

## Income Tax

## Tax Software

Your first step is to pick the tax software that you are going to use. The CRA does not build its own software, instead it works with independent developers. The CRA sets out the guidelines and requirements for tax software and it is up to the developer to build a product that meets those requirements. There are a variety of tax software available to Canadians. Software that has been certified for use by CRA can be found on their [website](#).

**TIP:** Compare a few products before deciding which one you'll use. Products differ in features, design, support, restrictions, and price. The CRA does not pay software developers, so there is typically a charge to use tax software.

Just like with paper forms, new software is required each year. Before starting your return, make sure you're using software for the correct tax year. The fundamentals of completing your tax return remains the same when using tax software. Rather than calculating values by hand, tax software takes care of the calculations for you and it is the responsibility of the software to create a digital tax return format that the CRA will accept.

Once you've finished your return you need to submit it to the CRA using NETFILE (tax software takes care of this for you) and you will receive a CRA confirmation number. When you file online you do not need to send any documents to CRA but it is your responsibility to keep your receipts and information slips for six years.

Advantages of filing online:

- Saves paper
- Takes less time to prepare
- Reduces the potential for typos and calculation errors
- Fastest way to get your full tax refund

**Online Tax Return – Simple Tax  
Exercise 1 – High School Student**

1. Go to [www.simpletax.ca](http://www.simpletax.ca)
2. On the top right corner click “Start or continue”
3. Click “your 2018 tax return”
4. Click “sign up” and sign up using your school email address  
(Ex: computer login name@sedpsd.ca) and create a password
5. New return: Who is the return for? enter Catherine
6. Enter the “about me” information for Catherine
  - change her SIN number to 100 000 009
  - answer “No” to the question “did you own foreign property with a total cost of more than \$100,000”
7. T4 slips
  - using the search box, add the *Employment Income – T4* section by searching for T4
  - transcribe the information from the T4 from Best Bookstore
  - add a second T4 by clicking “Add another T4”
  - transcribe the information from the T4 for Mario’s Pizzeria
8. Tips
  - search for “tips” or “occasional earnings” in the search box and add the *Tips, Royalties, Occasional Earnings, etc.* section. Enter the tips in the “Amount of income” column. Leave the “Canadian tax withheld” column blank

**Fact:** tips and occasional earnings (like babysitting income) are taxable, even if you don’t receive tax slips

**Note:** Catherine has an EI overpayment calculated on form T2204 and will receive those premiums back with her tax refund.

## Exercise 2 – Post-Secondary Student

1. On the top menu bar next to account, click on Catherine's 2018 tax return, in the drop-down menu click "New Tax Return" and name it Sue
2. Enter the "about me" information for Sue
  - change her SIN number to 100 000 017
  - answer "No" to the question "did you own foreign property with a total cost of more than \$100,000"

### T4 slip:

- Add the *Employment Income — T4* section through the search box.
- Transcribe the information from the T4 from Streamers. Select any province other than QC in box 10.

### T4A slip:

- Add the *Pension, Retirement, Annuity And Other Income — T4A* section through the search box.
- Transcribe the information from the T4A from Town University. Add box 105 under the heading "Other boxes on your T4A".
  - For *Type of award in box 105*, select "Scholarships, etc. (full-time)".
- 📖 Scholarship income for attendance in a full-time program is not taxable (and is not included anywhere on the tax return). Try out different options from the dropdown to learn more about different types of award income.

### T2202A - Tuition and Enrolment Certificate:

- Add the *Tuition, Education, and Textbook Amounts -T2202A* section by searching for "tuition" in the search box.
- Answer "Yes" to the question "Were you a post-secondary student in 2017?"
- Transcribe the Total Tuition from column A, and the # of full-time months in Column C, into the T2202A in SimpleTax.
- 📖 Note that she has tuition available for [transfer](#) and [carryforward](#). What happens to her carryforward when she transfers her tuition to someone? Who might she want to transfer it to? Why can't she transfer all of it?