



Are You Missing Something?

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Do you have a nagging feeling when you drop your paperwork at the tax preparer's office? The feeling that there must be more to know is pervasive. I do not know how many times I have heard these comments from clients over the past 20 years in my practice:

"Why haven't I been asked these questions before?"

"Why isn't this information available for taxpayers?"

"How come I don't know about this?"

In Canada we have a self-assessing tax system. It is the taxpayer's responsibility to claim their income, expenses and credits. Canada Revenue Agency (CRA) has a website, where they are attempting to make information user friendly. I know just how hard that is to do. If you don't know what to search for, what words would be used to describe it, or what to look for, it is extremely difficult to know where to start. Most of the information you need is on the website, other than the Income Tax Act, which is on the Minister of Finance's website. The language can be difficult to understand but not impossible, if you have a good grasp of English or French. There are guides, forms, interpretation bulletins and fact sheets that discuss various aspects of personal tax credits—far too numerous to list here. There is no one comprehensive guide to personal tax credits.

Why are Tax Credits so Personal?

We calculate our taxable income and how much tax we will pay on that income before tax credits. Then we add up our tax credits, take a percentage (16% federally and various % provincially) and deduct it from the tax. Personal tax credits can significantly reduce the amount of tax you pay.

Personal tax credits are just that, extremely personal. Age, marital status, health, relationships, education, medical and charitable donations are disclosed for you and your family members on your tax returns.

There are 19 personal tax credits. Some credits like the disability and medical expenses credits have sub-categories. There are 8 types of disabilities and well over 60 different medical expenses.

Where do you find Personal Tax Credits?

Pull out last year's tax return for you and all of your dependent relatives—with their permission, of course. If they did not file returns, you might want to initiate the filing of returns to claim various tax credits. Why? They could receive money for the tax-free GST credit, provincial credits, medical expense supplement (this one might surprise you), child tax benefit, disability child benefit or record income to increase their RRSP limit even though no tax is payable. Certain unused personal credits might transfer to other relatives, if the person entitled to the credit files a return to claim the credit first. Age, pension, disability, tuition and education are transferable credits.

The personal tax credits are listed on Schedule 1 of your income tax return between lines 300 and 350. Everyone is entitled to the basic personal credit. Other credits have criteria you must meet to qualify to claim them. Support must be proven with documentation that details payment for basic essentials like food, shelter or medical expenses, in order to claim a transfer for some credits.

The best and simplest place to look for an explanation of the personal tax credits is a combination of two places. One is the *General Tax Guide* which refers to the credits by line number. The *Guide* provides a verbal description. If you want to know how they are calculated, the best place is the form TD1 and the TD1 worksheet that every employee is required to complete when they work for a pay cheque. You can access this form on the CRA website or ask CRA to mail you a copy.

If you are entitled to claim tax credits, you are also entitled to have less tax taken off at source during the year. There are two ways to request more pay every month. Form TD1 is a list of the basic credits that you can claim without CRA approval. Form T1213 can be utilized to request that your employer take less tax at source for other credits. Form T1213 requires CRA pre-approval before your employer can pay you instead of CRA every month.

Where do you find the Income Tax Act?

You can pay a publisher like Carswell or CCH over \$100 per edition and these editions come out several times a year or you can view it for free on the Minister of Finance's website. There are no guarantees that the Minister of Finance's website is current. You might also have to check out the budget documentation and subsequent draft legislation in order to ascertain whether or not what you want to claim is eligible. Can you actually read the Act and understand it? Yes. I recommend you try reading it out loud. I've been telling the students that I tutor in tax to do this for years.

Looking for more details? Here are additional reference materials for more in-depth coverage:

* Canada Revenue Agency's (CRA) website is <http://www.cra-arc.gc.ca/>

* General Tax Guide G5000-G
<http://www.cra-arc.gc.ca/E/pub/tg/5000-g/README.html>

* Forms TD1 and TD1 Worksheets (federal and provincial)
<http://www.cra-arc.gc.ca/formspubs/forms/td1/2005/menu-e.html>

* Form T1213 Request to Reduce Tax Deductions at Source for Year(s)...
<http://www.cra-arc.gc.ca/E/pbg/tf/t1213/README.html>

Or, for the ultimate learning experience, sign up for the *Canadian MoneySaver* cruise next March to learn all about these credits!

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