



Income taxes module

Trainer's introduction

Most people are aware that they must file an income tax return in Canada, if only to claim back any excess taxes that were withheld from their income. Filing also allows them to claim a variety of social benefits, or to claim losses or establish contribution room that they can use in future returns. In the popular view, this annual task is seen as an ordeal. An understanding of how the income tax system works, together with some simple organizing steps, can make it at least a manageable task that is rewarded with the potential of tax savings.

Mini-module 1 provides a basic overview of income tax and a taxpayer's rights and responsibilities. Mini-module 2 outlines how different types of income are taxed, and mini-module 3 describes how to reduce taxes paid through the use of basic exemptions and tax credits. Mini-module 4 covers how to simplify the task of completing a tax return by organizing documents, using software and getting professional advice when needed.

Learning objectives

After covering the topics in the module booklets or web pages and this workshop, learners will be able to:

- Describe the main features of Canada's federal, provincial and territorial income tax systems, including treatment of capital gains and dividends
- Describe how to file a T1 form to report income and claim a return
- Identify the amount and rate of income tax deducted from their income
- Describe how to choose an appropriate and cost-effective tax preparation service or software
- Describe the advantages and disadvantages of vehicles designed to reduce taxes, including RRSPs, TFSAs, RESPs and RDSPs
- Describe the treatment of tax deductions and tax credits, including personal exemptions, pension and employment insurance payments, etc.
- Describe where to get further information about taxes in Canada, including income tax, GST/HST and other forms of taxation
- Describe the consequences of fraudulent income tax avoidance



- Describe how to correct an inaccurate tax return

Materials/equipment required

Note: Be sure that participants use booklets for the current tax year, as current forms may be different from those in older mini-module booklets. If necessary, pick up current tax forms from the local tax office.

- Copies of selected mini-modules or activities for participants
- Current copies of the T1 tax form
- PowerPoint file: Income Taxes
- PowerPoint projector and screen
- Internet connection (if using)
- Chart paper for Activity 14 (Taxes in Your Life)

Time required

	To do all the activities in this module would require approximately:	To complete the module in one hour, focus on:
Introduction	<ul style="list-style-type: none"> • 10 minutes 	<ul style="list-style-type: none"> • Activity 1
1: Tax basics	<ul style="list-style-type: none"> • 25 minutes 	<ul style="list-style-type: none"> •
2: Income tax	<ul style="list-style-type: none"> • 40 minutes 	<ul style="list-style-type: none"> • Slides 15 to 19 • Activity 7 (Tax rates)
3: Reducing your taxes	<ul style="list-style-type: none"> • 85 minutes 	<ul style="list-style-type: none"> • Activity 9 (Net income) • Activity 11 (Video: Registered Savings Plans) • Activity 12 (Non-refundable tax credits) • Activity 13 (Refund or balance owing)
4: Filing your taxes	<ul style="list-style-type: none"> • 40 minutes 	<ul style="list-style-type: none"> • Activity 16 (Video: Getting Organized)
Action plan	<ul style="list-style-type: none"> • 5 minutes to get started 	<ul style="list-style-type: none"> • Activity 18 (Action plan)

Suggested activities and PowerPoints

Use the slides together with the text in the online or printed modules. The text provides additional information, items that are not easily represented in a slide, worksheets and other references.



Select the slides you will need for your presentation. *You will not need all the slides if you don't plan to cover all the topics.*

Introduction

Customize the agenda as needed. Introduce the workshop topic and outline the contents.

Slide 1: Income tax title page

Income tax

Slide 2: Agenda

Agenda

Start time: _____

Break time: _____ (10 minutes)

End time: _____

Please set phones to silent ring and answer outside of the room

Activity Icebreaker: Tax facts quiz

Have participants complete the Tax facts quiz in the Tax basics booklet. Use Slide 3 to briefly review the correct answers.

Extend the discussion by asking questions such as the following:

- What do your results tell you about your own understanding of income taxes?
- How much do people need to know about income taxes?
 - **Answer:** They need to know how to pay the minimum taxes that they owe; how to avoid errors or late penalties; how to file their tax returns correctly and conveniently; and how to get reliable advice when they need it.
- If you got the right answer to all the questions, would you know enough about income tax?
 - **Answer:** If you got all the right answers, it would show that you have a basic understanding of several key points, but knowledge about a range of other topics could help ensure you pay the minimum taxes you owe.
- If there's one thing you want to learn in this session, what would it be?
- What's the most important thing to know about income tax as you manage your personal finances?
- If there's one thing you could already tell your best friend about income tax and managing your money, what would it be?

Conclude the activity by summarizing some things people already know. Explain that the session is going to build on what people know to help participants manage their income taxes more effectively.



Slide 3: Tax facts quiz

How much do you know about taxes?

Choose the best answer for the following questions:

* 1. The total amount of personal income taxes collected by all governments combined in Canada in 2009 was: **(required)**

- a) about \$190 billion dollars (about \$5,588 per person)
- b) about \$1.9 billion dollars (about \$56.88 per person)
- c) about \$190 million dollars (about \$5.59 per person).

* 2. After processing individual tax returns in 2009–10, Revenue Canada refunded individual taxpayers: **(required)**

- a) over \$250 billion
- b) over \$25 billion
- c) over \$2.5 billion.

* 3. In 2007, Canadians who contributed to Registered Retirement Savings Plans paid **(required)**

- a) over \$500 each on average
- b) over \$2,500 each on average

Slide 4: Income tax

This module covers:

- Some basic facts about taxes
- What counts as taxable income, and how different types of income are taxed differently
- Standard deductions and tax credits that reduce the taxes you pay
- How plans like TFSAs and RRSPs can help you reduce your taxes
- How to file your taxes and avoid problems with your tax returns

Mini-module 1: Tax basics

Slide 5: Title slide: Tax basics

Tax basics

Overview

Slide 6: Tax basics

This section covers:

- How much income taxes amount to, and what they pay for
- The most common taxes that people pay
- Your rights and responsibilities as a taxpayer

**Activity Tax facts quiz**

If you skipped the Icebreaker activity on the Tax facts quiz, do the activity now.

Slide 7: Taxation rights and responsibilities

- Under the self-assessment system, you are responsible for:
 - Filing tax returns by the deadline
 - Paying the correct amount of tax
 - Giving CRA information to assess your return
 - Getting help when necessary
- You have rights under the Taxpayer Bill of Rights
- The Taxpayers Ombudsman provides independent review

What taxes do I pay?**Activity What taxes do I pay?**

Refer participants to the checklist, What taxes do I pay? in the Investing basics booklet, and have them fill it in.

Show the following slide, briefly describe each type of tax and ask participants to raise their hands if they pay that type of tax.

Show the Taxes and Government Revenues slide and explain that income taxes make up a little more than half of total government revenues, but residents pay for public services in a variety of different ways.

Extend discussion by asking questions such as the following:

- Is there anyone who pays all types of taxes? Is there anyone who pays none?
- Why do people pay taxes?
 - **Answer:** To pay for services that are provided publicly. Without them, residents would have to budget to purchase similar services privately.
- Do residents of Canada pay enough tax or too much?
 - **Answer:** The right amount of tax is a matter of social and economic policy. Residents of Canada pay more taxes than some people and less than others. This discussion will focus on paying the minimum that is allowed under federal, provincial and territorial laws.



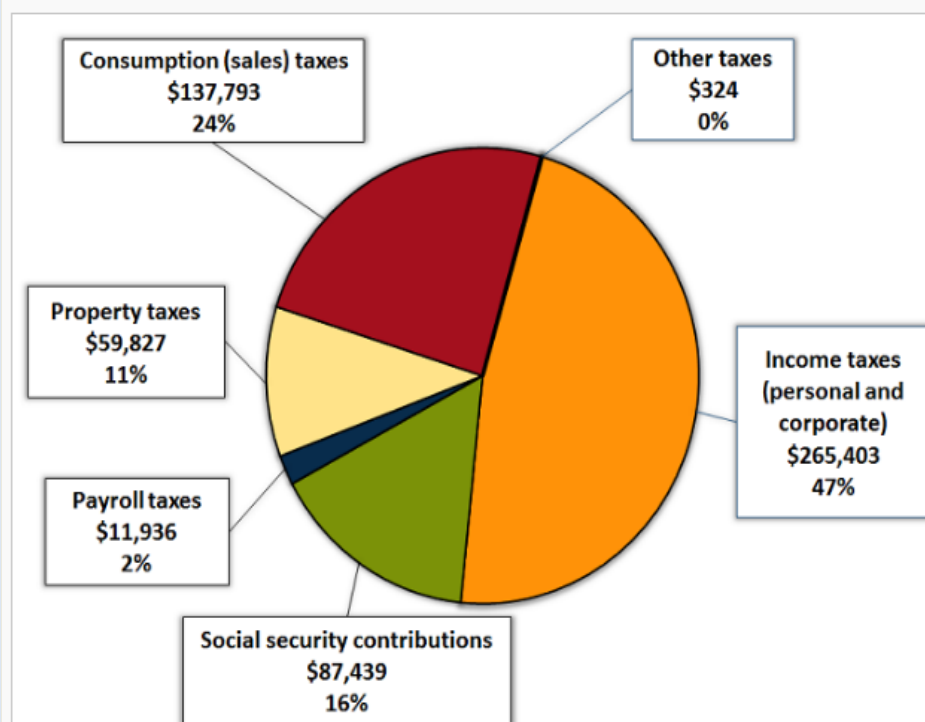
Slide 8: What taxes do I pay?

Types of taxes

- Income taxes on employment and other income that you receive
- Sales taxes such as the Goods and Services Tax (GST) or Harmonized Sales Tax (HST), provincial sales taxes (PST) and the Quebec Sales Tax (QST)
- Property taxes, usually charged by local governments on the value of land and buildings
- Customs duties or tariffs on certain imported and exported products
- Contributions by employers and employees to social security plans such as the Employment Insurance (EI) system, the Canada Pension Plan (CPP), the Québec Pension Plan (QPP) or the Québec Parental Insurance Plan.
- Health services taxes charged in some provinces for access to the provincial health care system
- Other taxes such as motor vehicle licenses and natural resource taxes.

Slide 9: Taxes and government revenues

Federal, provincial, territorial and local government revenue, 2014 (millions of dollars)



Source: Organisation for Economic Co-operation and Development - 2014.

**Activity Summary of key messages**

Have participants in pairs or small groups discuss and write down the three or four most important things they learned during the session.

Ask a few to compare their lists with the Summary of key messages (in the text or PowerPoint slide).

Clarify any misunderstandings and point out how the messages build on the topics participants identified in the first activity.

Slide 10: Summary of key messages

- Residents of Canada pay several different taxes
- Taxes pay for public programs and services
- Taxpayers have rights to:
 - Understand the taxation system
 - Pay no more than tax laws have authorized
 - Fair treatment
- Taxpayers have the responsibility to:
 - Report their income
 - Pay taxes accurately, honestly and on time

Mini-module 2: Income tax**Slide 11: Title slide: Income tax**

Income tax

Overview**Slide 12: Income tax**

This section covers:

- How the income tax system treats different forms of income
- How taxing investment income differs from taxing employment income
- Some tax-free forms of income



Slide 13: The Canadian income tax system

- Governments collect tax when income is above a minimum amount
- Most people pay tax to:
 - The federal government
 - Their provincial or territorial government
- Provinces have individual tax policies
 - Most use the federal tax collection system
 - Quebec has its own tax collection system
- Self-reporting of income to claim refund and benefits

Types of income

ACTIVITY Types of income

Refer participants to the worksheet, Types of income, in the Income tax booklet and have them fill it in. Show the slide, Types of Income (Answers), and review participants' answers.

Prompt discussion by asking questions such as the following:

- Which types of income are exempt from income tax?
 - **Answer:** Income from insurance, gaming and gifts are generally tax-free (except gifts from your employer, and some gifts of capital, such as company shares—if the gift produces income, then the income is usually taxed).
- Why are some forms of income taxed at a lower rate than others?
 - **Answer:** The income tax system provides some exemptions or reductions from tax in order to support certain goals, such as encouraging people to invest, and also to avoid taxing the same income twice, as with dividend income.

Slide 14: Types of income (answers)

Answer: Here's how different kinds of income are taxed, from lowest to highest.	
3	Income earned from hourly employment
3	Income from pensions
3	Income earned from sales commissions
1	Income from lotteries and gambling
varies	Income from dividends paid to company shareholders
3	Income earned from tips and gratuities
1	Income from insurance payments
1	Income from sale of your home
3	Income earned from self-employment
3	Income from interest on savings
1	Gifts
2	Income from sale of shares in companies
3	Income from certain social benefits, such as Old Age Security, Canada or Quebec pensions, disability pensions or the Universal Child Care Benefit



Activity Total income

Refer participants to the T1 Total Income worksheet in the Income Tax booklet and explain that it is the same as the T1 worksheet they use to report their income. Have them check off any types of income that they think may apply to them.

Prompt discussion by asking questions such as the following:

- Are there any types of income that do not fit on any of the lines?
 - **Answer:** Income from insurance, gaming and gifts are not reported because they are not taxable. Everything else should be listed as income.
- Are there any types of income you know of that don't fit into the T1 worksheet?
- What do you do if you have no income or very low income?
 - **Answer:** You should still complete a tax return, as it allows you to claim certain benefits and may give you the ability to reduce your taxes in years when you do have income. It also increases your ability to make RRSP contributions in the future.

Slide 15: Employment income

- All money and other benefits made while working for an employer
- Includes:
 - Tips and commissions
 - Job benefits (pension contributions, medical benefits, use of vehicle, etc.)
- Employment insurance and disability benefits taxed as if from employment
- Employer sends taxes to CRA
- Employer issues T4 slip each year
 - Totals all taxes withheld

Slide 16: Income from self-employment

- Net income you make working for yourself in a trade or business
- Subtract expenses of running the business
- Usually send in tax instalments quarterly or monthly
- Must keep your own records of income and expenses

Slide 17: Investment income

- Interest income
 - Whole amount is taxable
- Rental income (from renting property as a business)
 - Taxed like income from self-employment



- Dividends (profits companies pay shareholders)
 - Amount adjusted on a separate report
- Profits from sales of property (capital gains)
 - Only half of gain is taxed
 - Charged when property is sold

Slide 18: Pension and other income

- Most pension and other income is taxable
- However:
 - Age or disability exemption protects some income
 - May split CPP/QPP pension income with a spouse
 - Some social benefits are tax free
 - E.g.: HST credit, Guaranteed Income Supplement

Tax rates

Slide 19: Tax rates

Federal income tax	
2020 Federal income tax brackets*	2020 Federal income tax rates
\$48,535 or less	15%
\$48,535 to \$97,069	20.5%
\$97,069 to \$150,473	26%
\$150,473 to \$214,368	29%
More than \$214,368	33%

* These amounts are adjusted for inflation and other factors in each tax year.



- Provincial income tax – please refer to complete chart in the module

Provincial and territorial income tax	
Provinces / Territories	Rates for 2020 tax year
Newfoundland and Labrador	8.7% on the first \$37,929 of taxable income, + 14.5% on the next \$37,929, + 15.8% on the next \$59,574, + 17.3% on the next \$54,172, + 18.3% on the amount over \$189,604
Prince Edward Island	9.8% on the first \$31,984 of taxable income, + 13.8% on the next \$31,985, + 16.7% on the amount over \$63,969
Nova Scotia	8.79% on the first \$29,590 of taxable income, + 14.95% on the next \$29,590, +

Tip:

Go to Revenue Canada [All Rates](#) page to update this slide for the current year.

Activity Tax rates

Review the federal income tax brackets and rates.

Click the link on the image in the slide to demonstrate the online provincial and territorial tax rates tool if you have an Internet connection.

Have participants suggest some income levels to find the rate of tax that applies.

Prompt discussion by asking questions such as the following:

- How does the income tax rate change as the level of income rises?
 - **Answer:** The income tax rate increases as income rises, except in Alberta. Alberta has a flat 10% rate, but all other governments have a graduated tax system in which low income earners pay lower tax rates or none at all.
- Why do some provinces and territories have different rates from others?
 - **Answer:** Each province or territory sets its own rates based on the social and economic policies that its government has chosen. For example, Quebec has higher tax rates than other provinces because it provides a number of public services that other provinces do not.

**Slide 20: Average and marginal tax rates**

- Average tax rate = Total taxes paid / Total taxable income
- Marginal tax rate = Taxes paid when you earn more money
 - The rate of tax on the next dollar you earn
 - Federal plus provincial or territorial tax rate at your new income level

Activity Summary of key messages

Have participants in pairs or small groups discuss and write down the three or four most important things they learned during the session.

Ask a few to compare their lists with the Summary of key messages (in the text or PowerPoint slide).

Clarify any misunderstandings and point out how the messages build on the topics participants identified in the first activity.

Slide 21: Summary of key messages

- Different types of income can be taxed at a different rate, or are tax-free
- You pay income tax on your taxable income—your total income minus allowable deductions or exemptions
- Under a graduated income tax system, people with lower income pay a lower tax rate

Mini-module 3: Reducing your taxes**Slide 22: Title slide: Reducing your taxes**

Reducing your taxes

Overview**Slide 23: Reducing your taxes**

This section covers:

- Amounts that people in certain groups can deduct from the income they report
- How registered savings plans can help you protect income from taxation
- Various credits that people can use to reduce the taxes that they would have to pay



Deductions from income

Slide 24: Deductions from income

- Income tax is based on **taxable income**, not total income
- **Deductions** are amounts subtracted from total income
- When you claim deductions, you can:
 - Lower your taxable income
 - Lower your income tax
- Taxable income is also used to calculate certain benefits
 - Lower taxable income may increase benefits

Activity Net income

Refer participants to the T1 Net Income worksheet in the Reducing Your Taxes booklet and explain that it is the same as the T1 worksheet they use to report their income. Have them check off any deductions that they think may apply to them.

Prompt discussion by asking questions such as the following:

- What deductions do you think make the most impact on reducing your income?
 - **Answer:** For most people, one of the biggest ways to reduce their taxable income in a year is to buy an RRSP, if you were able to save enough money to invest in an RRSP.
- Are there any deductions you think you should be able to claim, but cannot fit into the T1 worksheet?
 - **Answer:** Not all expenses are deductions. Taxpayers have to refer to their Tax Guide for a detailed list of what counts as a deduction.

Slide 25: Some key deductions

- Annual union, professional and similar dues (line 21002)
- Child care expenses (line 21400)
- Expenses a person with a disability paid to earn income or go to school (line 21500)
- Some types of losses in a business you own, including capital losses (line 21700)
- Moving expenses if you had to move more than 40 kilometres to take a job (line 21900)
- Support payments to a spouse, common-law partner or child (line 22000)
- Interest and fees required for investments (line 22100)
- Half of the money a self-employed person paid into the Canada Pension Plan or Quebec Pension Plan (line 22200)

- **You must meet certain conditions to claim these deductions**



Registered Savings Plans

Slide 26: Registered Retirement Savings Plans (RRSPs)

- Defers income tax on deposit and income the deposit earns until withdrawn
- Deposit limited to 18% of employment income
 - Maximum limit (\$27,230 for 2020 taxes)
- Can include most common types of investments
- If withdrawn early, part is withheld for taxes
 - Temporary withdrawal allowed for home buying and education
- For details, go to Canada Revenue Agency's information on [RRSPs](#)

Activity Sheltered investment calculator

Click the link on the image in the slide to demonstrate the Sheltered investment calculator page if you have an Internet connection.

Explain that electronic or online savings calculator compares the effect of investing in an RRSP with the effect of saving in a non-registered plan.

Review Michel's story on the website. Then ask participants for investments that they are interested in and then demonstrate how to use the calculator to compare results.

Point out how users can enter data to calculate what contributions are needed and how different interest rates and tax rates can affect the results.

Have participants use the calculator during the session or later to compare results for their own circumstances.

Slide 27: Tax-Free Savings Accounts (TFSAs)

- Income earned is tax-free
- Deposit up to \$6,000 a year
- Can include most common types of investment
- For details, go to Canada Revenue Agency's information on [Tax-Free Savings Accounts](#)

Slide 28: Registered Education Savings Plans (RESPs)

- Saving for a child to pay for education after high school
- Contribution is not tax deductible
- Income earned is tax-free until withdrawn
- Then income and Grant are taxed as income of the child (possibly at a lower tax rate)



- Eligible for grants from Canada and Quebec
- For details, go to Employment and Social Development Canada's information on the [Canada Education Savings Grant \(CESG\)](#)

Slide 29: Registered Disability Savings Plans (RDSPs)

- Saving to support a person with a disability
- Contribution is not tax deductible
- Income earned is tax-free until withdrawn
- Then income is taxed as income of the disabled person (possibly at a lower tax rate)
- Eligible for grants from Canada
- For details, go to Employment and Social Development Canada's information on [Registered Disability Savings Plans](#).

Activity Video: Taxes and Registered Savings Plans

Introduce the video and give participants a copy of the video response sheet. Have them answer the questions on the sheet as they view the video and when it ends.

Following the video, ask some participants to share their comments with a neighbour or with the group.

Extend the discussion by asking questions such as the following:

- What is the key benefit of registered savings plans?
 - **Answer:** They allow you to claim a deduction from income, lowering your taxes and having money grow where no tax is paid on the earnings until the money is withdrawn. Then the tax rate may be lower than during the years when the RRSP contributions were being made.
- How are TFSA's different from other registered plans, such as RRSPs?
 - **Answer:** Income in TFSA is completely tax-free. Income in other plans is taxed when it is taken out of the plan, although the tax rate may be lower or zero. And there is no tax-deduction for a TFSA.
- What benefits do RESPs and RDSPs have that other savings plans do not?
 - **Answer:** They are eligible for government grants. They allow you to shift income to someone who may pay a lower income tax rate. RESPs are available exclusively for education expenses.
- In your own case, which type of registered savings plans would be of most benefit? Why?

Emphasize that many conditions apply to registered savings plans, and you should always get expert advice to choose a plan that is best for you.



Video response sheet	
Name: _____ Date: _____ _____	
Name of video: _____	
What points in the video do you agree with?	What points in the video do you disagree with?
What points in the video do you need more information about?	
If you had to summarize the video for a friend, what would you say were the most important points?	

Tax credits

Slide 30: Refundable tax credits

- Amounts that are paid to you if you qualify
- Federal refundable tax credits include:
 - The Child Tax Benefit
 - The GST/HST Tax Credit
 - The Working Income Tax Credit
- May be reduced based on your Taxable Income
- **You must meet certain conditions to claim these tax credits**

Slide 31: Non-refundable tax credits

- Amounts to reduce the tax you must pay
 - Calculate taxes due on Taxable Income
 - Add all tax credits available



- Subtract allowable percentage of tax credits from Taxable Income
- E.g.;

Taxable income:	\$39,000.00
Federal income tax:	\$5,850.00
Total federal tax credits:	\$13,229.00
Subtract 15% of tax credits:	\$1,984.35
Federal income tax payable:	\$4,865.65

Activity Federal Non-refundable tax credits

Refer participants to the T1 Federal Non-refundable tax credits worksheet in the Reducing your taxes booklet and explain that it is the same as the T1 worksheet they use to report their income. Have them check off any tax credits that they think may apply to them.

Point out that each province and territory also provides a variety of tax credits to reduce provincial or territorial taxes payable.

Prompt discussion by asking questions such as the following:

- What's the difference between tax deductions and tax credits?
 - **Answer:** Deductions reduce income you pay taxes on, and indirectly reduce your taxes. Tax credits are subtracted directly from the taxes you pay. But you can subtract only a percentage of the total non-refundable tax credits (e.g., 15% for federal taxes).
- What tax credits can everyone claim?
 - **Answer:** Everyone can claim the Basic Personal Amount. In addition, everyone who is employed can claim the employment income amount, plus an amount for CPP/QPP contributions and employment insurance premiums.

Slide 32: Other Non-refundable tax credits

- Basic personal tax credit
- If you are over the age of 65, you can claim up to \$7,637
- If you have children, you can claim \$2,273 for each child under the age of 18
- If you receive a pension, you can claim up to \$2,000
- If you have a disability, you can claim up to \$8,576
- If you care for a dependent who is infirm, you can claim up to \$7,276
- **You must meet certain conditions to claim these tax credits**

Slide 33: What you owe or get back

- After calculating taxable income, deductions and credits, final adjustments include:
 - Taxes deducted by your employer (line 43700)
 - If you were self-employed, or have investment income:



- Taxes you paid by instalments (line 47600)
- Pension contributions due (line 42100)
 - Provincial or territorial taxes and credits (lines 42800, 44000)
 - Other benefits and adjustments
- Remaining difference is your tax refund (or balance owing)

Activity Refund or balance owing

Refer participants to the T1 Refund or balance owing worksheet in the Reducing your taxes booklet and explain that it is the same as the T1 worksheet they use to report their income. Have them check off any items that they think may apply to them.

Prompt discussion by asking questions such as the following:

- What's the problem with getting a large tax refund?
 - **Answer:** It means that too much tax was deducted or paid in instalments, so money you could have had earning income for you was not available. However, some people like to use their income tax deduction as a forced savings plan, and then invest the refund when it arrives.
- What other things could you do with a large tax refund?
 - **Answer:** Financial benefits could come from paying down debt or putting money toward a specific savings goal.

Activity Taxes in your life

Have participants form groups of three or four and assign each group to review one of the Taxes in Your Life scenarios in the Reducing Your Taxes booklets. Have each group make a chart summarizing the situation and the tax credits, and the reasons for the tax credits.

Have some groups present their charts to the other participants and explain why the characters in the examples can claim the tax credits they do. Ask if other groups had a different explanation.

Prompt additional discussion by asking questions such as the following:

- Which examples of tax credits could participants use themselves?
- Where can you look if you are not sure whether you can claim a tax credit, or if you think there might be a tax credit that applies to you?
 - **Answer:** Go to the Income Tax Guide for your province or territory at the CRA website (Canada.ca/taxes) or in most post offices.



Slide 34: Income tax summary

	Total Income
<u>Minus</u>	<u>Deductions</u>
Equals	Taxable Income
	Calculate Total Income Tax
Minus	Allowable Percentage of Non-refundable Tax Credits
<u>Minus</u>	<u>Other adjustments</u>
Equals	Tax Refund or Balance Owing

Activity Summary of key messages

Have participants in pairs or small groups discuss and write down the three or four most important things they learned during the session.

Ask a few to compare their lists with the Summary of key messages (in the text or PowerPoint slide).

Clarify any misunderstandings and point out how the messages build on the topics participants identified in the first activity.

Slide 35: Summary of key messages

- Canada's tax system provides many deductions and tax credits
 - Find all the deductions and credits that apply to you
- The tax deductions and credits vary as family and financial circumstances change
- Check the Income Tax Guide or get expert help to see how they apply

Mini-module 4: Filing your taxes

Slide 36: Title slide: Filing your taxes

Filing your taxes



Overview

Slide 37: Filing your taxes

This section covers:

- How to keep your tax papers organized and easy to use
- How to avoid problems with the tax agency
- How to make the best use of expert tax services
- How to be aware of and avoid potential tax frauds

Getting organized

Activity Video: Organizing your taxes

Introduce the video and give participants a copy of the video response sheet. Have them answer the questions on the sheet as they view the video and when it ends.

Following the video, ask some participants to share their comments with a neighbour or with the group.

Extend the discussion by asking questions such as the following:

- Can anyone describe a time when someone they know was not ready to file their taxes, and what happened?
- How can you use the system described in the video in your own life?
- What changes or adaptations would make it work better for you?
- What are the main benefits of using an organized tax system?
 - **Answer:** You have all the documents you need to file on time; you can avoid penalties and interest; you can arrange your finances to gain the maximum benefits; it is less stressful.

Video response sheet

Name: _____ Date: _____

Name of video: _____

What points in the video do you agree with?

What points in the video do you disagree with?



What points in the video do you need more information about?

If you had to summarize the video for a friend, what would you say were the most important points?

Slide 38: Getting organized

- Set up family tax file
- Create section for each family member
 - Past section: copies of old documents
 - Current section: documents for current year
 - Separate file for self-employed businesses
- As received through the year, file:
 - Income
 - Receipts for deductible expenses
 - Personal expenses
 - Investments
 - Logs of other expenses
- Use Current documents to complete tax return
- Start a new Current file each year

Slide 39: Penalties and audits

- Taxes due on April 30 each year
- Penalties plus interest for late filing
- If no taxes due, you can still claim benefits
- You can request relief for reasons beyond your control
- Keep tax records on file for seven years

Help with your taxes

Slide 40: Electronic tax packages

- Complete forms on screen
 - Usually questions lead you through
- Software produces electronic file to send in



- Must use a Netfile access code issued by CRA
 - Go to Canada.ca/netfile
- Package must be certified by CRA to file returns
- Some packages offer free returns

Slide 41: Tax advisors

- Tax preparation services
 - Fill out standard forms at low cost
 - Offer limited advice
 - May offer partial cash payment for tax refund
- Accountants and bookkeepers
 - Specialized training to give advice and minimize taxes
- Financial planners
 - Advise on arranging personal finances to meet goals
 - Often have special training on tax issues

Slide 42: Fraud prevention

- Before any investment:
 - Check that advisors are registered with securities regulator
 - Read and understand investment documents
- Fake tax-deductible charities
 - Check CRA website for list of registered charities
- Fake emails claim to be a tax agency
 - Don't respond to requests for personal information by email or phone machine

Activity Summary of key messages

Have participants in pairs or small groups discuss and write down the three or four most important things they learned during the session.

Ask a few to compare their lists with the Summary of key messages (in the text or PowerPoint slide).

Clarify any misunderstandings and point out how the messages build on the topics participants identified in the first activity.

**Slide 43: Summary of key messages**

- Prepare for your taxes in advance
 - Avoid penalties for late filing
 - Organize your finances to minimize taxes
- Use a system to organize tax documents through the year
- Software packages help prepare and file returns
- Professional tax advice may save you time and money

Income tax Action plan**Activity Income tax Action plan**

Point out the different sections of the Income tax Action plan and have participants briefly review the items in the checklists. Encourage participants to work through the Action Plan after the session.

Prompt discussion with questions such as the following:

- What's the first step you need to do to better organize your taxes?
- What items on the checklist need the most work?
- What makes some items on the checklist harder to do than others?
- What other types of tax issues do you need more information about?