Atwater Library - Financial Literacy Info Session - Income Tax 2020 Tax Year

Lynn Bennett Financial Planner, IQPF-Certified

https://www.linkedin.com/in/lynn-bennett

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The contents of this session are for <u>information</u> 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.

Canada



"You must pay taxes.

But there's no law that says you gotta leave a **tip**."

- Morgan Stanley advert







- Stay informed
 Maximize: Benefits, Deductions, Credits
- 3. Minimize:

Tax payable



Outline

- Where to find information
- Filing deadlines
- NEW! For 2020 Tax Returns
- Tax Credits you may be eligible!
 Students, Workers, Families, Disabled, Retirees/Seniors, Caregivers
- Strategies



TAX Guides & Forms

Canada Revenue Agency

Service Canada office Order online or 1-855-330-3305

<u>https://www.canada.ca/en/revenue-agency/services/forms-</u> <u>publications/tax-packages-years/general-income-tax-benefit-</u> <u>package.html</u>



Revenu QC office

https://www.revenuquebec.ca/en/online-services/formsand-publications/current-details/tp-1-v/



Canada & Quebec Tax Authority "Accounts"

'My Account'



CRA

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



RevQC

https://www.revenuquebec.ca/en/citizens/my-accountfor-individuals/

Also...'Direct Deposit'



Online & Phone Support





http://www.revenuquebec.ca 1 800 267-6299



Journalists / Financial

Globe & Mail: Tim Cestnick, Rob Carrick Mtl Gazette: 'Personal Finance', Paul Delean, Jamie Golombek **Financial Post:** Fred Vettese https://financialpost.com/author/fpfredvettese "Guide to Personal Income Tax", Moneysense: Brian Quinlan, Evelyn Jacks 'Finance personnelles', *Marc Tison*, La Presse: **Marie-Eve Fournier Online**: TaxTips.ca KPMG Insights, E&Y Tax, RBC Navigator funding from **Bank** & Accountant:

Financial - Online

Online financial literacy videos

- Susan Daley & Peter Guay, PWL Capital www.youtube.com
- The Canadian in a T-shirt, www.youtube.com
- **AMF** <u>https://lautorite.qc.ca/en/general-public/tes-</u> affaires/youth-zone/videos



Tax Filing/Payment Deadlines....

Filing Deadline, 2020 Returns - April 30, 2021 - June 15, 2021 Self-Employed **Payment** Deadline, 2020 Taxes - April 30, 2021



When to begin filing, & Why?

• Income

Refunds (withheld amt), Worker credits, RRSP contrib. room, build tax/financial history

Paying Tuition fees

Carry forward or transfer, non-taxable Scholarship

• Age 18

Rebates: GST, Solidarity, TFSA history, credits for >18 With funding from



* Non-Taxable Income * (usually)

- One-time payment for Seniors (2020)
- GST & Solidarity
- Scholarships
- Child support rec'd
- Guaranteed Income Supplement (GIS)

- TFSA withdrawals & income!
- Strike pay
- Life insurance
- Cash gifts received
- Inheritances
- Lottery winnings!



Pandemic-related benefits:

- OAS/GIS recipients': \$300/\$500, non-taxable
- CERB, etc. if T4A:
 - Taxable "other income"
 - No tax withheld at source
 - Taxes payable, April 30
 - Some interest & penalty relief

(CRA T1 L. 13000, RevQC TP-1 L. 154/169)



Home office (employees):

- Required by employer, pandemic
- Home office: 50% time, minimum 4 weeks
- Simplified: \$2/day, max \$400, no forms
- Detailed: calculate expenses, 15% credit (CRA T7775 & RevQC, TP-59.S)



Home office (employees):

Detailed calculation, online calculator:

CRA "calculate your expenses"

https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/about-yourtax-return/tax-return/completing-a-tax-return/deductions-credits-expenses/line-229other-employment-expenses/work-space-home-expenses/calculate-expenses.html

RevQC

http://www.budget.finances.gouv.qc.ca/budget/outils/teletravail-en.asp



- Digital News subscription (CRA, L. 31350)
 Max \$500 claim, 15% credit, 'QDJO', no broadcasting, print subscription also; check subscription dept.
 - ex: Globe & Mail, La Presse, & Montreal Gazette
- Canada Training Credit (CRA, L. 45350)
 Age 26-65, refundable, \$250/year, accumulates
- Changes to Caregiver (RevQC, L. 462, Sched-H)



Reduce Taxes Payable?

Use Credits!



COMMON CREDITS



Common Credits

- Basic Personal Amt, Age Amt, Living Alone
- Workers
- **& GST & Solidarity**
- Medical Expenses
- * Tuition, exam fees, loan interest
- Childcare & activities
- * **Donations**: Charitable, Political
- Home renovations (limited)
- * First Home Buyer, if eligible





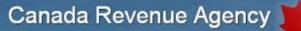
Basic Personal Amount (& eligible dependent)

- Tax-free threshold*
- Eliminates tax payable up to:

CRA = \$13,229 (2020)
RevQC = \$15,532 (2020)

* May be lower for high income taxpayer (CRA L. 30000, RevQC L. 350)







Age amount

- 65 and over
- income-tested
- (CRA L. 30100, RevQC L. 361 & Schedule B)

Living alone, if eligible (RevQC only)

- Living alone or single parent
- income-tested
- (RevQC L. 361 & Schedule B)







GST Credit (CRA) & Solidarity Credit (RevQC)



GST Tax Credit

Refundable credit / "Rebate" for Federal Sales Tax

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

Access?

- Calculated and paid by CRA
- No need to apply
- <u>No</u> receipts required
- Prior years available



Solidarity Tax Credit



Refundable credit / "Rebate", 3 components:

- Provincial Sales tax (QC)
- Municipal Property tax, if eligible
 - RL-31 (Renters)
 - Property Tax Invoice (Owners)
- Northern community resident



Solidarity Tax Credit

Refundable credit / Rebate!

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

Access?

- Calculated and paid by **RevQC**
- Schedule "D", RL-31 / Property Tax
- <u>No</u> sales receipts required!
- Prior years available

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Medical Expenses, if eligible

- Eligible expenses: list CRA website*
- Flexibility with dates (12-month period)
- Claimant: Spouse with <u>lower</u> income
- Credit = **15%** of Eligible amount:

Total <u>family</u> expenses, <u>less</u> either: **3%** of Net <u>Individual</u> Income or ~\$2,400

* <u>https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/about-your-tax-return/tax-return/tax-return/completing-a-tax-return/deductions-credits-expenses/lines-33099-33199-eligible-medical-expenses-you-claim-on-your-tax-return.html</u>





Medical Expenses, if eligible

- Eligible expenses: list **RevQC** website*
- Flexibility with dates (12-month period)
- Claimant: Either spouse
- Credit = **20%** of Eligible amount, <u>but</u>:
- Total <u>family</u> expenses, <u>less</u>:
 3% of Net <u>Family</u> Income

* <u>https://www.revenuquebec.ca/documents/en/publications/in/IN-130-V%282020-10%29.pdf</u>

RAMQ premium: eligible medical expense!

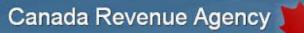
- **RevQC**: <u>current</u> tax year (2020)
- **CRA**: <u>following</u> tax year ONLY (2021)
- Tracked in tax filing software (verify!)
- Calc'd 2020 RevQC return, added RevQC payable, L. 447

(CRA L. 33099/33199, RevQC L. 381)



CREDITS Students, Workers, Home-owners









1. Tuition credit, CRA = 15%, **RevQC** = 8%

(CRA L. 30000, RevQC L. 350)

- <u>Tuition</u>: Post-secondary / vocational
- Exam fee: professional certification/licence
- Not reimbursed by employer or government
- Carry forward, until tax payable
- Transferable credit (to parent or spouse)
- 2. Student loan interest credit

(CRA L. 31900, RevQC L. 385)









Canada Workers Benefit (CRA L. 45300, Schedule 6)

- <u>refundable</u>, low income
- max income: single ~ \$25,000, family ~ \$37,000
- possible disability supplement

QC Work Premium (**RevQC** L. 456, Schedule P)

- <u>refundable</u>, low income
- max income (\$20,000 alone to \$50,000 family)
- not full-time student, unless parent



Workers



QC deduction for workers (RevQC L. 201, Workchart)

- 6% eligible work income (employment, business, some grants)
- Maximum deduction: \$1,190

(RevQC L. 201)



Workers



- Min age 60 (down from 65 in 2015)
- Min income **\$5,000**
 - (employment, business, some grants)
- Max income **\$65,205 \$68,205**
- Max Credit: \$1,500 \$1,650

(RevQC L. 391, Form TP-752.PC-V)

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First Home Buyer's credit

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

Note: Surviving spouse may be eligible, if:

- Marital home owned by deceased only
- Inherit marital home or acquire new home (CRA L. 31270, RevQC TP-752.HA-V)





Waste water system upgrade

- Principal residence
- Paid 2020, contract since March 31, 2017
- Max credit: \$5,500 per eligible dwelling
- Cottage maybe, if certain conditions met



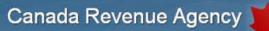
CREDITS for Retirees & Seniors



Common Credits/Tactics for Retirees

- Pension Income Sharing, Splitting & Credit
- Home Support Services 2021 Budget, enhanced!
- Home Accessibility
- Independent Living
- Seniors' Activities
- **Senior Assistance**
- Municipal Tax subsidy







Pension income credit, \$2000

- Available at 65 (earlier, certain pensions)
- Eligible income: RPP, RIF, RRSP, split income, sometimes annuities
- Generally, **NOT ELIGIBLE**: Govt, foreign, non-taxable pension income

(CRA L. 31400, RevQC L. 361 & Schedule B)



Canada Revenue Agency



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, L. 11600, 21000, RevQC L. 245, Schedule Q)



Home Support Services

- 5 housing types!
- 70+, <u>refundable</u>, QC resident
- Reduced > \$60,000 (family income)
- 35% eligible expenses, 2025 -> 40%)
- Max credit: ~\$6800-\$17,800

https://www.revenuquebec.ca/documents/en/publications/in/IN-151-V%282019-12%29.pdf, (RevQC Line 458 & Schedule J)





Home Support Services Credit



- **1. Apartment -** Rent, + extra services 2020: \$126, 2021-2025: >> \$288
- **2. House -** cleaning, gardening, snow removal, personal care, meal services, grocery/pharmacy delivery, nursing
- **3. Condo -** TPZ-1029.MD.5-V (condo board), + extra services housekeeping, minor maintenance, seasonal
- 4. Private Seniors' residence Rent, + extra services
- 5. Health Establishment Rehab, long-term care, etc. <u>https://www.revenuquebec.ca/documents/en/publications/in/INvit 5.1cmg from</u> <u>V%282019-12%29.pdf</u>, **RevQC Line 458 &** Schedule J



Home accessibility

- Renovations to: accommodate disabilities / reduce risk of injury
- Eligible: disabled or over 65
- Max \$1500 credit/year

(CRA Worksheet & L. 31285)





Independent living credit

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

(**RevQC** L. 462, #24)





Seniors' Activities Credit

- Activity: Physical, artistic, cultural, recreational
- Membership club, association, organization
- Min. duration: 8 weeks or 5 days
- Max credit \$40
- Max. Net income <= \$42,940 Individual
- Min age 70

https://www.revenuquebec.ca/en/citizens/income-tax-return/completing-yourincome-tax-return/completing-your-income-tax-return/line-by-line-help/451-to-480-refund-or-balance-due/line-462/point-28 (RevQC L.-462, #28)



Senior assistance credit (low income)

- <u>Refundable</u>, no need to apply!
- Max. income: ~\$42,000-\$46,000 couple \$22,500 single
- Min age: 70 (at least one spouse)
- Max credit couple: \$412/year
- Max single person: \$206/year



CREDITS Caregiver & Disability



CREDITS: Caregiver & Disability

- Registered Disability Savings Plan (RDSP)
- Disability Amount (like basic personal amount)
- Disability Tax Credit
- Disability Supports Deduction (RevQC L. 250)
- Disability Benefits via CPP or QPP
- Caregiver (CRA & RevQC)
- Respite Caregiver (RevQC)



Canada Caregiver, Non-refundable

- Claim up to ~\$9,500
- Spouse / dependent relative
- Adult or child
- Mental or physical disability

(CRA L. 30300, 30400, 30425, 30450, 30500)





Quebec Caregiver, <u>Refundable</u>

- 1. Spouse / dependent, age 18+ only
 - Disabled, Mentally or physically
 - Co-habitation <u>not</u> required

or

- 2. Non-spouse relative, age 70+
 - Not disabled
 - Co-habitation required

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(**RevQC** L. 462 #2)



Quebec Respite Care

- Respite care costs (Ends 2020)
- Volunteer respite caregiver (Ends 2020)

(RevQC L. 462 #20, #21)



Strategies



Strategies – Young People

- File tax return!
- Refunds, tuition credits, Govt. rebates, Worker credits, RRSP contrib. room, financial history
- Contribute to TFSA It's Tax-free!
- Delay RRSP contributions until higher income years



Strategies – Families, Children

* **RESP!**

Free money, tax efficient, tax-sheltered compounding, capital transfer to subscriber's RRSP

- RRSP!
 Higher income > 1st tax bracket
- Deductions / credits
 childcare, activities, etc.
- Claim Tuition credits of children: student transfer > parent/grandparent/spouse, with funding from must be indicated on both tax returns

Strategies – Seniors and Retirees

* Tax credits!

Renos, activities, disabilities, caregiver, dependents, pension income credit & splitting

- * **TFSA**, approaching or in retirement
- RRIF withdrawals before 71?
 tax breaks at 65, use younger spouse's age, avoid/minimise OAS clawback
- Delay QPP and/or OAS?

increase govt. benefits (indexed, low-risk, "annuity")^{With funding from}

Thank you!

Extra Slides >>>>



2021 QC Budget - For seniors and residences

- Non-autonomous seniors: higher tax credit for < \$60,135 income
- Autonomous seniors: higher tax credit for low income, higher reduction rate (7% versus 3%) for
 - > \$100,000 income, no benefit for > \$194,344 income
- **Increase** from 35% to 40%, over five years (Home Support Services credit)
- Seniors in apartment: Increased tax credit (Home Support Services credit)
- Automatic minimum payment of refundable tax credit (Home Support Services credit)
- Informal caregivers: \$95 million to improve quality of life
- \$1.8 billion: 10,000 new patient-care attendants in CHSLDs
- \$70 million: 900 new beds and residential spaces
- Financial assistance to improve private seniors' homes, assist insurance increases
- COVID-19 subsidies to private seniors' residences withdrawn over five years

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





Municipal Tax subsidy

- Family income <= \$53,300
- Min age 65
- Principal residence, min 15 years
- Property value, larger increase than average

(**RevQC** L. 462, #29, TP-1029.TM-V)



Pension Sharing

QPP "sharing"

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

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Disability benefits and credits

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

GUIDE CRA: <u>https://www.canada.ca/en/revenue-agency/services/forms-</u> publications/publications/rc4064.html

GUIDE RevQC <u>https://www.revenuquebec.ca/documents/en/publications/in/IN-</u> <u>132-V%282019-12%29.pdf</u>

Disability tax credit (DTC)

- yourself, dependent, spouse (married or de facto)
- request adjustments for up to 10 years
- Max 2020: \$8576 disability, \$5003 extra for minor

https://www.canada.ca/en/revenue-agency/services/tax/technical-information/income-tax/income-tax-foliosindex/series-1-individuals/folio-1-health-medical/income-tax-folio-s1-f1-c2-disability-tax-credit.html (CRA L. 31600, 31800, 32600, RevQC L. 250, L. 376 & Worksheet)



Tax Filing Alternatives



Tax filing alternatives

• Paper filing by postal mail

- Online Software DIY
- Assign a Representative



Tax filing alternatives

Professional Tax filing

Accountant Tax filing service

• Volunteer Tax Filing Services in Montreal



How are taxes calculated?





• 'Total' vs 'Net' vs 'Taxable' Income

• 'Tax Rates' & 'Tax Payable'

'Deductions' vs 'Credits'

Credits 'Non-refundable' vs 'Refundable'





'Total Income' = all, includes <u>foreign</u>

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

(CRA Line 15000, RevQC Line 199)



Buzzwords

'Net Income' = Total – Deductions

- Determines eligibility for **benefits** & **credits**
- Certain deductions permitted
- e.g. Pension plan contributions (RRSP, employer, CPP, QPP, QPIP), split pension amt, investment expenses, QC worker's deduction (**RevQC**), professional & union dues (**CRA**), child care, support payments paid, moving expenses...

(CRA Line 23600, RevQC Line 275)





'Taxable Income' = Net – other deductions

- Used to calculate Tax Payable
- Multiplied by tax rates
- Other Deductions

e.g. military, police, Northern residents, prior business/partnership losses...

(CRA Line 26000, RevQC Line 299)



Calculate Taxable Income

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

Taxable Income: used to calculate Tax Payable!



Calculate Tax Payable



Calculate Tax Payable

'Tax Payable' = Taxable Income x Tax Rates

- <u>before</u> credits* are applied
- tax rate tables, multiple tax brackets
- different tax rates for CRA & RevQC

*'Credit' - reduces Tax Payable



Calculating Refund / Balance Due

Tax Payable – Credits – Taxes Paid = Refund or Balance Due

If TP > 0, taxpayer **pays balance** (April 30) If TP < 0, taxpayer receives **Refund**



Recap: Deduction vs. Credit

- **'Deduction'** reduces **Total Income** <u>Before</u> Tax Payable is calc'd
- **'Credit'** reduces **Tax Payable** <u>After</u> Tax Payable is calc'd
 - **Refundable** Credit ~ "rebate"
 - Non-refundable Credit: subtracted from tax to pay

