Tax is a mandatory payment made by individuals and corporations to government. It can be levied upon things such as income, property, and sales. Taxes are used to support the government and the programs and services it provides.

History of Tax:
Since the beginning of recorded history, some kind of tax system has existed in organized societies and governments. Over 3,500 years ago, the ancient Egyptians collected taxes and the Roman Empire had a highly evolved tax system.

The French and Romans of the 13th century were credited with the first use of a word similar to tax. The French had taxer and the Latin used taxare to describe the acts: to estimate, to assess, or to touch repeatedly.

Milestones in Canadian taxation

Before 1650 – The colonial governments collected taxes and sent them to the two mother countries, England and France. The colonial governments usually collected revenue by charging customs duties.

1650 – Louis XIV of France imposed the first recorded tax in Canadian history. It was an export tax of 50% on beaver pelts and 10% on moose hides leaving his colonies.

1867 (Collecting) – The *British North America Act* was passed, allowing the Canadian government to raise money by taxation. In the next 50 years, the federal government used only indirect taxes such as customs duties and excise taxes to raise the money it needed. Direct taxation such as property taxes and income taxes was imposed by the provinces.

1867 (Spending) – The Fathers of Confederation divided the governmental responsibilities of this new country between the federal and provincial governments. The most expensive areas of responsibility – building railways, roads, bridges, and harbours went to the federal government. The provincial governments were responsible for education, health, and welfare.

1914 – August 4, Britain declared war on Germany and, as a British colony, Canada joined in the Great War at Britain's side. The pressures of financing World War I soon brought major changes to the Canadian tax system.

1916 – The federal government used a new method of direct taxation by starting a corporation tax known as the business profit war tax. It affected corporations only if their profits were more than a certain percentage of their invested capital. Although this was not income tax as we know it today, it was a milestone in the history of Canadian taxation.

1917 – The federal government, led by Sir Robert L. Borden, introduced the *Income War Tax Act*. Sir Thomas White, Minister of Finance, said: "I have placed no time limit upon this measure . . . a year or two after the war is over, the measure should be definitely reviewed."

In July 1917 – The federal government imposed a general tax on corporate and personal income that was collected by the Department of Finance.

1927 – The Department of National Revenue was created.

1950s – At this time, the department processed tax returns by hand, which took a lot of time. Gradually, computers came onto the scene and programs were developed to process the returns.
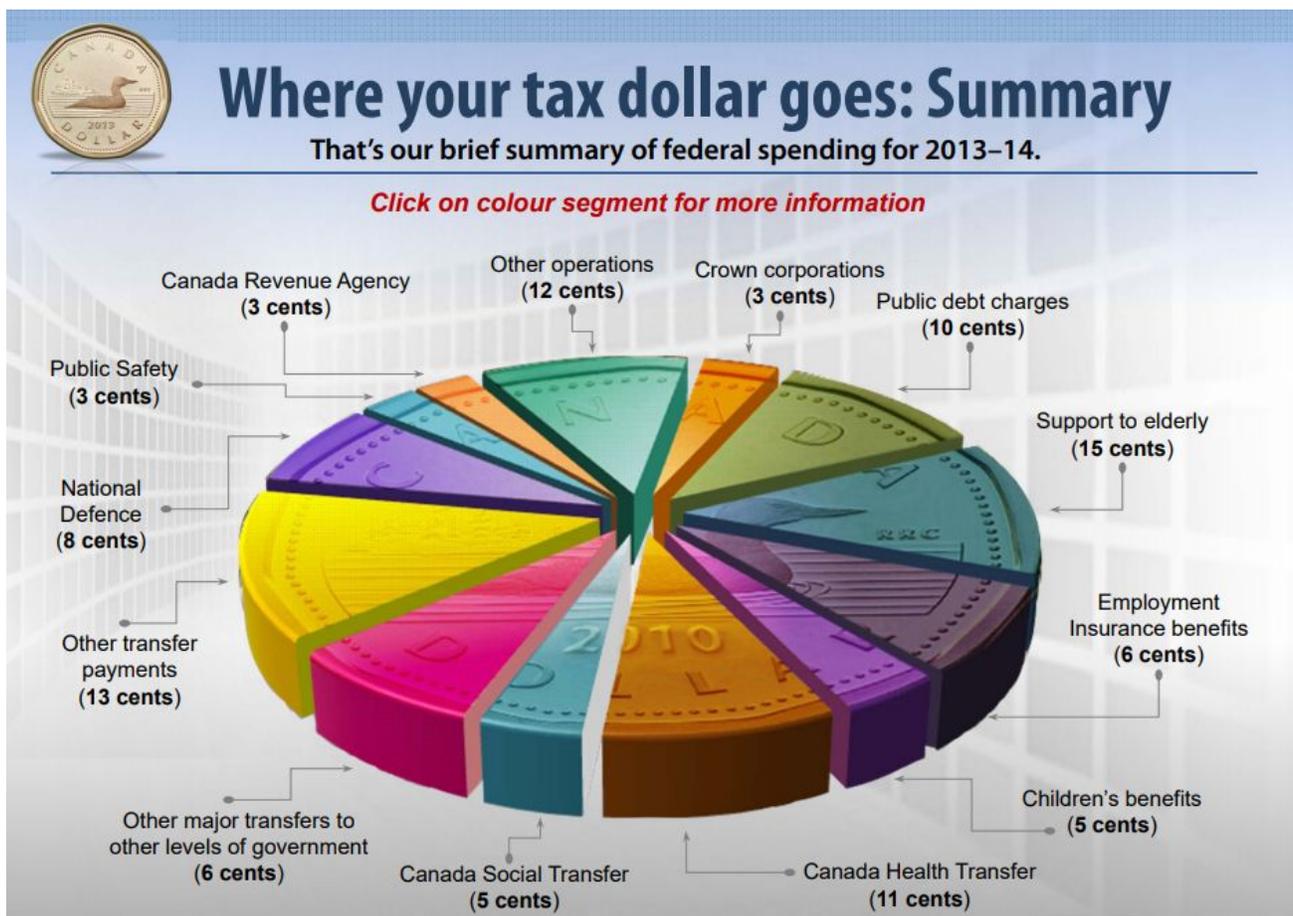
1952 – For the first time, the Department of National Revenue became involved in an area other than income tax when it began to collect old age security tax on personal and corporate income. The Department assessed this tax under the *Old Age Security Act*.

1991 – The federal government replaced the federal sales tax with the goods and services tax (GST).

2007 – The Government of Canada introduced the Taxpayer Bill of Rights, which outlines what a taxpayer can expect from the CRA.

Taxes collected and paid:

The government collects taxes to pay for the facilities, services, and programs that it provides. We pay taxes on our income and most goods and services. Canada's tax system pays for such things as roads, education, health care, national defense, police and fire services, parks and playgrounds, libraries, garbage collection and many other programs and services.

Where your tax dollar goes: Summary

That's our brief summary of federal spending for 2013–14.

Click on colour segment for more information

Canada Revenue Agency (3 cents)
Other operations (12 cents)
Crown corporations (3 cents)
Public debt charges (10 cents)
Public Safety (3 cents)
Support to elderly (15 cents)
National Defence (8 cents)
Employment Insurance benefits (6 cents)
Other transfer payments (13 cents)
Children's benefits (5 cents)
Other major transfers to other levels of government (6 cents)
Canada Social Transfer (5 cents)
Canada Health Transfer (11 cents)

Tax revenue also helps redistribute wealth to benefit lower-income families, students, seniors, and people with disabilities. Tax revenue funds social programs such as old age security, Canada child tax benefit, universal child care benefit, and working income tax benefit.

Where the money comes from

During 2013–14, the federal government recorded $271.7 billion in revenues.

These revenues came from:

Personal income tax – $130.8 billion, or 48 cents of every dollar raised in revenues.

Corporate income tax – about $36.6 billion, close to 14 cents of every dollar.

Goods and Services Tax – $31.0 billion, or 11 cents of every dollar.

48¢

14¢

11¢

Summary

Characteristics of a tax system

A tax system needs to benefit all, and it should be flexible so the government can use it to achieve specific social and economic objectives.

A tax system is defined by six characteristics:

1. who pays the tax;
2. the tax base;
3. the rates to be applied to the base;
4. general exemptions;
5. general deductions; and
6. other measures, such as how tax is to be paid.

These characteristics determine how much revenue is produced, how fair the tax system is, and its ability to produce economic growth.

Canada's tax system is based on the principle of self-assessment, which means that taxpayers complete their tax return each year to report their income and to calculate whether they owe tax or receive a refund. It is considered the most economical and efficient way to collect income tax.

GST:

The goods and services tax (GST) is a 5% tax that applies to most goods and services in Canada. In some provinces, there are two taxes: the GST and a provincial sales tax (PST). In New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario, and Prince Edward Island, the GST and PST are combined to form the harmonized sales tax (HST).

We pay GST/HST on most of what we purchase, except:

- basic groceries;
- prescription drugs and medical devices;
- most healthcare, medical, and dental services;
- residential rents, including university residences and boarding houses;
- residential housing other than new;
- local or municipal bus services and passenger ferry services;
- legal aid services;
- most banking services; and
- most educational services including tuition fees.

Types of Taxes:

Taxes are either direct or indirect.

Direct taxes are paid by the taxpayer directly to the government. They include personal income tax, property tax, corporate tax, and estate tax.

Indirect taxes are paid by the taxpayer to a third-party (such as a retail store) who remits the tax to the government. They include sales tax, goods and services tax (GST), harmonized sales tax (HST), fuel tax, and tobacco tax.

SOCIAL INSURANCE NUMBER

What is a SIN number? How can I apply for a SIN number?

- The Social Insurance Number (SIN) is a nine-digit number that you need to work in Canada or to have access to government programs and benefits.
- Service Canada offers the Newborn Registration Service, which is an integrated birth registration and SIN application process. This service is available for parents living in any of the provinces.
- Service Canada requires individuals to apply in-person. By doing so, if your application is in order, you can obtain your SIN in less than 15 minutes and do not need to part with your original proof of identity documents.
- To apply for your SIN, please visit a Service Canada Centre with your original proof of identity documents.

Answer YES or NO, if you should give out your Social Insurance Number.

	When proving your identity (except for specific government programs)
	To your employer
	Completing a job application **before** you get the job
	Completing an application to rent a property
	Negotiating a lease with a landlord
	Financial institutions from which you earn interest or income (for example, banks, credit unions)
	Completing credit card application
	Cashing a cheque
	Applying for a video club membership
	Applying for social assistance benefits
	Completing some banking transactions (mortgage, line of credit, loan)
	Completing a medical questionnaire
	Renting a car
	Employment Insurance (EI) program benefits
	Subscribing to long-distance or cellular telephone services
	Writing a will
	Child support payments
	Applying to a university or college.

Service Canada gives out the falling warning about SIN fraud:

> *If your SIN falls into the wrong hands, it could be used to obtain personal information and invade your privacy. When the SIN is not linked to you as its rightful owner, another person could receive your government benefits, tax refunds or bank credits. Furthermore, your personal information could be revealed to unauthorized people. This could lead to identity theft and other types of fraud.*
> *If someone uses your SIN to work illegally or to obtain credit, you may suffer hardship. You could be requested to pay additional taxes for income you did not receive or you could have difficulty obtaining credit because someone may have ruined your credit rating.*

List 5 ways can you protect yourself from this type of fraud?

List 4 ways you can protect your personal information (in paper or online).

FILE INCOME TAX-
1. Create an account here https://turbotax.intuit.ca/personal-tax-software/free-online.jsp
2. File Catherine's income tax

WHO should file income tax?
- You must file a return each year if **any** of the following situations apply:
  - You have to pay tax for the year.
  - We sent you a request to file a return.
  - You have to contribute to the Canada Pension Plan (CPP). This can apply if the total of your net self-employment income and pensionable employment income is more than $3,500. See line 222.
  - You are paying employment insurance premiums on self-employment and other eligible earnings. See lines 317and 430. (Accumulated EI hours in case you need to file in the future (you will need 900 EI insurable worked hours)
  - If you ever want a loan from a financial institution

Even if none of these requirements apply, you can file a return if **any** of the following situations apply:
- You want to claim a refund.
- You want the GST/HST credit (including any related provincial credits). For example, you may be eligible if you turn 19 before April.
- If you have a child and want to receive Canada child tax benefitpayments.
- You want to carry forward or transfer the unused part of your tuition, education, and textbook amounts.
- You want to report income for which you could contribute to an RRSP to keep your RRSP/PRPP deduction limit for future years current.

How big is Canada's underground economy? $42 billion

- What is the underground economy? Canadian Business magazine defines it as *"market-based economic activities, whether legal or illegal, that escape measurement because of their hidden, illegal or informal nature."*
- 2.3% of GDP (in a zero growth economy, this is a big difference!)
- The residential construction industry is the key culprit, accounting for 28.3% of total.
- Why is this a problem?
  - Business that don't pay taxes not competing fairly with their prices.
  - "FREE RIDERS" exist, letting the rest of us pay to support the tax-funded services that we all enjoy.
  - If you don't pay your share, you're not stealing from the government—
    - *you're stealing from the rest of us* (slide 5)

Exercise 1 – High school student

- Catherine Casey was born on November 13, 1999.
- She lives at home with her parents.
- She works part-time at Best Bookstore and Mario's Pizzeria.
- Last year she earned $300 in tips from Mario's Pizzeria (not on T4 slip).
- In February, Catherine received the attached information slips.

To complete this return, you will need the following:

- T1 General, *Income Tax and Benefit Return*

T4 — Statement of Remuneration Paid / État de la rémunération payée (Form 1)

Employer's name – Nom de l'employeur: BEST BOOKSTORE

Canada Revenue Agency / Agence du revenu du Canada

Year / Année: 2016

Protected B when completed / Protégé B une fois rempli

Box	Field	Amount
14	Employment income – line 101 / Revenus d'emploi – ligne 101	3,600 00
22	Income tax deducted – line 437 / Impôt sur le revenu retenu – ligne 437	150 00
54	Employer's account number / Numéro de compte de l'employeur	
10	Province of employment / Province d'emploi	
16	Employee's CPP contributions – line 308 / Cotisations de l'employé au RPC – ligne 308	
24	EI insurable earnings / Gains assurables d'AE	
12	Social insurance number / Numéro d'assurance sociale	123 456 789
28	Exempt – Exemption: CPP/QPP (RPC/RRQ) X, EI (AE), PPIP (RPAP)	X
29	Employment code / Code d'emploi	
17	Employee's QPP contributions – line 308 / Cotisations de l'employé au RRQ – ligne 308	
26	CPP/QPP pensionable earnings / Gains ouvrant droit à pension – RPC/RRQ	0 00
18	Employee's EI premiums – line 312 / Cotisations de l'employé à l'AE – ligne 312	67 68
44	Union dues – line 212 / Cotisations syndicales – ligne 212	
20	RPP contributions – line 207 / Cotisations à un RPA – ligne 207	
46	Charitable donations – line 349 / Dons de bienfaisance – ligne 349	
52	Pension adjustment – line 206 / Facteur d'équivalence – ligne 206	
50	RPP or DPSP registration number / N° d'agrément d'un RPA ou d'un RPDB	
55	Employee's PPIP premiums – see over / Cotisations de l'employé au RPAP – voir au verso	
56	PPIP insurable earnings / Gains assurables du RPAP	

Employee's name and address – Nom et adresse de l'employé

Last name (in capital letters) – Nom de famille (en lettres moulées): CASEY
First name – Prénom: Catherine
Initial – Initiale:

123 Main Street
City, Province X0X 0X0

Other information (see over) / Autres renseignements (voir au verso)

Box – Case	Amount – Montant	Box – Case	Amount – Montant	Box – Case	Amount – Montant

T4 (13)

T4 — Statement of Remuneration Paid / État de la rémunération payée (Form 2)

Employer's name – Nom de l'employeur: MARIO'S PIZZERIA

Canada Revenue Agency / Agence du revenu du Canada

Year / Année: 2016

Protected B when completed / Protégé B une fois rempli

Box	Field	Amount
14	Employment income – line 101 / Revenus d'emploi – ligne 101	2,600 00
22	Income tax deducted – line 437 / Impôt sur le revenu retenu – ligne 437	101 00
54	Employer's account number / Numéro de compte de l'employeur	
10	Province of employment / Province d'emploi	
16	Employee's CPP contributions – line 308 / Cotisations de l'employé au RPC – ligne 308	
24	EI insurable earnings / Gains assurables d'AE	
12	Social insurance number / Numéro d'assurance sociale	123 456 789
28	Exempt – Exemption: CPP/QPP (RPC/RRQ) X, EI (AE), PPIP (RPAP)	X
29	Employment code / Code d'emploi	
17	Employee's QPP contributions – line 308 / Cotisations de l'employé au RRQ – ligne 308	
26	CPP/QPP pensionable earnings / Gains ouvrant droit à pension – RPC/RRQ	0 00
18	Employee's EI premiums – line 312 / Cotisations de l'employé à l'AE – ligne 312	48 88
44	Union dues – line 212 / Cotisations syndicales – ligne 212	
20	RPP contributions – line 207 / Cotisations à un RPA – ligne 207	
46	Charitable donations – line 349 / Dons de bienfaisance – ligne 349	
52	Pension adjustment – line 206 / Facteur d'équivalence – ligne 206	
50	RPP or DPSP registration number / N° d'agrément d'un RPA ou d'un RPDB	
55	Employee's PPIP premiums – see over / Cotisations de l'employé au RPAP – voir au verso	
56	PPIP insurable earnings / Gains assurables du RPAP	

Employee's name and address – Nom et adresse de l'employé

Last name (in capital letters) – Nom de famille (en lettres moulées): CASEY
First name – Prénom: Catherine
Initial – Initiale:

123 Main Street
City, Province X0X 0X0

Other information (see over) / Autres renseignements (voir au verso)

Box – Case	Amount – Montant	Box – Case	Amount – Montant	Box – Case	Amount – Montant

T4 (13)

Refund? _____

How much?

_____

Exercise 2 – Post-secondary student

- Sue Brown was born on August 2, 1997.
- She is a full-time journalism student at Town University.
- Sue received a scholarship and qualifies for the scholarship exemption.
- During the summer, Sue worked at Streamers.
- Sue's information slips are shown below.

To complete this return, you need:

- T1 General, Income Tax and Benefit Return
- Schedule 1, Federal Tax
- Schedule 11, Tuition, Education, and Textbook Amounts

Field	Value
Employer's name – Nom de l'employeur	STREAMERS
Year / Année	2017
T4 – Statement of Remuneration Paid / État de la rémunération payée	
14 Employment income – line 101 / Revenus d'emploi – ligne 101	12,300 00
22 Income tax deducted – line 437 / Impôt sur le revenu retenu – ligne 437	1,995 00
54 Employer's account number / Numéro de compte de l'employeur	
10 Province of employment / Province d'emploi	
16 Employee's CPP contributions – line 308 / Cotisations de l'employé au RPC – ligne 308	435 60
24 EI insurable earnings / Gains assurables d'AE	
12 Social insurance number / Numéro d'assurance sociale	123 456 789
28 Exempt – Exemption CPP/QPP EI PPIP / RPC/RRQ AE RPAP	
29 Employment code / Code d'emploi	
17 Employee's QPP contributions – line 308 / Cotisations de l'employé au RRQ – ligne 308	
26 CPP/QPP pensionable earnings / Gains ouvrant droit à pension – RPC/RRQ	12,300 00
18 Employee's EI premiums – line 312 / Cotisations de l'employé à l'AE – ligne 312	231 24
44 Union dues – line 212 / Cotisations syndicales – ligne 212	
20 RPP contributions – line 207 / Cotisations à un RPA – ligne 207	
46 Charitable donations – line 349 / Dons de bienfaisance – ligne 349	
52 Pension adjustment – line 206 / Facteur d'équivalence – ligne 206	
50 RPP or DPSP registration number / N° d'agrément d'un RPA ou d'un RPDB	
55 Employee's PPIP premiums – see over / Cotisations de l'employé au RPAP – voir au verso	
56 PPIP insurable earnings / Gains assurables du RPAP	

Employee's name and address – Nom et adresse de l'employé

Last name (in capital letters) – Nom de famille (en lettres moulées) First name – Prénom Initial – Initiale

BROWN   Sue

123 Main Street
City, Province X0X 0X0

Other information (see over) / Autres renseignements (voir au verso)

Box – Case	Amount – Montant	Box – Case	Amount – Montant	Box – Case	Amount – Montant

T4 (13)

T4A — Statement of Pension, Retirement, Annuity, and Other Income

Payer's name – Nom du payeur

Town University

Canada Revenue Agency / Agence du revenu du Canada

Year / Année **2017**

T4A
Statement of Pension, Retirement, Annuity, and Other Income
État du revenu de pension, de retraite, de rente ou d'autres sources

061 — Payer's account number / Numéro de compte du payeur

012 Social insurance number / Numéro d'assurance sociale	013 Recipient's account number / Numéro de compte du bénéficiaire
123 456 789	

Pension or superannuation – line 115 / Prestations de retraite ou autres pensions – ligne 115

016

Income tax deducted – line 437 / Impôt sur le revenu retenu – ligne 437

022

Lump-sum payments – line 130 / Paiements forfaitaires – ligne 130

018

Self-employed commissions / Commissions d'un travail indépendant

020

Recipient's name and address – Nom et adresse du bénéficiaire

Last name (print) – Nom de famille (en lettres moulées) — First name – Prénom — Initials – Initiales

Brown	Sue

123 Main Street
City, Province X0X 0X0

Annuities / Rentes

024

Fees for services / Honoraires ou autres sommes pour services rendus

048

Other information (see page 2)
Autres renseignements (voir à la page 2)

Box – Case	Amount – Montant	Box – Case	Amount – Montant

Box – Case	Amount – Montant	Box – Case	Amount – Montant	Box – Case	Amount – Montant	Box – Case	Amount – Montant
105	3,500 00						

T4A (17) Protected B when completed / Protégé B une fois rempli

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Agence du revenu du Canada / Canada Revenue Agency

Tuition and Enrolment Certificate

Protected B when completed

For designated individual **2**

- Issue this certificate to a student who was enrolled during the calendar year in a qualifying educational program or a specified educational program at a post-secondary institution, such as a college or university, or at an institution certified by Employment and Social Development Canada (ESDC).
- Tuition fees paid in respect of the calendar year to any one institution have to be more than $100. Fees paid to an institution certified by ESDC have to be for courses taken to get or improve skills in an occupation, and the student has to be 16 years of age or older before the end of the year.
- Students calculate their provincial or territorial education amounts (if applicable) based on the number of months indicated in Box B or C below.

Name of program or course					Student number
Journalism					12-345

Name and address of student

Brown, Sue
123 Main Street
City, Province X0X 0X0

Session periods, part-time and full-time				A — Eligible tuition fees, part-time and full-time sessions	Number of months for:	
From		To			B Part-time	C Full-time
Y	M	Y	M			
2017	01	2017	04	3,350.00		4
2017	09	2017	12	3,350.00		4
		Totals		6,700.00		8

Name and address of educational institution

Town University

Information for students: See the back of slip 1. If you want to transfer all or part of your tuition amount, complete the back of slip 2.

T2202A E (17)

Refund? _____

How much?

_____