

Atwater Library - Financial Literacy

Info Session - Income Tax

2019 Tax Year

Lynn Bennett

IQPF-Certified Financial Planner

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Canada 

Remember.....

The contents of this session are for information only, not advice for tax or personal finance planning.

For advice relevant to your own situation, consult an **accountant, financial planner, notary** or other professional, as appropriate.

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***** New*** Tax Filing/Payment Deadlines....**

***New* Deadline to File 2019 Return:**

June 1, 2020

***New * Deadline to Pay 2019 Taxes:**

Sept 1, 2020

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***** New *** as of March 25, 2020**

*** RRIF Withdrawal ***

- Mandatory RIF withdrawal **decreased**
- **25%** reduction
- **2020** only

Search “CRA RRIF REDUCED COVID”

<https://www.canada.ca/en/revenue-agency/services/tax/registered-plans-administrators/registered-retirement-savings-plans-registered-retirement-income-funds-rrsps-rrifs/economic-statement-measure-annuitants-rrsp-rrif.html>

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***** New *** announced May 12, 2020**

*** Seniors' benefit ***

- **\$300 - \$500, non-taxable**
- 1-time payment, not means-tested
- Recipient of **OAS / GIS**
- No application necessary
- Offset added costs due to pandemic

<https://www.canada.ca/en/services/benefits/publicpensions/notice-covid-19/one-time-payment.html>

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*** Enhanced *** for 2019

Canada Workers' Benefit (former WITB)

- Low income workers
- Govt. pays approx. **\$1,300 - \$2,300** / year
- Depends on family income & situation
- Max. income approx. **\$23,000** to **\$36,000**
- No application needed, calc'd in tax return
- Disability supplement, if eligible

CRA Line 45300, Schedule 6

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*** Caregiver Tax Credit *** (enhanced 2019)

* CCC Tax Credit *

- Spouse / partner / dependent (physical or mental impairment)
- Claim **\$2,230 - \$7,140**
- Form **T2201**, Disability Tax Credit Certificate

CRA Lines 30300, 30425, 30400, 30450, 30500, & Schedule 5

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Tax Tip....

“You must pay taxes.
But there’s no law that says
you gotta leave a **tip.**”

— *Morgan Stanley advert*



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Aim to....

1. Stay informed
2. Maximize:
Benefits, Deductions, Credits
3. Minimize:
Tax payable

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Outline

1. Where to find tax information?
2. How taxes are calculated?
3. **Deductions & Credits**
4. Tax filing alternatives
5. Questions?

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TAX Guides & Forms



Service Canada office

(Complexe Guy-Favreau, Montreal)

Order online or 1-855-330-3305

CANADA POST (no longer available)



Revenu QC office

(Complexe Desjardins, Montreal)

or

DESJARDINS Bank (still available?)

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Online & Phone Support



<http://www.cra-arc.gc.ca>

1-800-959-8281



<http://www.revenuquebec.ca>

(514) 864-6299, (418) 659-6299

(800) 267-6299

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Federal & Quebec Tax Authority “Accounts”

Canada Revenue Agency



‘My Account’

CRA <https://www.canada.ca/en/revenue-agency/services/e-services/e-services-individuals/account-individuals.html#partner>

RevQC <https://www.revenuquebec.ca/en/citizens/my-account-for-individuals/>

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&

‘Direct Deposit’

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Other QC govt. websites

➤ **Retraite Québec (Quebec Pension Plan)**

<https://www.retraitequebec.gouv.qc.ca/en/Pages/accueil.aspx>

➤ **RAMQ (Quebec Health Insurance & Prescription Drugs)**

<http://www.ramq.gouv.qc.ca/en/publications/citizens/Pages/pamphlets.aspx>

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Journalists / Financial (see list)

Globe & Mail: *Tim Cestwick, Rob Carrick*

Mtl Gazette: *Jamie Golombek*

La Presse: *Stéphanie Grammond, Marc Tison*

Moneysense: *Dan Bortolotti, Jonathan Chevreau,
Evelyn Jacks*

Tax Tips: TaxTips.ca

Also, Bank & Accountant Websites

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How are taxes calculated?

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Buzzwords

- **‘Total’ vs ‘Net’ vs ‘Taxable’ Income**
- **‘Tax Rates’ & ‘Tax Payable’**
- **‘Deductions’ vs ‘Credits’**
- **Credits: ‘Non-refundable’ vs ‘Refundable’**

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*** Non-Taxable Income *** (usually)

- Guaranteed Income Supplement (GIS)
- GST & Solidarity
- Strike pay
- Scholarships
- Child support rec'd
- **TFSA withdrawals & income!**
- Life insurance
- Cash gifts received
- Inheritances
- Lottery winnings!

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Buzzwords

‘Total Income’ = all income, incl. foreign

e.g. Employment, self-employment, commissions, tips, rental, investment, business, capital gains, employer pension, CPP, QPP, OAS, RIF/RRSP withdrawals, EI, taxable fellowships / grants, spousal support, other...

(**CRA** Line 15000, **RevQC** Line 199)

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Buzzwords

‘Net Income’

- Determines eligibility for “means-tested” **benefits & credits**
- “Means-tested” = depends on income
i.e., **benefit/credit** reduced or eliminated for taxpayers with higher income
- examples: GST credit, GIS benefit, Medical expense credit

(**CRA** Line 23600, **RevQC** Line 275)

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Buzzwords

‘Net Income’ = Total Income – Deductions

- e.g. Pension plan contributions (RRSP, employer, CPP, QPP, QPIP), split pension amt, investment expenses, QC worker’s deduction, professional & union dues, child care, support payments paid, moving expenses...

(CRA Line 23600, RevQC Line 275)

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Buzzwords

‘Taxable Income’ = Net – other deductions

- Used to calculate Tax Payable
- Multiplied by tax rate tables
- e.g. military, police, Northern residents, prior business/partnership losses...

(CRA Line 26000, RevQC Line 299)

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Calculate Taxable Income

1. 'Total' Income = All, incl. foreign
2. 'Net' Income = Total – Deductions
3. 'Taxable' Income* = Net – Other deductions

* **Taxable Income:** used to calculate **Tax Payable!**

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Calculate Tax Payable

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Calculate Tax Payable

‘Tax Payable’ = Taxable Income x Tax Rates

- before **credits*** are applied
- tax rate tables, multiple tax brackets
- different tax rates, **CRA** & **RevQC**

***‘Credit’** - reduces **Tax Payable**

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Calculating Refund / Balance Due

$$\text{Tax Payable} - \text{Credits} - \text{Taxes Pre-paid}^* \\ = \text{Refund or Balance Due}$$

If Tax Payable > 0, taxpayer **pays balance**

If Tax Payable < 0, taxpayer receives **Refund**

* Instalments paid, overpayments,
tax withheld (RRIF, RRSP, pay slip)...

Recap: Deduction vs. Credit

‘Deduction’ reduces **Taxable Income**

Before Tax Payable is calc’d

‘Credit’ reduces **Tax Payable**

After Tax Payable is calc’d

- **Refundable** Credit ~ “rebate”
- **Non-refundable** Credit: **subtracted** from tax to pay

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Recap

Reduce Taxable Income.
Use Deductions!

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Recap

Deductions

e.g. RRSP/pension plan contributions, child care, split pension amt, investment expenses, professional & union dues, support payments, QPP, QPIP, military/ police personnel, Northern resident, business/investment losses, moving expenses, etc.

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Recap

Reduce Taxes Payable.

Use Credits!

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Common CREDITS

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Common Credits

- Basic Personal Amount & Dependents
- Living alone, if eligible (**RevQC**)
- **GST & PST** (Solidarity)
- Medical Expenses
- Tuition, exam fees, loan interest
- Charitable donations
- First Home Buyer, if eligible



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➤ Basic Personal Amount (not means-tested)

CRA = \$12,069 (2019), \$13,229 (2020)

RevQC = \$15,269 (2019), \$15,532 (2020)

Credit eliminates tax payable for:

- 1st ~ \$12,000 taxable income, **CRA**
- 1st ~ \$15,200 taxable income, **RevQC**

(**CRA** Line 30000, **RevQC** Line 350)

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Common Credits

REVENU
QUÉBEC



➤ Living alone*, if eligible (**RevQC** only)

- Living alone or single parent
- **means-tested**

(**RevQC** Line 361 & Schedule B)

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GST Credit (CRA) & **Solidarity Credit (RevQC)**

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GST Tax Credit

➤ Refundable credit / “Rebate” for Federal Sales Tax

- For low-middle income taxpayers
- Basis: Income & family situation

How to Access?

- Calculated and paid by **CRA**
- No need to apply
- No GST receipts required



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Solidarity Tax Credit

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QUÉBEC



➤ Refundable credit, “Rebate”, 2 tax types:

- Provincial Sales tax (QC)
- **Municipal Property** tax, if eligible
 - **RL-31** form (Renters)
 - Property Tax bill (Owners)



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Solidarity Tax Credit

REVENU
QUÉBEC



➤ Refundable credit

- Low-middle income taxpayers
- Basis: Income & family situation
- Living alone? Possible extra credit



How to Access?

- Calculated and paid by **RevQC**
- **Schedule “D”**, enter details
- No PST receipts required!



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Credits

REVENU
QUÉBEC



➤ First Home Buyer's credit

- Max credit **CRA** \$750, qualifying home
- Max credit **RevQC** ~ \$750, qualifying home
- Can split credit between home owners



Note: **Surviving spouse** may be eligible

- Marital home owned by deceased only
- Inherit marital home or acquire new home

(**CRA** Line 31270 **RevQC** TP-752.HA-V)

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Credits

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QUÉBEC



Réno Vert credit

- Extended to March 31, 2019
- 20% of expenses over \$2500
- Max credit \$10,000 per eligible dwelling



(**RevQC** Line 462, #32 & TP-1029.RV-V)

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Credits

Medical Expenses, if eligible

- Total expenses: taxpayer, spouse & dependents
- Eligible amt = Total expenses - lesser of:
 - **3%** of Net Income (taxpayer) or
 - Specified limit (~ \$2,400)
- Advantage: spouse with lower income
- Credit = **15%** of eligible amt



Note: **RAMQ** premium is eligible, following tax year **ONLY!**

(**CRA** Line 33099/33199)

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Credits

REVENU
QUÉBEC



Medical Expenses, if eligible

- Total expenses: taxpayer, spouse & dependents
- Eligible amt = Total expenses - **3%** of Net Family Income
- No specified limit
- Credit = **20%** of eligible amt

Note: RAMQ premium is eligible, current tax year
(**RevQC** Line 381)



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Common CREDITS for Seniors

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Common Credits



- **Age amount**
 - over 65
 - means-tested

(**CRA** Line 30100, **RevQC** Line 361 & Schedule B)



➤ Pension income credit, \$2000

- Eligible income: RPP, RIF, RRSP, split income, sometimes annuities
- Generally, NOT ELIGIBLE: Govt, foreign, non-taxable pension income



(**CRA** Line 31400, **RevQC** Line 361 & Schedule B)

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Pension Sharing

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➤ QPP “sharing”

- Potential tax savings
- Apply to **Retraite Québec**
- Min 60 years old, both spouses
- Must be already receiving



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➤ Pension income splitting, spouses

- Max **50%** of eligible income
- **RevQC**, must be 65
- **CRA**, < 65, restrictions on eligible income
- Must be eligible for pension income credit
- Tax returns: can amend, 3 prior years



(**CRA** T1032, Line 11600, 21000, **RevQC** Line 245)

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Enhanced Credit

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QUÉBEC



➤ Career extension credit (Experienced worker)

- Min. age 60 (65 in 2015)
- Min income \$5,000
- Max Credit: \$1,500- \$1,650

(RevQC Line 391)



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Other Credits

REVENU
QUÉBEC



➤ **Home Support** services credit

- Min age 70 , QC resident
- Type of dwelling: condo, rented apartment house, seniors housing
- Example: house cleaning, gardening, snow removal, nursing, etc.



(**RevQC** Schedule J)

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Other Credits

REVENU
QUÉBEC



➤ Independent living credit

- Min age 70, QC resident
- Credit = 20% of expenses less \$250:
 - eligible equipment (hearing aid, bath & shower, monitors, etc.)
 - Rehabilitation centre

(Rev QC Line 462, #24 & Schedule B, Part E)



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Other Credits

REVENU
QUÉBEC



➤ Seniors' Activities Credit

- Max credit \$40
- Min age 70
- Net income \leq \$42,215 Individual
- Activities, min 8 weeks or 5 days
- Receipt



(**RevQC** Line-462, #28)

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Other Credits

REVENU
QUÉBEC



➤ Senior assistance credit:

- Low income, \$36,600 couple, \$22,500 single
- Min age 70
- Max eligible couple ~ \$406/year
- Max single person - \$203/year
- No need to apply



RevQC Line 462, #35

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Credits

REVENU
QUÉBEC



➤ **Municipal Tax** subsidy

- Family income \leq \$52,600
- Min age 65
- Principal residence, min 15 years
- Property value, larger increase than average



RevQC Line 462, #29

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CREDITS

Disability

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Credits

➤ Disability benefits and credits:

- **CRA** form **T2201**
- **RevQC** form **TP-358.0.1-V**
- Self, spouse, or dependent



(**CRA** Lines 31600, 31800, 32600)

<https://www.canada.ca/en/revenue-agency/services/forms-publications/publications/rc4064/disability-related-information-2016.html>

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Credits

- **Home accessibility expenses**
 - Renovations to accommodate disabilities
 - Max \$1250 credit/year



(**CRA** Worksheet & Line 31285)

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Credits

➤ Caregiver Credits

- Mental or physical disability
- Spouse or other dependent (eligible)
- Respite care available

(**CRA** Lines 30300, 30400, 30425, 30450, 30500)
(**RevQC** Line 462 #2, #20, #21)

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Tax Filing Alternatives

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Tax filing alternatives

- Paper filing by postal mail
- Online Software – DIY
- Assign a Representative



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Tax filing alternatives

- Professional Tax filing

Accountant

Tax filing service



- Volunteer Tax Filing

Services in Montreal



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Tax Tip....

“ You must pay taxes.
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— *Morgan Stanley advert*



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NEW FOR 2019

Elimination of the additional contribution for subsidized educational childcare (Schedule I)

As of 2019, families no longer have to pay an additional contribution. Consequently, you will no longer receive RL-30 slips.

Tax credit for career extension

The tax credit for experienced workers is now called the tax credit for career extension. The age of eligibility for the tax credit has been lowered from 61 to 60. The maximum eligible work income on which the credit is calculated is \$10,000 for workers aged 60 to 64 and \$11,000 for workers aged 65 or over. The maximum tax credit is \$1,650.

See the instructions for line 391.

Deduction for contributions to the Québec Pension Plan (QPP) and the Canada Pension Plan (CPP)

Changes to the deduction for QPP and CPP contributions came into effect on January 1, 2019. As part of the changes, you can now claim a deduction whether you earned employment income or income from self-employment.

See the instructions for line 248.

Tax shield

Beginning in 2019, if you and your spouse on December 31 are splitting the tax shield, you can decide together on the amount each of you will receive.

See the instructions for line 460.

Withdrawals under the Home Buyers' Plan (HBP)

On March 20, 2019, the maximum amount that can be withdrawn from a registered retirement savings plan (RRSP) under the HBP increased from \$25,000 to \$35,000.

See point 9 in the instructions for line 154.

Dividends from taxable Canadian corporations

Gross-up percentage

On January 1, 2019, the gross-up percentage for ordinary dividends went from 16% to 15%. See the instructions for line 128.

Rate of the dividend tax credit

On January 1, 2019, the rate of the dividend tax credit applicable to the actual amount of ordinary dividends went from 7.2848% to 6.3825%.

The rate of the tax credit applicable to the actual amount of eligible dividends went from 16.3668% to 16.2564%.

See the instructions for line 415.

Tax credit for the reporting of tips

Beginning in 2019, the tax credit can be claimed for the portion of indemnities calculated on tips and paid for leave taken to fulfill family obligations or for health reasons.

See point 10 in the instructions for line 462.

Deduction for exploration and development expenses

The deduction for Canadian development has increased for expenses incurred after November 20, 2018, and renounced under a flow-through share agreement entered into after that date.

The deduction for Canadian oil and gas property expenses was also increased for expenses incurred after November 20, 2018. The increase applies only for the year in which the expenses were incurred.

Québec prescription drug insurance plan

On July 1, 2019, the contribution rates for the Québec prescription drug insurance plan were increased. Consequently, the maximum premium has been raised from \$616 to \$636. The maximum premium for 2019 is therefore \$626.

You do not have to pay a premium if any of the following situations apply to you:

- You did not have a spouse on December 31, 2019, and the amount on line 275 of your return is \$16,460 or less.
- You had a spouse on December 31, 2019, and the amount on line 275 of your return **plus** the amount on line 275 of your spouse's return totals \$26,670 or less.
- You were born before January 1, 1954, and all your medications were free throughout 2019 because you received 94% or more of the Guaranteed Income Supplement (calculated without the top-up benefit).

Full indexation of the tax system

A number of other amounts have been increased, including the following:

- the deduction for workers (line 201);
- the basic personal amount (line 350);
- the income thresholds at which certain tax credits are reduced;
- the amount for a person living alone (line 20 of Schedule B);
- the age amount (line 22 of Schedule B); and
- the basic exemption for calculating the contribution to the health services fund (Schedule F).

Is this income tax package for you?

This income tax package provides the basic information you need to get ready, complete and file your **paper** Income Tax and Benefit Return. **Use this information along with the instructions on the return and schedules.** It tells you what types of income you must report, and which deductions and credits you can claim to help you figure out if you owe tax or if you will get a refund. Even if you had no income in the year, you have to file a return to get the benefits, credits, and refund you are entitled to.

This income tax package also applies to you if you resided outside Canada on December 31, 2019, and have significant **residential ties** with Canada. To make sure you are using the correct income tax package, see “Which income tax package should you use?”.

What’s new for 2019?

We have outlined major tax changes and improvements to services below. We have also noted changes to income tax rules that were announced, but that were not yet law when this guide was published. If they become law as proposed, they will be effective for 2019 or as of the dates given. You will find more information about these changes throughout the guide. They are flagged with the word: **NEW!**

The CRA’s services

Your income tax package has a new look. The **2019 Income Tax Package** includes the Federal Income Tax and Benefit Guide, a Provincial or Territorial Information Guide, the return, schedules, and worksheets. For 2019 and future tax years, some of the line numbers that were previously 3 and 4 digits are now 5 digits. We have made several changes to this package to enhance our services.

These changes include:

- using plain language where possible
- reducing the number of forms by eliminating Schedule 1 and the Worksheet for Schedule 1. You can now find any charts that were on these forms on the Income Tax and Benefit Return and the Worksheet for the Return
- updating worksheets to simplify certain calculations
- increasing font size and white space

Individuals and families

The Climate Action Incentive is a new refundable credit. For more information, see Schedule 14, Climate Action Incentive.

Enhanced Canada Pension Plan/Quebec Pension Plan – Starting in 2019, the Canada Pension Plan (CPP) and the Quebec Pension Plan (QPP) are being gradually enhanced. This means that if you contribute to either the CPP or the QPP, you will receive improved benefits in exchange for making higher contributions. You can claim a deduction for your enhanced contributions to the CPP or QPP. For more information on how to claim your CPP or QPP contributions on your return, see Schedule 8 or Form RC381, whichever applies.

Canada Training Credit Limit – As of January 1, 2019, if you meet certain conditions, you will be able to accumulate \$250 per year, to a maximum over your lifetime of \$5,000, to be used in calculating your Canada Training Credit, a new refundable tax credit that will be available for 2020 and future years. Based on information from your return, the CRA will determine your Canada Training Credit Limit for the 2020 tax year and provide it to you on your Notice of Assessment for 2019. For 2020 and future years, you may be able to claim a Canada Training Credit equal to your Canada Training Credit Limit for the year or 50% of your eligible tuition and fees paid to an educational institution in Canada, whichever is less.

Canada Workers Benefit – For 2019, the Canada workers benefit (CWB) replaces and strengthens the working income tax benefit (WITB). The CWB is an enhanced, more accessible, refundable tax credit. For more information, see Schedule 6, Canada Workers Benefit.

Income exempt under the Indian Act – A new section called “Indian Act – Exempt income” has been added to page 2 of the Income Tax and Benefit Return, and a new form has been created, Form T90, Income exempt under the Indian Act. The information provided on the return and form will allow the CRA to calculate your Canada Training Credit Limit for the 2020 tax year and may also be used to calculate your CWB for the 2019 tax year, if applicable.

Communal organizations – For 2014 and later tax years, income from a business earned by the trust that is then allocated to a member of the congregation is deemed to be income from a business carried on by that member. This may allow members of a communal organization to claim the CWB for 2019 and later years, and the WITB for the 2014 to 2018 tax years. For more information on how to request an adjustment to a return from a previous year, see “How to change a return” on page 54.

Kinship Care Providers – For 2009 and later years, for the CWB and the former WITB, a care provider may be considered to be the parent of a child in their care, regardless of whether they receive financial assistance from a government under a kinship care program. As a result, the care provider may be entitled to claim the child as an eligible dependent for purposes of claiming the benefit. Also, for these years, financial assistance payments received by care providers under a kinship care program are not included in income and not included when determining entitlement to benefits and credits based on income.

Home Buyers' Plan – The maximum amount you can withdraw from your registered retirement savings plan (RRSP) under the Home Buyers' Plan (HBP) increased from \$25,000 to \$35,000 for withdrawals made after March 19, 2019. If you are not considered a first-time home buyer for the purposes of the HBP, and you experience a breakdown in your marriage or common-law partnership, you may be able to participate in the HBP after 2019 under certain conditions. For more information on the HBP, go to canada.ca/home-buyers-plan.

Medical Expenses Tax Credit – For expenses incurred after October 16, 2018, certain cannabis products purchased for a patient for medical purposes will be considered eligible medical expenses for the medical expense tax credit, once they become permitted for legal sale under the Cannabis Act. For more information, see Guide RC4065, Medical Expenses.

Donations and gifts (line 34900 of the return) – For donations made after March 18, 2019, in order to qualify for the enhanced tax incentives for donations of cultural property, the property no longer needs to be of national importance.

Allowances for members of legislative assemblies and certain municipal officers – For 2019 and later tax years, non-accountable allowances paid to elected members of legislative assemblies, certain municipal officers, and members of public or separate school boards are required to be fully included in income.

Zero-emission vehicles – If you are self-employed or claiming employment expenses, you may be able to claim capital cost allowance on zero-emission vehicles. Starting in 2019, there is a temporary enhanced first-year capital cost allowance of 100% for eligible zero-emission vehicles. Eligible vehicles must be acquired after March 18, 2019, and become available for use before 2024. The enhanced allowance decreases if the vehicle becomes available for use after 2023 and before 2028. For more information and for the conditions the vehicle has to meet, see Guide T4002, Self-employed Business, Professional, Commission, Farming, and Fishing Income, if you are self-employed. If you are claiming employment expenses, see Guide T4044, Employment Expenses.

Interest and investments

Investment tax credit (line 41200) – Eligibility for the mineral exploration tax credit for an individual (other than a trust) has been extended to flow-through share agreements entered into before April 2024. For more information, see Form T2038(IND), Investment Tax Credit (Individuals).