

Name and address of student / Nom et adresse de l'étudiant:  
**Maria COSAN**  
**12 Main St**  
**Anytown ON M4A 1A2 CAN**

Name and address of educational institution / Nom et adresse de l'établissement d'enseignement:  
**Concordia University**  
**1455 De Maisonneuve Blvd W**  
**Montreal QC H3G1M8**

Season periods, part-time and full-time / Périodes d'études à temps partiel et à temps plein		Eligible tuition fees, part-time and full-time / Frais de scolarité admissibles pour études à temps partiel et à temps plein		Number of months for which fees were paid / Nombre de mois pour lesquels des frais ont été payés		
From - De	To - À	A	B	C		
Y - A	M	Y - A	M	Part-time / Temps partiel	Full-time / Temps plein	
2016	01	2016	04	3,285.47	0	4
2016	09	2016	12	3,329.80	0	4
Totals / Totaux				6,615.27	0	8

Information for students: See the back of slip 1. If you want to transfer all or part of your tuition, education, and textbook amounts, complete the back of slip 2. / Renseignements pour les étudiants: Lisez le verso du feuillet 1. Si vous devez transférer une partie ou la totalité de vos frais de scolarité et de vos montants relatifs aux études et pour manuels, remplissez le verso du feuillet 2.

Canada Revenue Agency / Agence du revenu du Canada

**T4 Statement of Remuneration Paid**  
**État de la rémunération payée**

Year / Année: **2016**

Employer's name / Nom de l'employeur: **Outdoor Equipment Inc**

Employment income - line 101 / Revenus d'emploi - ligne 101: **14 11,921.00**

Income tax deducted - line 437 / Impôt sur le revenu retenu - ligne 437: **22 1,214.88**

Employer's account number / Numéro de compte de l'employeur: **99552 2243 RP 0001**

Province of employment / Province d'emploi: **10 ON**

Employer's CPP contributions - line 308 / Cotisations de l'employeur au RPP - ligne 308: **16 417.00**

EI insurable earnings / Gains assurables d'AE: **24 11,921.00**

Social insurance number / Numéro d'assurance sociale: **12 555 555 556**

Employment code / Code d'emploi: **29**

Employer's QPP contributions - line 308 / Cotisations de l'employeur au RPP - ligne 308: **17**

CPP/QPP pensionable earnings / Gains ouvrant droit à pension - RPP/RCPP: **28 11,921.00**

Employee's name and address / Nom et adresse de l'employé:  
**Maria COSAN**  
**12 Main St**  
**Anytown ON CAN M4A 1A2**

Employee's EI premiums - line 312 / Cotisations de l'employé à l'AE - ligne 312: **18 224.11**

Union dues - line 212 / Cotisations syndicales - ligne 212: **44**

RPP contributions - line 207 / Cotisations à un RPA - ligne 207: **20**

Charitable donations - line 349 / Dons de bienfaisance - ligne 349: **46**

Pension adjustment - line 206 / Facteur d'équivalence - ligne 206: **52**

RPP or DPSP registration number / N° d'agencement d'un RPA ou d'un DPSP: **50**

Employer's PRPP premiums - see over / Cotisations de l'employeur au RPP - voir au verso: **55**

PRPP insurable earnings / Gains assurables du RPP: **56**

Other information (see over) / Autres renseignements (voir au verso)

RC-14-599

## Recording RRSP contributions

- With Jane and Javier's tax return open, press F4, enter *RRSP* in the *Search* field, and Profile will open the *RRSP/PRPP deduction* form

2016 T1/TP1: Cosan, Jane - RRSP/PRPP deduction

RRSP/PRPP

### RRSP/PRPP deduction

Verify unused amount from Box B Notice of Assessment or enter it as 'Prior to 2016'.

Description	Contribution period	Contributions made to	
		Own RRSPs	Spousal RRSPs
TD	January 1, 2017 to March 1, 2017	8,000.00	0.00
	March 1 to December 31, 2016	0.00	0.00
	Subtotal	8,000.00	0.00

PRPP Contributions

Description	Contribution period	Employee Contributions Made to	
		Own PRPP	
	January 1, 2016 to December 31, 2016	0.00	0.00
	Subtotal	0.00	0.00

PRPP employer contributions: January 1, 2016 to December 31, 2016 (amount from your PRPP contribution receipts) - report on line 205: **0.00**

	Contributions made to	
	Own RRSP/PRPP	Spousal RRSPs
RRSP contributions	8,000.00	0.00
PRPP contributions	0.00	0.00
Subtotal	8,000.00	0.00
Less: Designated Home Buyers' Plan (HBP) repayment	0.00	0.00
Designated Lifelong Learning Plan (LLP) repayment	0.00	0.00
Non-deductible contributions due to HBP or LLP withdrawal	0.00	0.00
Refund of undeducted contributions included above	0.00	0.00
<b>Total RRSP/PRPP contributions</b>	<b>8,000.00</b>	<b>0.00</b>

Modified | EFILE: Not eligible | Balance/Refund 1,710.81 | GST Credit 0.00 | Combined balance 2,716.21

- When entering RRSP contributions on this form, scroll down to enter or confirm the taxpayer's deduction limit (which you will find on CRA's Notice of Assessment). Note that ProFile will not allow an RRSP deduction until you fill in this field

2016 T1/TP1: Cosan, Jane - RRSP/PRPP deduction

SPP deduction limit

Own SPP 0|00 Spousal SPP 0|00

SPP deduction 0|00

**RRSP/PRPP deduction limit**

Option 1: Enter limit from 2015 Notice of (Re)Assessment 14,861

Option 2: Calculate the limit

2015 earned income 0 X 18% 0

Less: Pension adjustment from 2015 T4/T4A slips 0

2016 past service pension adjustment 0

Plus: 2016 pension adjustment reversal from T10 slip 0

Subtotal 0

Plus: Unused RRSP/PRPP deduction room from 2015 0

Subtotal 14,861

Less: Saskatchewan Pension Plan deduction 0

RRSP/PRPP deduction limit for 2016 14,861

**RRSP/PRPP summary**

2016 RRSP/PRPP deduction limit 14,861

Eligible income transferred to your RRSP/PRPP 0

Subtotal 14,861

RRSP/PRPP contributions to March 1, 2017 8,000

RRSP/PRPP deduction (lesser of lines B and C) 8,000

RRSP/PRPP contributions carried forward to 2017 (C - D) 0

SPP contributions carried forward 0

Modified | EFILE: Eligible Balance/Refund (1,255.10) GST Credit 0.00 Combined balan...(249.70)

## Entering Medical Expenses

- To optimize a married couple's tax return, you will want to combine and claim medical expenses on only one of the spouse's returns. Assume, therefore, that you have decided to enter the medical expenses on Javier's T1
- On Javier's T1, press F4, enter *Med* in the *Search* field and ProFile will open the *Medical Expenses* form
- Enter the medical expenses as illustrated below

2016 T1/TP1: Cosan, Javier - Medical expenses

Medical

Optimize medical expenses? Yes  No

**Medical expenses - line 330**

Period covered by claim: from 2016-01-01 to 2016-12-31

Payment date	Name of patient	Payment made to	Description of expense	* Subject to limitation?	Amount	Claim
2016-01-12	Javier Cosan	Optical Centre	Eye glasses	No	812 88	812 88
2016-01-12	Jane Cosan	Optical Centre	Eye glasses	No	910 44	910 44
2016-03-31	Jane Cosan	Downtown Dental	Root Canal	No	1,440 12	1,440 12
2016-06-14	Javier Cosan	Downtown Dental	Crown	No	1,299 02	1,299 02
yyyy-mm-dd				No	0 00	0 00
Medical expenses subtotal						4,462 46

Are you claiming medical expenses? No

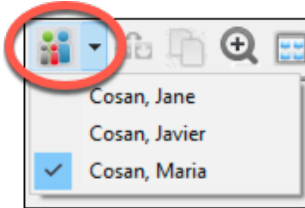
	Taxpayer	Spouse
Premiums paid to private health service plans	0 00	0 00
Employee/Recipient-paid premiums for private health services plan	0 00	0 00
Québec prescription Drug Insurance Plan - 2015	0 00	0 00
Nova Scotia Seniors' Pharmacare Program	0 00	0 00
Total medical expenses - line 330		0 00

Modified | EFILE: Not eligible Balance/Refund 1,005.40 GST Credit 0.00 Combined balance(756.56)

## Recording Dependant Information

- With all of the spouses' information entered in ProFile, the last step is to record the slip information for the Cosan's daughter, Maria. To do this, you will use a feature called Family Linking.

### Family Linking



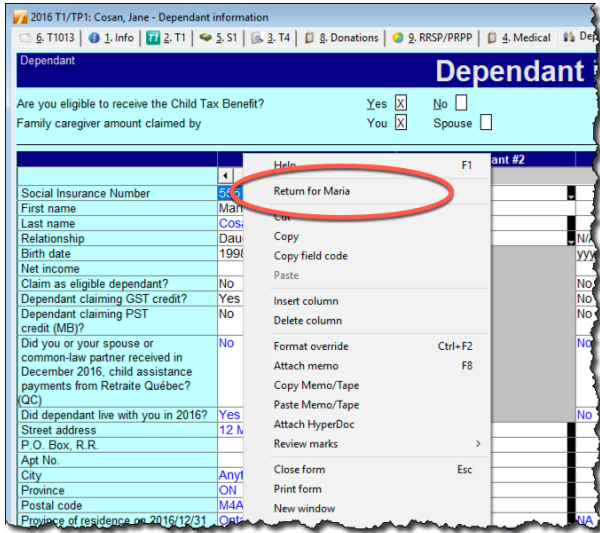
When you create a dependant's tax return, ProFile will link the return with that of the parents. You can tell *Family Linking* is enabled by the toolbar icon and dropdown menu that lets you toggle amongst the family's tax files.

- With the spousal return open, Press *F4* and enter *Dep* in *Form Explorer's Search* field
- Enter Maria's personal information on the *Dependant information* form

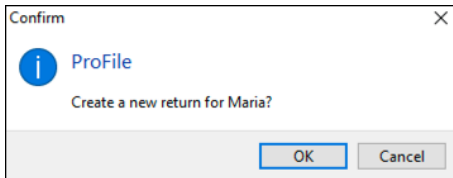
A screenshot of the 'Dependant information' form in ProFile. The form is titled 'Dependant information' and has a blue header. Below the header, there are two sections: 'Are you eligible to receive the Child Tax Benefit?' with 'Yes' and 'No' radio buttons, and 'Family caregiver amount claimed by' with 'You' and 'Spouse' radio buttons. The 'Yes' and 'You' options are selected. Below these sections is a table with three columns: 'Dependant #1', 'Dependant #2', and 'Dependant #3'. The table contains various fields for each dependant, including Social Insurance Number, First name, Last name, Relationship, Birth date, Net income, and various tax-related questions. The 'Dependant #1' column is filled with information for Maria Cosan, while the other two columns are empty. At the bottom of the form, there is a status bar showing 'Modified', 'EFILE', 'Eligible Balance/Refund (1,761.96)', 'GST Credit 0.00', and 'Combined balance (756.56)'.

	Dependant #1	Dependant #2	Dependant #3
Social Insurance Number	555 555 556		
First name	Maria		
Last name	Cosan		
Relationship	Daughter	N/A	N/A
Birth date	1998-06-23	yyyy-mm-dd	yyyy-mm-dd
Net income	0.00	0.00	0.00
Claim as eligible dependant?	No	No	No
Dependant claiming GST credit?	Yes	No	No
Dependant claiming PST credit (MB)?	No	No	No
Did you or your spouse or common-law partner received in December 2016, child assistance payments from Retraite Québec (QC)?	No	No	No
Did dependant live with you in 2016?	Yes	No	No
Street address	12 Main Street		
P.O. Box, R.R.			
Apt. No.			
City	Anytown		
Province	ON		
Postal code	M4A 1A2		
Province of residence on 2016/12/31	Ontario	NA	NA

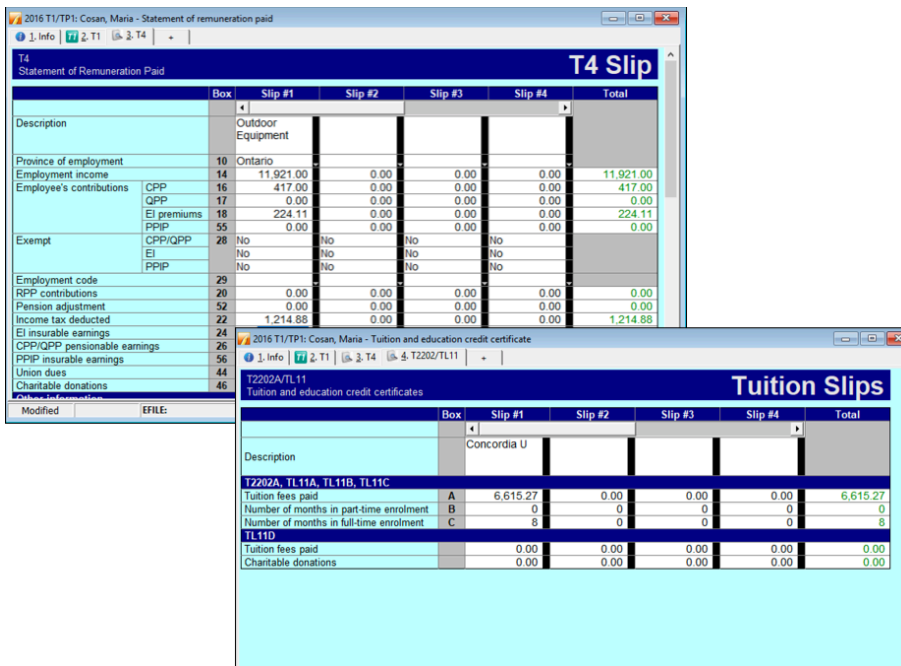
- To create a T1 file for Maria, right-click on any field in the form and select *Return for Maria*



- ProFile will confirm that you want to create a tax file for Maria. Click *OK*



- From Maria's tax file, return to *Form Explorer* and enter Maria's T4 and T2202 (tuition) information



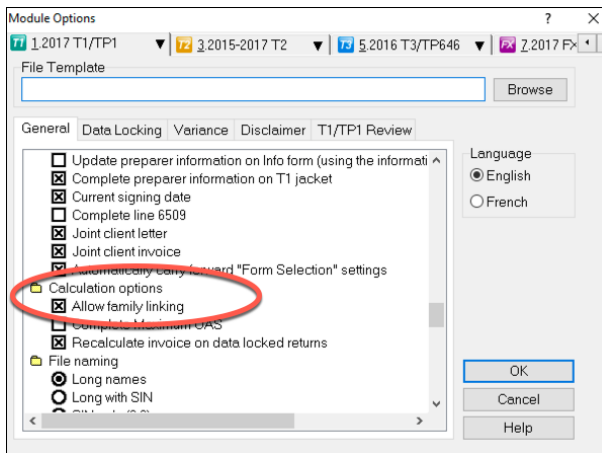
## Tuition transfers

When a student's income isn't high enough to use up all of the tuition credit, CRA allows that student to transfer the excess credit to a family member. ProFile takes care of this transfer automatically. It does so by a process called *optimization*.

- Because Maria did indeed have excess tuition expenses, ProFile automatically transfers the applicable tuition credit to the appropriate spouse. A quick glance at line 324 on the S1 form of Javier's T1 confirms the transfer

Disability amount (for self) (claim \$8,001, or if you were under age 18, use the federal worksheet)	316	0.00	21
Disability amount transferred from a dependant (use the federal worksheet)	318	0.00	22
Interest paid on your student loans	319	0.00	23
Your tuition, education, and textbook amounts (attach Schedule 11)	320	0.00	24
Tuition, education, and textbook amounts transferred from a child	321	0.00	25
Amounts transferred from your spouse or common-law partner (attach Schedule 2)	324	5,000.00	25
Medical expenses for self, spouse or common-law partner, and your	325	0.00	26

There is a setting in ProFile that toggles family linking on or off. To make sure that this setting is enabled, go to *Options > Module* and scroll down, under the *General* tab, to the section that reads "Allow family linking."



## Optimizing

As mentioned in the previous paragraph, ProFile provides seamless, invisible optimization, and it alerts you with audit messages designed to achieve the most beneficial tax results for a tax preparer's clients.

Here is what ProFile's optimization prowess includes: medical expenses; donations and losses; foreign tax credits; advantageous caregiver and infirm dependant claims between spouses; smart disability credit transfers; and intelligent transfer of tax credits between taxpayers and their dependants.

## Pension Splitting

Splitting pension income is another example of ProFile's optimization capability. Let's look at an example.

The Tax Summary below shows that Mary earns significantly more than her spouse, Frank, and it also reveals that Mary has pension income of \$48,950. There is an opportunity, therefore, to split the pension income and reduce the couple's overall tax liability.

Summary		Mary	Frank	
<b>Total income</b>				
Employment *	101	65,200	22,122	Basic
Old Age Security	113	6,874	4,550	Age an
CPP/QPP benefits	114	12,350	0	Spous
Other pensions	115	48,950	0	Famil
Split-pension amount		0	0	Infirm
Universal Child Care Benefit	117	0	0	CPP/C
Employment Insurance	119	0	0	Volunte
Taxable dividends	120	0	0	Canada
Interest	121	10	142	Public
Limited partnership	122	0	0	Childre
RDSP	125	0	0	Home b
Rental	126	0	0	Home b
Taxable capital gains	127	0	0	Adoptio
Support payments	128	0	0	Pensio
RRSP	129	0	0	Disabili
Other	130	0	0	Transfe
Self-employment *	135	0	0	Interes
Workers' compensation and social assistance		0	0	Tuition
		0	0	Medica
<b>Total income</b>	<b>150</b>	<b>133,384</b>	<b>39,336</b>	
<b>Net income</b>				
RPP	207	0	0	Credit
RRSP *	208	0	0	Donatio
Split-Pension Deduction	210	0	0	Total p

- To optimize pension income, go to the pension-transferor's return and open form *T1032*
- Scroll down the form and click *Split-Pension Income*

Protected B when completed

**Step 3 - Elected split-pension amount**

For assistance in determining the elected split-pension amount, see our [Split-Pension Income worksheet](#).

Enter the amount that you and your spouse or common-law partner decide to jointly elect to split-pension amount for the year. The split-pension amount cannot be more than the amount from line F.  G

Enter this amount on line 210 of the transferring spouse or common-law partner's return and on line 116 of the receiving spouse or common-law partner's return.

**Step 4 - Pension income amount (line 314)**

Part A - Calculate the pension income amount of the transferring spouse or common-law partner.

Amount from line A  H

- ProFile opens the *T1032Opt* pension worksheet form. Right-click the form and select *Optimize split pension income*

**Optimize - Split-pension income**

Information for the elected split-pension amount

The Split-Pension Income optimization worksheet helps you determine the amount, if any, to enter on line G of the T1032 - Joint Election to Split-Pension Income.

To view the amount that we suggest for transfer, right click on the worksheet and select **Optimize split-pension income**.

For additional information, press <F1> to access help for this worksheet.

Calculation of the elected split-pension amount

	Zero transfer	Suggested transfer	Calculator	
			Scenario #1	Scenario #2
Elected split-pension amount	0.00	0.00	0.00	0.
Mary	0.00	0.00	0.00	0.
Frank	0.00	0.00	0.00	0.
Combined	0.00	0.00	0.00	0.
Balance owing / refund	0.00	0.00	0.00	0.
Mary	0.00	0.00	0.00	0.
Frank	0.00	0.00	0.00	0.
Combined	0.00	0.00	0.00	0.
Combined net benefit (cost)	0.00	0.00	0.00	0.

Maximum split-pension amount (from line F of your T1032)

Please enter the split-pension amount you wish to transfer to Frank. This amount will appear on line G on your T1032. Elected split-pension amount

Optimize split pension income

- Copy field code
- Copy Memo/Tape
- Paste Memo/Tape
- Close form Esc
- Print form
- New window
- Launch window
- Create FX
- Create T3
- Carry forward
- Previous year's return
- Show auditor Ctrl-F9
- Environment...

- As illustrated in the window below, ProFile will run an analysis and then suggest the pension income to transfer **1**
- The form highlights the net benefit of accepting the suggested transfer **2**
- And it also provides a chart outlining the tax liability with different transfer amounts **3**
- To accept ProFile's suggested transfer, right-click the form and select *Elect split-pension amount of \$24,475* **4**



Calculation of the elected split-pension amount		Zero transfer	Suggested transfer	Calculator	
			1	Scenario #1	Scenario #2
Elected split-pension amount		0.00	24,475.00	0.00	0.00
Total payable (line 435)					
	Mary	43,533.68	32,003.13	0.00	0.00
	Frank	3,898.50	11,044.43	0.00	0.00
	Combined	47,222.18	43,047.56	0.00	0.00
Balance owing / refund					
	Mary	20,374.68	14,844.13	0.00	0.00
	Frank	(311.71)	1,044.22	0.00	0.00
	Combined	20,062.97	15,888.35	0.00	0.00
Combined net benefit (cost)			4,174.62	0.00	0.00

**Summary of the elected split-pension amount**

We have determined that transferring **\$24,475.00** to Frank's return will result in the lowest combined total payable. If you elect to transfer the suggested amount, the balance owing of \$20,062.97 is decreased to \$15,888.35. This represents an overall savings of **\$4,174.62**.

Maximum split-pension amount (from line F of your T1032)

Please enter the split-pension amount you wish to transfer to Frank. This amount will appear on line G on your T1032. Elected split-pension amount

**Impact of electing a split-pension amount on your combined total payable**

You can learn more about optimizing, go to Help > ProFile Help, click the Search tab and enter “Optimizing” in the Search field

## PROFILE AND THE SELF-EMPLOYED

As professional-grade tax software, ProFile can accommodate many types of income-generating scenarios. Examples include rental income, investment income and income from self-employment. This section will illustrate ProFile’s ability to accommodate the latter scenario.

Sam Hruzec, runs an un-incorporated marketing business called SH Marketing Services. Sam has asked you to prepare a T1. Sam has no income or expenses, other than the Statement of Revenue and Expenses below.

<b>SH Marketing Services</b>	
<b>Income Statement</b>	
<b>January - December 2016</b>	
	<b>Total</b>
<b>Total Revenue</b>	<b>\$ 91,773.00</b>
<b>Expenses</b>	
Advertising	1,447.47
Interest and bank charges	1,546.84
Membership Dues & Fees	1,573.59
Professional fees	4,800.00
Office Supplies	1,397.70
Travel	4,199.00
Telecommunications	1,634.32
Vehicle lease	6,624.00
Fuel & Oil	2,322.00
Repairs & Maintenance	956.00
Vehicle Insurance	1,433.00
Vehicle Registration	149.00
Condo interest	6,300.00
Condo insurance	375.00
Condo heat	689.00
Condo electricity	498.00
<b>Total Expenses</b>	<b>\$ 35,944.92</b>
<b>Profit</b>	<b>\$ 55,828.08</b>

## T2125

You will record all of Sam's business-related revenue and expenses on form T2125, *Statement of Business or Professional Activities*. After entering Sam's personal and contact information on the Info page, use Form Explorer to find and open the T2125

Forms	Name	Category	Description	Used	Last year	Step
T1	T2091WS#	Income	Principal Residence Worksheet	No	N/A	88
	T2121#	Income	Fishing activities	No	N/A	89
1. Identification	T2121CCAsum...	Income	Summary of CCA for fishing activities	No	N/A	90
2. Slips	T2121CEC#	Income	Cumulative eligible capital for fishing activi...	No	N/A	91
3. Income	T2121Asset#	Income	Asset details	No	N/A	92
4. Deductions	T2121AssetList#	Income	Asset list	No	N/A	94
	T2121CCA#	Income	Details of CCA	No	N/A	93
5. Tax + credi	T2121Compera...	Income	T2121 - Comparative summary	No	N/A	95
TP1	T2125#	Income	Business activities	No	N/A	96

Here's how to complete form T2125

- Enter the business contact details and other required information under identification area, and record the gross sales under Part 1 – Business Income

Identification			
Name	Hruzec, Sam	Your social insurance number	545 554 115
Business Name	SH Marketing Services	Account Number	(15 characters) RT
Business address			
Number	Street, P.O. Box	Apartment or suite	
100	Main St		
City	Province or territory	Postal code	
Anytown	ON	L4R 1R2	
Fiscal Period		Was 2016 your last year of business? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
From:	Year/Month/Day	Year/Month/Day	Calendar Year
	2016-01-01	to: 2016-12-31	
Main product or service	Marketing	Industry code (press F6)	541910
Tax shelter identification number		Partnership Business Number	Your percentage of the partnership
TS			100.0000 %
Name and address of person or firm preparing this form			
603-900 Greebank Road			
Ottawa, Ontario K2J4P6			
Internet business activities			
How many Internet web pages and websites does your business earn income from? Enter "0" if none.			
0			
List below the site addresses (URL addresses) of your main web pages.			
http://			
What percentage of your gross income is generated from the above web pages?			
0.0000 %			
T1139 Last year additional business income (T1139 line G)			
0 00			
Part 1 – Business income			
2 <input checked="" type="checkbox"/> If you have business income, tick this box and complete this part. Do not complete parts 1 and 2 on the same form.			
Type of income	<input checked="" type="checkbox"/> Business	<input type="checkbox"/> Commission	
Gross sales, commissions, or fees (including GST/HST collected or collectible)			91,773 00
Income reported on T4 slips			0 00
Income reported on T4A slips			0 00
Fees for services (T4A box 28)			0 00
			91,773 00
Minus Goods and services tax and provincial sales tax (GST and PST) or harmonized sales tax (HST) (if included in sales above)			
			0 00
Returns, allowances, and discounts (if included in sales above)			
			0 00
			0 00
Subtotal (line 1 minus line 2)			91,773 00

- Record all business expenses in Part 5 of the T2125

Part 5 – Net income (loss) before adjustments			
Gross business or professional income (from Part 3 line 20) or Gross profit (from Part 4 line 30)			91,773 00
Expenses (enter only the business part)			
Advertising	8521	1,447 00	32
Meals and entertainment	0 00	x 50%	
Meals and entertainment (long haul truck drivers)	0 00	x 80%	8523 0 00
Bad debts	8590	0 00	34
Insurance	8690	0 00	35
Interest	8710	1,547 00	36
Business tax, fees, licences, dues, memberships, and subscriptions	8760	1,574 00	37
Office expenses	8810	1,398 00	38
Supplies	8811	0 00	39
Legal, accounting, and other professional fees	8860	4,800 00	40
Management and administration fees	8871	0 00	41
Rent	8910	0 00	42
Maintenance and repairs	8960	0 00	43
Salaries, wages, and benefits (including employer's contributions)	9060	0 00	44
Property taxes	9180	0 00	45
Travel (including transportation fees, accommodations, and allowable part of meals)	9200	4,199 00	46
Telephone and utilities	9220	1,634 00	47
Fuel costs (except for motor vehicles)	9224	0 00	48
Delivery, freight, and express	9275	0 00	49
Motor vehicle expenses (not including CCA) (see Chart A) - from worksheet	5,220 00		
Motor vehicle expenses (not including CCA) (see Chart A) - other	0 00	9281 5,220 00	50
Allowance on eligible capital property	9935	0 00	51
Capital cost allowance (from Area A)	9936	0 00	52
Convention fees	0 00		
Private health services plan premiums	0 00		
Reserves	0 00		
Terminal loss	0 00		
Other expenses	0 00	9270 0 00	53
Total business expenses (add lines 32 to 53)			21,819 00
Net income (loss) before adjustments (line 31 minus line 54)			69,954 00
Part 6 – Your net income (loss)			
Your share of net income (loss) before adjustments (from Part 5 line 55) or the amount from Form T5013, Statement of Partnership Income			
69,954 00			56
GST/HST rebate for partners that was received in the year			
0 00			57
Subtotal (line 56 plus line 57)			69,954 00

- Note, however, that you don't record vehicle expenses on the T2125 itself, but on the *Business Auto* ancillary form (see illustration below), and you indicate, at the top of the *Business Auto* form, where to send the vehicle expenses

Here are other key points to consider with the *Business Auto* form

- You must indicate the business kilometers and the total number of kilometers driven in the tax year. ProFile uses these values to calculate the allowable vehicle expense
- Any vehicle loan or leasing costs are calculated in a separate area of the *Business Auto* form. See *Chart D*, at the bottom of the window below, which is where the eligible leasing cost is calculated

Business Auto									
Motor vehicle expenses (Business)									
Allocation of expenses	Fiscal period	Start	End	%	Amount	CCA	Terminal Loss	Recapture	Owned by business?
T2125#1 SH Marketing Ser	2016-01-01	2016-12-31		100	5,220.00	0.00	0.00	0.00	Yes
	yyyy-mm-dd	yyyy-mm-dd		0	0.00	0.00	0.00	0.00	No

Chart A - Motor vehicle expenses					
Description of automobile: Filmore					
Enter the kilometers you drove in the tax year to earn business income				10,000	1
Enter the total kilometers you drove in the tax year				22,000	2
	GST	HST	Non Eligible	Total	
Fuel and oil	0.00	2,322.00	0.00	2,322.00	3
Interest (see Chart B)			0.00	0.00	4
Insurance			1,433.00	1,433.00	5
License and registration			149.00	149.00	6
Maintenance and repairs	0.00	956.00	0.00	956.00	7
Leasing (See Chart D)	0.00	6,624.00	0.00	6,624.00	8
Other expenses (specify)	0.00	0.00	0.00	0.00	9
	0.00	0.00	0.00	0.00	10
<b>Total motor vehicle expenses</b>	<b>0.00</b>	<b>9,902.00</b>	<b>1,582.00</b>	<b>11,484.00</b>	<b>11</b>
Business use part: Multiply line 11 by:	45.45 %	0.00	4,500.91	719.09	5,220.00
Business parking fees	0.00	0.00	0.00	0.00	13
Supplementary business insurance			0.00	0.00	14
<b>Allowable motor vehicle expenses</b>	<b>0.00</b>	<b>4,500.91</b>	<b>719.09</b>	<b>5,220.00</b>	<b>15</b>

Chart D - Eligible leasing costs for passenger vehicles	
Date lease commenced	2016-01-01
Date lease terminates	2018-12-31
Total lease charges incurred in your 2016 fiscal period for the vehicle	6,624.00
Total lease payments deducted before your 2016 fiscal period for the vehicle	0.00
Total number of days the vehicle was leased in your 2016 and previous fiscal periods	366
Manufacturer's list price	23,199.00
GST/HST	13.00 PST 0.00
	35,294.00 + 4,588.22 (GST/HST/PST)
Enter the amount from line 4 or 5, whichever is more	39,882.22 x 85%
Imputed interest on any refundable deposits in excess of \$1,000 for 2016 and previous years	0.00
Imputed interest on any refundable deposits in excess of \$1,000 for 2016	0.00
Total reimbursements receivable for this lease in 2016 and previous years	0.00
Total reimbursements receivable for this lease in 2016	0.00
( 800 + 104 ) x 366 = 330,864.00 - 30 = 11,028.80 minus lines 2, 7 & 9 = 11,028.80	
( 30,000 + 3,900 ) x 6,624 = 224,553,600.00 + 33,899.89 line 6 - lines 8 & 10 = 6,624.00	
<b>Eligible leasing cost (line 11 or 12, whichever is less)</b>	<b>6,624.00</b>

One further step in recording Sam's business expenses is to enter the allowable *home office expense*. As a self-employed individual working from home, Sam can deduct a portion of her home expenses. This portion is calculated by adding up all of Sam's home expenses and multiplying it by a factor that represents the percentage of the home's area used to run her business.

- To record home expenses, scroll down to Part 8 at bottom of the T2125
- Enter the home's total area and the area used for business
- Enter the operating costs for the home including heat, electricity, insurance, etc.
- ProFile will calculate the allowable home office expense and include as an eligible business expense on the T2125

Part 8 - Calculation of business-use-of-home expenses		
Area of home used for business	(A)	150
Total area of home	(B)	650
Heat		689.00
Electricity		498.00
Insurance		375.00
Maintenance		0.00
Mortgage interest		6,300.00
Property taxes		0.00
Other expenses (specify):		0.00
<b>Subtotal (add lines 63 to 69)</b>		<b>7,862.00</b>
Your personal use portion of the business-use-of-home expenses		6,047.69
<b>Subtotal (line 70 minus line 71)</b>		<b>1,814.31</b>
Capital cost allowance (business part only), which means the amount from Part 11 line G minus any portion of CCA that is for personal use or entered in Part 5 at line 52		0.00
Amount carried forward from previous year		0.00
<b>Subtotal (line 72 plus line 73 plus line 74)</b>		<b>1,814.31</b>
Net income (loss) after adjustments (amount from Part 6 line 60 - if negative, enter "0")		69,954.00
<b>Business-use-of-home expenses available to carry forward (line 75 minus line 76 - if negative, enter "0")</b>		<b>0.00</b>
<b>Allowable claim (enter the lesser amount of line 75 and 76 - Enter this amount in Part 6 at line 61)</b>		<b>1,814.31</b>

## T1 Jacket

After entering all required information on the T2125, ProFile will calculate the gross and net business income and transfer it to the T1 Jacket.

Step 2 - Total income			
As a resident of Canada, you have to report your income from all sources both inside and outside Canada. When you come to a line on the return that applies to you, go to the line number in the guide for more information.			
Employment income (box 14 of all T4 slips)		101	0.00
Commissions included on line 101 (box 42 of all T4 slips)	102	0.00	
Wage loss replacement contributions (see line 101 in the guide)	103	0.00	
Other employment income		104	0.00
Old Age Security pension (box 18 of the T4A(OAS) slip)		113	0.00
CPP or OPP benefits (box 20 of the T4A(P) slip)		114	0.00
Disability benefits included on line 114 (box 16 of the T4A(P) slip)	152	0.00	
Other pensions and superannuation		115	0.00
Elected split-pension amount (attach Form T1032)		116	0.00
Universal Child Care Benefit (UCCB)		117	0.00
UCCB amount designated to a dependant	185	0.00	
Employment insurance and other benefits (box 14 of the T4E slip)		119	0.00
Taxable amount of dividends (eligible and other than eligible) from taxable Canadian corporations (attach Schedule 4)		120	0.00
Taxable amount of dividends other than eligible dividends, included on line 120, from taxable Canadian corporations	180	0.00	
Interest and other investment income (attach Schedule 4)		121	0.00
Net partnership income: limited or non-active partners only		122	0.00
Registered disability savings plan income		125	0.00
Rental income	Gross 160	0.00	Net 126 0.00
Taxable capital gains (attach Schedule 3)		127	0.00
Support payments received	Total 156	0.00	Taxable amount 128 0.00
RRSP income (from all T4RSP slips)		129	0.00
Other income	Specify:	130	0.00
Self-employment income			
Business income	Gross 162	91,773.00	Net 135 68,139.69
Professional income	Gross 164	0.00	Net 137 0.00
Commission income	Gross 166	0.00	Net 139 0.00
Farming income	Gross 168	0.00	Net 141 0.00
Fishing income	Gross 170	0.00	Net 143 0.00
Workers' compensation benefits (box 10 of the T5007 slip)	144	0.00	
Social assistance payments	145	0.00	
Net federal supplements (box 21 of the T4A(OAS) slip)	146	0.00	
Add lines 144, 145, and 146 (see line 250 in the guide)		147	0.00
Add lines 101, 104 to 143, and 147		150	68,139.69
This is your total income.			

## PART-YEAR RESIDENTS

In this section, we'll briefly describe how to set up ProFile for newly-arrived residents.

### Working on a part-year resident return

If someone is newly arrived in Canada, follow these steps to set up a T1 return.

- Complete the Info page as you normally would. So that ProFile can prepare the proper schedules, ensure that you select the correct province of residence **1**
- Report the date of entry into Canada **2**
- After reporting the date of entry, ProFile will open additional fields, including Line 5292 and 5293. In these fields, report Canadian and foreign-sourced non-resident income. In this example, there is \$10,000 of foreign-sourced, non-resident income **3**
- Once you enter an amount on either Line 5292 or 5293, ProFile will tick the box to prorate non-refundable tax credits **4**
- You may then complete the rest of the return as you normally would

Title <input type="text" value="M"/>	1 <input type="checkbox"/> Married	2 <input type="checkbox"/> Living common-law	3 <input type="checkbox"/> Widowed
First name <input type="text" value="Renee"/>	4 <input type="checkbox"/> Divorced	5 <input type="checkbox"/> Separated	6 <input checked="" type="checkbox"/> Single
Last name <input type="text" value="Descartes"/>	If status changed in 2016, enter date of change <input type="text" value=""/> mm-dd		
Last name changed in 2016? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Were you married or living common-law at any time in this tax year? <input type="checkbox"/> Yes <input type="checkbox"/> No		
Do you want to change your address? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<b>Residency</b>		
Care of <input type="text" value=""/>	Province of residence on 2016/12/31 <input type="text" value="Ontario"/>		
Street address <input type="text" value="112 Main St"/>	Province of self-employment <input type="text" value=""/>		
P.O. Box <input type="text" value=""/>	If you became or ceased to be a Canadian resident in 2016, enter date of: entry <input type="text" value="06-01"/> or departure <input type="text" value=""/> mm-dd		
City <input type="text" value="Anytown"/>	Spouse's or common-law partner's net income while the taxpayer is living in Canada <input type="text" value="5263"/> 0.00		
Province <input type="text" value="ON"/>	Spouse's or common-law partner's net income while the taxpayer is living outside of Canada <input type="text" value="5267"/> 0.00		
Postal code <input type="text" value="M0A 1A0"/>	Canadian sourced non-resident income <input type="text" value="5292"/> 0.00		
Home phone <input type="text" value="(905) 555-5555"/>	Foreign sourced non-resident income <input type="text" value="5293"/> 10,000.00		
Birth date <input type="text" value="1980-12-12"/>	Prorate non-refundable tax credits for part year resident? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		
Date of Death <input type="text" value=""/> yyyy-mm-dd	Are you a non-resident? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
Gender <input type="checkbox"/> Male <input type="checkbox"/> Female	Residency status <input type="text" value="Resident"/>		
Province or territory where taxpayer resides if different from mailing address: <input type="text" value=""/>	Country (other than Canada) <input type="text" value=""/>		
By providing an email address, I understand I am registering for online mail and accept the following Terms and Conditions. <input type="checkbox"/> Yes <input type="checkbox"/> No	Did you dispose of a property (or properties) in 2016 for which you are claiming a principal residence exemption? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
Email address: <input type="text" value=""/>	<b>Filing</b>		
Use preparer address for: <input checked="" type="checkbox"/> Nothing <input type="checkbox"/> Notice of Assessment and Refund <input type="checkbox"/> N of A			
<input type="checkbox"/> T1 mailing address			

*Residency rules, for both Canadian citizens and non-Canadians, can be a complex affair. For more information, consult CRA's guides, such as T4058 Non-Residents and Income Tax, and T4055 Newcomers to Canada.*

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## Chapter 5 Quiz

**Question 1:** The feature that allows you to prepare T1s for married couples and their dependants is called:

- A. Hub and Link
- B. Synchronization
- C. ProFile Review
- D. Family Linking

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**Question 2:** True or False: ProFile will calculate the allowable RRSP deduction even if no deduction limit indicated:

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**Question 3:** Select the best way to create a dependant's T1:

- E. Go to the *File* menu and click *New T1*
- F. Right-click a T1 Jacket and select *New*
- G. Click the *Synchronize* icon
- H. Right-click the dependant's name on the *Dependant* form, and click *Return for...*

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**Question 4:** True or False: If a dependant has excess tuition credits, ProFile will transfer the excess amount to a parent's linked return

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**Question 5:** True or False: ProFile has an option to toggle Family Linking on or off

---

**Question 6:** Which of following tax situations does ProFile's Optimization verify?

- I. Medical expenses
- J. Charitable donations
- K. Tuition credits
- L. All the above

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**Question 7:** True or False: The T1032 form allows you to optimize and split pension income between spouses

**Question 8:** True or False: ProFile cannot prepare tax returns for self-employed individuals

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**Question 9:** To prepare a T2125, ProFile requires the following. Choose the best answer:

- M. ProFile cannot prepare a T2125 return
  - N. A statement of revenue and expenses (Income Statement or Profit & Loss)
  - O. A balance sheet
  - P. None of the above
- 

**Question 10:** True or False: ProFile can prepare a T1 for part-year residents

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