

LET'S TALK TAXES

DOMESTIC STUDENTS

HOW DO TAXES WORK?

Taxes are deducted from each of your pay-cheques and remitted to the government on your behalf. You complete a tax return annually to determine if you owe the government more money, or if they owe you a refund.

YOUR PAYCHEQUE

Gross Pay \$1000

GOVERNMENT DEDUCTIONS

- 1. Income Tax: \$100
- 2. Canadian Pension Plan: \$30
- 3. Employment Insurance: \$20

Total Deductions: \$150

Net Pay: \$850

You get: \$850

Government gets: \$150

DID YOU KNOW?

You need to keep all of your tax-related documents for six years, in case you get audited.

The government doesn't know exactly how much you owe in taxes until you complete your tax return.



If the government took too much money off your pay cheques throughout the year, you get a tax refund.



If the government did not take enough money from your pay cheques throughout the year, you owe more money.



Students without income are eligible for various tax credits in order to receive these credits you must file a tax return.

HOW DOES THE GOVERNMENT KNOW HOW MUCH I OWE THEM OR THEY OWE ME?

Example: Harry is a full-time student. In 2020, he earned \$8000 of employment income and \$10000 of interest income. What is Harry's tax refund if \$500 in income tax was taken from his pay cheques?

TAX CALCULATION

Step 1.
Add up all income
 $\$8000 + \$1000 = \$9000$

Step 2.
Tax Deductions
If Harry claimed deductions, the amounts he pays tax on would be reduced
• Basic Personal Amount
 $\$11,474$
Harry earned less than this, so he doesn't pay tax.

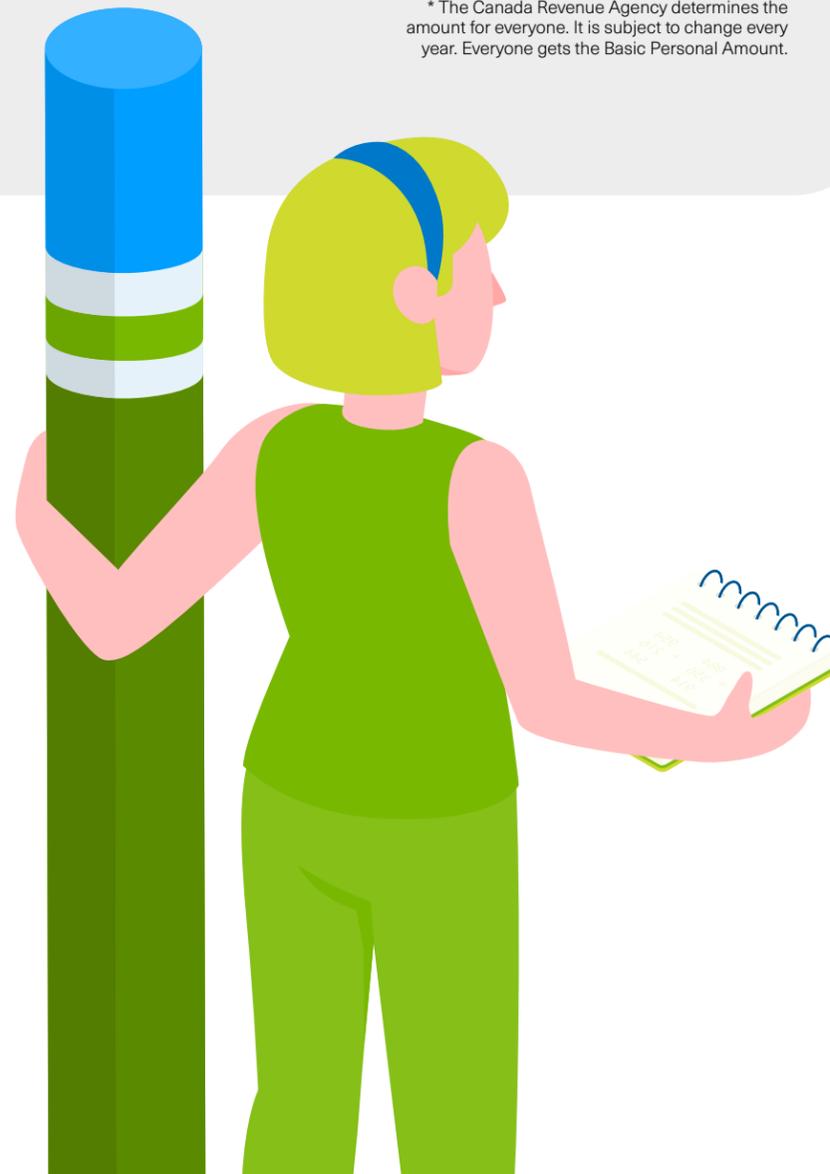
Step 3.
Taxable Income = (Income - Deductions)
Taxable income cannot fall below \$0
 $\$9000 - \$11,474 = \$0$

Step 4.
Calculate Taxes Owed
Since taxable income is \$0, Harry does not owe any taxes.
 $\$0$

Step 5.
Tax Refund
Harry will receive an income tax return of \$500 from the government because he does not owe any tax.
 $\$500$

Since Harry doesn't owe Tax, he will get his \$500 in income tax, refunded from the government. #HappyHarry

* The Canada Revenue Agency determines the amount for everyone. It is subject to change every year. Everyone gets the Basic Personal Amount.



HOW CAN IGNITE HELP? IGNITE TAX CLINIC

IGNITE Virtual Tax Clinic
March 22 - April 30

Trained student volunteers will help prepare your tax return.

Book your appointment at:
igniteStudentLife.com/tax-clinic

EDUCATION CREDITS AND TAXES

You receive a T2202A from your educational institution. Your T2202A contains all of the information you need to claim education credits on your tax return.

Education credits will reduce the amount of income tax you owe. If you do not owe income tax, your education credits will be carried forward and applied to a year when you do owe tax.

The only way to carry forward education credits is by filing a tax return every year.

You can also transfer education credits to your:

- Spouse or common law partner
- Parent or grandparent
- Spouse or common law partner's parent or grandparent

To transfer education credits you must complete the Transfer section at the bottom of your T2202A and whoever is receiving your education credits will report it on their return.

HOW DO I GET MY T2202A COVID-19 BENEFITS AND SERVICES?

If you received the Canada Emergency Response Benefit (CERB) or the Canada Emergency Student Benefit (CESB), these payments are included as income and are taxable.

For more information on these benefits, [click here!](#)



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