Teaching Taxes
SimpleTax Companion Guide

2017
About this guide

Teaching Taxes is an educator-led unit which introduces high school and post-secondary students to Canada’s tax system and teaches them how to prepare a simple income tax and benefit return.

This companion guide is designed for educators who want to introduce students to tax preparation software and the online tax filing process through the use of SimpleTax, a NETFILE Certified software product.

More information about the Teaching Taxes program can be found on the CRA’s website.
About SimpleTax

SimpleTax is (in our own humble opinion) the best tax software in Canada. It was designed and built by three people in beautiful Vancouver, BC. Today, we’re a team of seven who love helping Canadians file their taxes!

We’re strong supporters of tax education and educators like you. We believe Canadians should not only be able to do their own taxes, but understand them.

Educators who incorporate SimpleTax into Teaching Taxes provide students with hands-on experience using tax preparation software. In addition, SimpleTax:

- runs in a web browser, so no installation is required;
- updates your tax refund amount in real-time, so students can quickly and easily see how each amount they enter impacts their tax return;
- allows students to see the completed paper form equivalents as they go;
- is free of charge, so no license is required to use the program.

SimpleTax can be used in place of, or in addition to, the paper forms required to complete the Teaching Taxes student exercises.

More information can be found on our website, https://simpletax.ca.

Requirements

SimpleTax runs in a web browser, so it is compatible with PC, Mac, Linux, and most tablets (provided they have at least 1GB of memory). There is no software to download or install. We recommend using the latest release of your preferred web browser.

The following browsers are supported:

- Google Chrome
- Mozilla Firefox
- Apple Safari 9+
- Microsoft Edge
- Microsoft Internet Explorer 11+
Filing your taxes online

Filing your taxes online is simple and similar to filing on paper. Instead of using a paper tax package, you use tax software. Instead of going to the post office and mailing your return, your tax data is transmitted securely over the internet.

Tax software

First, you need to pick which tax software you’re going to use. The CRA does not build tax software; instead, they work with independent software developers like SimpleTax.

The CRA sets out the guidelines and requirements for tax software. It’s up to each developer to build a product that meets these requirements. This is why there are a variety of software products available, giving Canadians a choice of which product to use. Software that’s been certified for use by the 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 remain the same when using tax software. Rather than calculating the values for each line by hand, tax software takes care of these calculations for you. It’s then the responsibility of the software to create a digital tax return in a format that the CRA will accept. Tax software will also prepare a copy of your return using the paper forms for your records.

Submitting your return online

Once you’ve finished your return, you need to submit it to the CRA using NETFILE. Tax software takes care of this step for you. When you’ve successfully submitted your return, you’ll receive a CRA confirmation number.
When you file your return online, you do not need to send the CRA a copy of your supporting documents; instead, it’s your responsibility to keep your receipts and information slips for six years. After the CRA has processed your return, they may contact you and request copies of these documents.

**Advantages of filing online**

There are a number of advantages to filing online. Compared to paper, filing online:

- saves paper;
- takes less time to prepare;
- reduces the potential for typos and calculation errors;
- is the fastest way to get your full tax refund.

While paper tax packages are still available online and at the post office, the CRA strongly encourages people to file their taxes online.

**Using SimpleTax**

SimpleTax is very easy to use. While the software is designed to be used without an instruction manual, there are a few key concepts you may want to familiarize yourself with before introducing SimpleTax to students.

**Key concepts**

**Everything is on one page**

Everything is on one page with information divided into five main sections. Simply scroll up or down to navigate between sections or quickly jump between sections using the left side navigation bar.

**Accounts and returns**

You don’t need an account to use SimpleTax, however creating an account will allow you to save your work, as well as carry forward your information to next year’s return!
For the purposes of Teaching Taxes, we recommend each student create one account (using their own email address) and set up a return for each exercise. Students can quickly switch between returns using the dropdown menu in the top navigation bar.

**About You**

Enter your personal information (name, address, province of residence, marital status, etc.) in the About You section.

**Your Taxes (Search)**

This is where the magic happens. Add income, credits and deductions to your return using the search box. For example, to add a T4 to your return, search for “T4” or “employment income”. The search box is intuitive and flexible and uses keywords to help you find what you’re looking for.

In 2017 we have added an optional interview process, click the Answer a few questions button to kick off the interview. Walking through the interview could give students an idea of the myriad of tax credits that are available.

**Review**

Use the Check & Optimize button in the Review section to check for errors. SimpleTax may also suggest certain credits depending on the tax situation. You must fix any errors to complete your return; warnings are optional.

When the return is error-free, you will see “Your tax return is ready”.

**Summary**

There are two parts to the Summary section. Amounts is a line-by-line breakdown of your tax return. Documents is where you will find the completed “paper” forms. We recommend students check their work using the Documents section.

**Submit**

The Submit section is used to send your completed tax return to the CRA. Since these exercises involve fictional taxpayers, you won’t be able to submit through NETFILE (students may try, they will just see a NETFILE transmission error).
You will find a Save PDF button in the Submit section. Students can use this button to save a copy of the complete exercises.

Help

Help can be found throughout the app by clicking on the blue question mark icons. You can also refer to our help page, found by clicking on the “Help” link in the upper-right corner.

Completing the exercises using SimpleTax

To begin, open your web browser and navigate to https://simpletax.ca.

- If you don’t have an account, click on “Sign up”.
- If you already have an account, click on “Log in”.
- For each exercise, you will need to complete the basic personal information in the “About You” section.
  - Answer “No” to the question “Did you own foreign property with a total cost of more than $100,000 in 2017?”
- For each exercise (except Exercise 1(QC)), choose a province of residence other than Quebec. We recommend doing Exercise 1(QC) in all provinces as teaching opportunity.
- This emoji (⚠️) appears whenever we think there’s a great “teaching taxes” opportunity related to the exercise.

NOTE: The SINs provided by the CRA (123 456 789 and 987 654 321) will not validate in SimpleTax. Instead, use: 100 000 009 and 100 000 017.
Exercise 1 – High school student

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 from Mario’s Pizzeria.
- Discuss payroll deductions like income tax, EI premiums, and CPP premiums. Catherine is paying into EI—but not CPP—because she is still under 18.

NOTE: Box 10 of the T4s must be filled out (even though this is not indicated on the slip). Students can use any province or territory, except Quebec.

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.
- Tips and occasional earnings (like babysitting income) are taxable even if you don’t receive tax slips.

Note that Catherine has an EI overpayment calculated on form T2204 and will receive those premiums back with her tax refund.
Exercise 1 (QC) – High school student (Quebec)

Follow the instructions in Exercise 1, except:

- Indicate that the province of residence is Quebec.
- Answer “Yes, by another person’s plan” to the question “Did you have basic prescription drug insurance through a group insurance plan throughout 2017?” in the About You section.
- Both T4s should have a province of employment (Box 10) of QC. Students will be prompted to add the details for an accompanying RL-1. For each RL-1, enter:
  - the amount from Box 14 of the corresponding T4 into Box A, and
  - $0 in Box E.
- 🍁 Quebec has a distinct provincial taxation system. Unlike the other provinces and territories, their tax system isn’t administered by the CRA. This is why Quebec residents need to submit a federal return to the CRA and a provincial return to Revenu Québec.
Exercise 2 - Post secondary student

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?
Exercise 3 – Employed individual with spouse

You and Your Family:
- Indicate that Trevor is “Married” (“Marital status on December 31, 2017”).
  - Answer “No” to the question “Do you want prepare your returns together?”
- Enter Ivana’s information, including her income and birthday (1991-02-01) in the Your Partner section.
  - Indicate Ivana was self-employed.
  - Since Ivana was self-employed, both of their filing deadlines are extended to June 15 (but any tax balance is still due by April 30).
- You must include things like marital status and your partner’s income on your return. Your eligibility for many tax credits (like the GST/HST Credit and the Canada Child Benefit) depend on your net family income.

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

RRSP deduction:
- Add the RRSP Contribution & Deduction section by searching for “RRSP”.
- Answer “Yes” to the question “Did you make any RRSP contributions or have any transfers?”
- Indicate that Trevor’s “Deduction limit” is $15,000.
- Add the contributions Trevor made to his RRSP. It doesn’t matter whether the contributions were from March 1 – December 31 or January 1 – March 1.
- The difference between an RRSP and TFSA. How does an RRSP deduction impact your tax return?
- The RRSP deadline contribution deadline for a tax year (e.g., 2017) is 60 days after end of tax year (e.g., March 1, 2018). Why might this be? Hint.

Interest income:
- Add the Other Investment Income section by searching for “interest”.
- Enter the interest amount in the Other Investment Income table.
- You are required to report interest income on your tax return even if you don’t receive a tax slip.
Exercise 4 – Single-parent

You and Your Family:
- Indicate that Karen is “Single”, “Separated”, or “Divorced”.
- Answer “Yes” to the question “Do you have any dependants?” This will add the Your Dependents section.

Your Dependents:
- Navigate to the Your Dependents section.
- Enter Annie’s information:
  - Answer “No” to the question “Did this dependant have an infirmity or disability”.
  - Answer “Yes” to the question “Is this dependant your eligible dependant?”
  - Answer “Yes” to the question “Did you have child care expenses for this child?”
  - Enter the child care expenses in the table.
- There are many tax credits and deductions available for people with children. This will depend on your province of residence. More advanced: why are childcare expenses a deduction rather than a credit?

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

T5007 (Statement of Benefits):
- Add the Statement of Benefits through the search box (hint: search for T5007).
- Transcribe the information from the T5007.
Exercise 5 – Indigenous person

About You:
- Answer “Yes” to the question “Are you a person registered under the Indian Act?”
  - This will add the Person Registered Under the Indian Act section to your return. You don’t need to fill out this section.

T4 slips:
- Add the Employment Income — T4 section through the search box.
- Transcribe the information from the T4 from Big Isle. Add box 71 under the heading “Other boxes on your T4”.
- Add a second T4 by clicking “Add another T4”.
- Transcribe the information from the T4 from Action Youth Centre.

Discuss income that is exempt (and not) under the Indian Act. There is a lot if misunderstanding about this.
Additional resources

While beyond the scope of Teaching Taxes, our blog provides additional educational content that may be of interest to you or your students:

- Our blog: [https://simpletax.ca/blog](https://simpletax.ca/blog)
- Filing a Tax Return for the First Time?
- Canadian Tax Return Checklist
- 4 Tax Tips for Students & Recent Graduates
- 4 More Tax Tips for Students & Recent Graduates
- Changing Your Tax Return After It’s Been Filed

Get in touch

If you found this companion guide helpful, or if there is something we can do to improve this guide, we’d love to hear from you. We love meeting new people!

- Email: hello@simpletax.ca
- Facebook: [https://facebook.com/simpletaxca](https://facebook.com/simpletaxca)
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