

Atwater Library - Financial Literacy

Info Session - Income Tax

2020 Tax Year

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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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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

- **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**

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TAX Guides & Forms

Canada Revenue Agency



Service Canada office

Order online or **1-855-330-3305**

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

REVENU

QUÉBEC



Revenu QC office

<https://www.revenuquebec.ca/en/online-services/forms-and-publications/current-details/tp-1-v/>

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Canada & Quebec Tax Authority “Accounts”

‘My Account’

Canada Revenue Agency



CRA

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

REVENU

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RevQC

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

Also... ‘Direct Deposit’

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Online & Phone Support



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

1 800 959-8281



<http://www.revenuquebec.ca>

1 800 267-6299

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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>
- Moneysense:** "Guide to Personal Income Tax", *Brian Quinlan, Evelyn Jacks*
- La Presse:** 'Finance personnelles', *Marc Tison, Marie-Eve Fournier*
- Online:** TaxTips.ca
- Bank & Accountant:** *KPMG Insights, E&Y Tax, RBC Navigator*

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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** <https://lautorite.qc.ca/en/general-public/tes-affaires/youth-zone/videos>

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Tax Filing/Payment Deadlines....

Filing Deadline, 2020 Returns

- **April 30, 2021**
- **June 15, 2021** Self-Employed

Payment Deadline, 2020 Taxes

- **April 30, 2021**

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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

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* 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!

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* NEW * 2020

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)

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*** NEW * 2020**

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** T777S & **RevQC**, TP-59.S)

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*** NEW * 2020**

Home office (employees):

- Detailed calculation, **online calculator:**

CRA “calculate your expenses”

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

RevQC

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

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* NEW * 2020

- 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)

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Reduce Taxes Payable?

Use Credits!

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COMMON CREDITS

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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

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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)

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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
- No 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
- No sales receipts required!
- Prior years available



Medical Expenses, if eligible

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

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

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



Medical Expenses, if eligible

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

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



RAMQ premium: eligible medical expense!

- **RevQC**: current tax year (2020)
- **CRA**: following 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

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Students



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

(**CRA** L. 30000, **RevQC** L. 350)

- Tuition: 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)

- refundable, low income
- max income: single ~ **\$25,000**, family ~ **\$37,000**
- possible disability supplement

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

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

Workers

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

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

(RevQC L. 201)

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Workers

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Career extension credit

- 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 split 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

([RevQC L.-462, #33, TP-1029.AE-V](#))

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CREDITS for Retirees & Seniors

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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

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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)



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+**, refundable, 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)

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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.

https://www.revenuquebec.ca/documents/en/publications/in/IN_151_V%282019-12%29.pdf, **RevQC Line 458 & Schedule J**

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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)

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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 \leq \$42,940 Individual
- Min age 70

<https://www.revenuquebec.ca/en/citizens/income-tax-return/completing-your-income-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)

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Senior assistance credit (low income)

- Refundable, 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

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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**)

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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, Refundable

- 1. Spouse / dependent, age 18+ only**
 - Disabled, Mentally or physically
 - Co-habitation not requiredor
- 2. Non-spouse relative, age 70+**
 - Not disabled
 - Co-habitation required

(RevQC L. 462 #2)

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Quebec Respite Care

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

(RevQC L. 462 #20, #21)

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Strategies

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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**

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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,
must be indicated on both tax returns

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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”)

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Thank you!

Extra Slides >>>>

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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>

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Municipal Tax subsidy

- Family income \leq \$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

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

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

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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-folios-index/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)

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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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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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Buzzwords

‘Total Income’ = all, includes foreign

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)

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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)

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Buzzwords

‘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)

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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!**

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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 for **CRA** & **RevQC**

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

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Calculating Refund / Balance Due

$$\text{Tax Payable} - \text{Credits} - \text{Taxes Paid} = \text{Refund or Balance Due}$$

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

If TP < 0, taxpayer receives **Refund**

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Recap: Deduction vs. Credit

‘Deduction’ reduces **Total 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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