



Learning about
Taxes With
Intuit ProFile
2018/19

Chapter 5: Advanced T1 Work

Learning Objectives

At this chapter's conclusion, students will understand:

- How to prepare a T1 when there are dependents
- How ProFile optimizes a T1
- How to prepare T1 for the self-employed

Additional Resources

This document provides numerous resources to accounting professionals. Refer to these sites to explore additional tutorials and training opportunities:

<http://accountant.intuit.ca/professional-accounting/index.jsp>

<http://profile.intuit.ca/professional-tax-software/index.jsp>

<http://profile.intuit.ca/professional-tax-software/training.jsp>

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Introduction

Intuit ProFile Tax software is reliable and easy-to-use, and it offers sophisticated features that help tax preparers experience a more productive tax season. The following paragraphs summarize the key components of Intuit ProFile Professional Tax software

ProFile T1 imports and converts data created by competing software products. Whether you carry files forward individually or in batches, you will find the process quick and convenient. Using ProFile's WYSIWYG (what you see is what you get) forms, you can view and edit federal T1 and Québec TP1 forms in either French or English. You can also print all tax forms in either language at the click of a button.

ProFile T2 is designed for professional preparation of corporate tax returns in all provinces and territories. ProFile T2 includes:

- Federal T2 returns, including T2 RSI (for 2006-2009 and earlier) and Corporation Internet Filing
- Provincial corporate tax returns for Alberta (including AT1 RSI), for Ontario returns with taxation years ending prior to January 1, 2009 (including CT23 disk filing) and for Quebec (CO-17).
- Provincial capital tax returns for Manitoba, Saskatchewan and British Columbia

ProFile T3 prepares Trust income tax returns and supporting schedules, including T3 and T5 slips that the trust receives. Simply enter slip information on intuitive income-reporting screens and ProFile T3 automatically transfers the amounts to the appropriate forms. ProFile T3 also integrates business and rental income statements. In addition to T3 slips, the software allows you to prepare NR4 slips for non-resident taxpayers (including the NR4 summary).

ProFile FX (Forms Expert) gives you more than 80 of the most commonly-used CRA forms which supplement the form-sets in Intuit's other tax applications. Here are a few highlights of ProFile FX:

- Customizable options help you complete and file the forms you need.
- Automatic form selection facilitates form printing.
- Audit and review features help pinpoint potential errors
- Forms flexibility lets you print facsimile forms on plain paper or directly onto pre-printed CRA forms. ProFile FX also prepares magnetic media files for T4, T4A, T5, T5018 and NR4 slips, as well as for the RL1, RL2, RL3 and RL4.
- Import identification from an existing ProFile T1 or T2 data file minimizes potential data entry errors.

Benefits of Using ProFile

ProFile is powerful, efficient and secure tax software that helps you get your work done fast and efficiently. Here's how you benefit by using Profile:

- With phone, email or in-product live chat support, you have year-round access to knowledgeable Canadian technical experts
- With its comprehensive set of forms and schedules, ProFile lets you handle just about every tax scenario in any jurisdiction, including Québec
- With a built-in auditor that runs up to 2,800 diagnostic checks of your tax returns, ProFile has your back
- Flexible Licensing means you can install ProFile on more than one personal computer without having to pay additional licensing fees
- Work with QuickBooks? So does ProFile! There's no need for manual data entry because you can now export data from QuickBooks directly into ProFile

Plus, with ProFile you enjoy a consistent level of advanced features that include:

- Customizable client correspondence
- Database queries and reporting
- Online tools to quickly and easily stay in touch with your clients

Chapter 5: Advanced T1 Work

DEPENDANTS AND DEDUCTIONS

Now that you have learned the basics, let's explore T1 preparation at a more advanced level.

Building on the previous example, assume that a married couple, Jane and Javier Cosan, submit additional forms.

- These forms include the following RSP slip

TD

TD Waterhouse Canada Inc.
77 Bloor St. W.
P.O. Box 5999, Station F
Toronto, ON M4Y 2T1

REGISTERED RETIREMENT SAVINGS PLAN

ATTACH TO FEDERAL INCOME TAX RETURN

DATE	ACCOUNT NUMBER	DURING THE FIRST 60 DAYS OF THE YEAR	DURING THE REMAINDER OF THE YEAR	CONTRIBUTOR'S NAME
Feb 28, 2018		8000.00		Jane Cosan

Jane Cosan
12 Main St
Anytown, ON
M4A 1A2

ANNUITANT'S SOCIAL INSURANCE NUMBER	CONTRIBUTOR'S SOCIAL INSURANCE NUMBER
444-444-442	444-444-442

Contribution was in whole or in part, in kind

Official tax receipt

Registered under the income tax act (CANADA) and subject thereto.

The Canada Trust Company
La société Canada Trust

(Authorized Signature / Signature d'un représentant autorisé)

- And a schedule of Medical Expense

Medical Expenses January - December 2017					
Date	Name	Provider	Memo/Description	Amount	Balance
01/24/2017	Jane	Clear Sight Eyes	Eyeglasses	1,478.50	1,478.50
2/17/2017	Javier	Barclay & Assoc	Physiotherapy	170.00	1,648.50
04/21/2017	Javier	Clear Sight Eyes	Eyeglasses & Contacts	1,199.99	2,848.49
11/29/2017	Jane	Barclay & Assoc	Physiotherapy	370.00	3,218.49
				\$ 3,218.49	

- Further assume that Jane submitted to you the following T4 and tuition slip for her daughter, Maria, who is a full-time student at Concordia University

Canada Revenue Agency / Agence de revenu du Canada

Tuition, Education, and Textbook Amounts Certificate
Certificat pour frais de scolarité, montant relatif aux études et montant pour manuels

Protected B / Protégé B
when completed / une fois rempli

T2202A (16)
For student / Pour étudiant

• 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).
 • Délivrez ce certificat à un étudiant qui était inscrit, au cours de l'année civile, à un programme de formation admissible ou à un programme de formation désigné dans un établissement postsecondaire, comme un collège ou une université, ou dans un établissement reconnu par Emploi et Développement social Canada (EDSC).

• Tuition fees paid in respect of the calendar year to any one institution have to be more than \$100. Fees paid to a post-secondary institution have to be for courses taken at the post-secondary level. 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.
 • Les frais de scolarité payés à un établissement quelconque pour une année civile doivent dépasser 100 \$. Les frais payés à un établissement postsecondaire doivent viser des cours de niveau postsecondaire. Les frais payés à un établissement reconnu par ESDC doivent viser des cours suivis en vue d'acquies ou d'améliorer des compétences professionnelles, et l'étudiant doit avoir 16 ans ou plus avant la fin de l'année.

• Do not enter the cost of textbooks on this form. Students calculate the education and textbook amounts based on the number of months indicated in Box B or C below.
 • N'inscrivez pas le coût des manuels sur ce formulaire. L'étudiant calcule les montants relatifs aux études et pour manuels d'après le nombre de mois indiqué dans les cases B ou C ci-dessous.

Name of program or course - Nom du programme ou du cours Fine Arts					Student number - Numéro d'étudiant 323122	
Name and address of student - Nom et adresse de l'étudiant Maria 12 Main St Anytown ON M4A 1A2 CAN						
Name and address of educational institution - Nom et adresse de l'établissement d'enseignement Concordia University 1455 De Maisonneuve Blvd W Montreal QC H3G 1M8						

Information for students: See the back of slip 1. If you want to transfer all or part of your tuition, education, and textbook amounts, complete the back of slip 2.
Renseignements pour les étudiants: Lisez le verso du feuillet 1. Si vous désirez transférer une partie ou la totalité de vos frais de scolarité et de vos montants relatifs aux études et pour manuels, remplissez le verso du feuillet 2.

Canada Revenue Agency / Agence du revenu du Canada

T4
Statement of Remuneration Paid / État de la rémunération payée

Year / Année: 2017

Employer's name - Nom de l'employeur: Hi-Test Resources

Employment income - line 101 / Revenu d'emploi - ligne 101: 11,921.00

Income tax deducted - line 437 / Impôt sur le revenu retenu - ligne 437: 775.65

Employee's CPP contributions - line 308 / Cotisations de l'employé au RPC - ligne 308: 416.84

EI insurable earnings / Gains assurables d'AE: 11,921.00

Province of employment / Province d'emploi: ON

Employee's QPP contributions - line 308 / Cotisations de l'employé au RRC - ligne 308: 194.31

Employee's EI premiums - line 312 / Cotisations de l'employé à l'AE - ligne 312: 194.31

Employee's name and address - Nom et adresse de l'employé: Cosan Maria, 12 Main St, Anytown ON CAN, M4A 1L1

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

Recording RRSP contributions

- With Jane and Javier's tax return open, press F4, enter *RSP* in the *Search* field, and Profile will open the *RRSP/PRPP deduction* form

2017 T1/TP1: Cosan, Jane - RRSP/PRPP deduction

RRSP/PRPP

RRSP/PRPP deduction

RRSP contributions

Verify unused amount from Box B Notice of Assessment or enter it as 'Prior to 2017':

Description	Contribution period	Contributions made to Own RRSPs	Spousal RRSPs
TDW	March 1 to December 31, 2017	8,000.00	0.00
	March 1 to December 31, 2017	0.00	0.00
Subtotal		8,000.00	0.00

PRPP Contributions

Description	Contribution period	Employee Contributions Made to Own PRPP
	January 1, 2017 to December 31, 2017	0.00
Subtotal		0.00

PRPP employer contributions: January 1, 2017 to December 31, 2017 (amount from your PRPP contribution receipts) - report on line 205: 0.00

Total RRSP/PRPP contributions

	Contributions made to Own RRSP/PRPP	Spousal RRSPs
RRSP contributions	8,000.00	0.00
PRPP contributions	0.00	0.00
Subtotal		8,000.00
Less: Designated Home Buyers' Plan (HBP) repayment	0.00	0.00
Designated Lifelong Learning Plan (LLP) repayment	0.00	0.00
Non-deductible contributions due to HBP or LLP withdrawal	0.00	0.00
Refund of undeducted contributions included above	0.00	0.00
Total RRSP/PRPP contributions	8,000.00	0.00

- When entering RRSP contributions on this form, scroll down to enter or confirm the taxpayer's deduction limit (which you will find on CRA's Notice of Assessment). Note that ProFile will not allow an RRSP deduction until you fill in this field.

2017 T1/TP1: Cosan, Jane - RRSP/PRPP deduction

1. Info | 2. T1013 | 3. T1 | 4. S4 | 5. T4 | 6. T183 | RRSP/PRPP | 7. T5 | 8. Donations | 9. Slips

RRSP/PRPP deduction limit

Option 1: Enter limit from 2016 Notice of (Re)Assessment 18,523

Option 2: Calculate the limit

2016 earned income	102,911	X 18%	18,523
Lesser of A or \$26,010			18,523
Less: Pension adjustment from 2016 T4/T4A slips			0
2017 past service pension adjustment			0
Plus: 2017 pension adjustment reversal from T10 slip			0
Subtotal			18,523
Plus: Unused RRSP/PRPP deduction room from 2016			0
Subtotal			18,523

Less: Saskatchewan Pension Plan deduction 0

RRSP/PRPP deduction limit for 2017 18,523

RRSP/PRPP summary

2017 RRSP/PRPP deduction limit	18,523
Eligible income transferred to your RRSP/PRPP	0
Subtotal	18,523
RRSP/PRPP contributions to March 1, 2018	8,000
RRSP/PRPP deduction (lesser of lines B and C)	8,000
RRSP/PRPP contributions carried forward to 2018 (C - D)	0
SPP contributions carried forward	0

Repayments under the Home Buyers' Plan

Option 1: 2017 required repayment from 2016 Notice of (Re)Assessment 0.00

HBP Outstanding balance 0.00

Entering Medical Expenses

- To optimize a married couple's tax return, you will want to combine and claim medical expenses on only one of the spouse's returns. Assume, therefore, that you have decided to enter the medical expenses on Javier's T1
- On Javier's T1, press F4, enter *Med* in the *Search* field and ProFile will open the *Medical Expenses* form
- Enter the medical expenses as illustrated below

2017 T1/TP1: Cosan, Jane - Medical expenses

2. T1013 | 3. T1 | 4. S4 | 5. T4 | 6. T183 | RRSP/PRPP | 1. Medical | 7. T5 | 8. Donations | 9. Slips

Medical expenses

Optimize medical expenses? Yes No

Medical expenses - line 330

Period covered by claim: from 2017-01-01 to 2017-12-31

Payment date	Name of patient	Payment made to	Description of expense	* Subject to limitation?	Amount	Claim
2017-01-24	Jane Cosan	Clear Sight Eyes	Eyeglasses	No	1,478.50	1,478.50
2017-02-17	Javier Cosan	Barclay & Assoc	Physio	No	170.00	170.00
2017-04-21	Javier Cosan	Clear Sight Eyes	Eyeglasses	No	1,199.99	1,199.99
2017-11-29	Jane Cosan	Barclay & Assoc	Physio	No	370.00	370.00
yyyy-mm-dd				No	0.00	0.00
Medical expenses subtotal						3,218.49

Are you claiming medical expenses? No

	Taxpayer	Spouse
Premiums paid to private health service plans	0.00	0.00
Employee/Recipient-paid premiums for private health services plan	0.00	0.00
Québec prescription Drug Insurance Plan - 2016	0.00	0.00
Nova Scotia Seniors' Pharmacare Program	0.00	0.00
Total medical expenses - line 330		0.00

Allowable amount of medical expenses for other dependants - line 331

Name of other dependant	Net income
	0.00

Payment date	Payment made to	Description of expense	* Subject to limitation?	Amount	Claim
yyyy-mm-dd			No	0.00	0.00
Total medical expenses					0.00

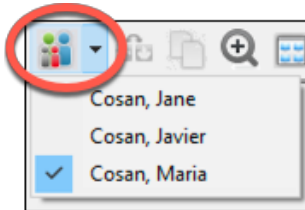
Are you claiming medical expenses for this dependant? No

Minor: 3% of line 236 of the return (maximum \$2,281)

Recording Dependant Information

- With all of the spouses' information entered in ProFile, the last step is to record the slip information for the Cosan's daughter, Maria. To do this, you will use a feature called Family Linking.

FAMILY LINKING



When you create a dependant's tax return, ProFile will link the return with that of the parents. You can tell *Family Linking* is enabled by the toolbar icon and dropdown menu that lets you toggle amongst the family's tax files.

- With the spousal return open, Press *F4* and enter *Dep* in *Form Explorer's Search* field
- Enter Maria's personal information on the *Dependant information* form

	Dependant #1	Dependant #2	Dependant #3
Social Insurance Number	555 555 556		
First name	Maria		
Last name	Cosan		
Relationship	Daughter	N/A	N/A
Birth date	1998-06-24		
Net income	0.00	0.00	0.00
Claim as eligible dependant?	No	No	No
Dependant claiming GST credit?	Yes	No	No
Dependant claiming PST credit (MB)?	No	No	No
Did you or your spouse or common-law partner receive child assistance payments from Retraite Québec for December 2017?	No	No	No
Did dependant live with you in 2017?	Yes	No	No
Street address	12 Main St		
P. O. Box, R.R.			
Apt No.			
City	Anytown		
Province	ON		
Postal code	M4A 1A2		
Province of residence on 2017/12/31	Ontario	NA	NA

- To create a T1 file for Maria, right-click on any field in the form and select *Return for Maria*

- ProFile will confirm that you want to create a tax file for Maria. Click *OK*

- From Maria's tax file, return to *Form Explorer* and enter Maria's T4 and T2202 (tuition) information

The top screenshot shows the 'T4 Slip' window for 'Statement of Remuneration Paid' for 'Cosan, Maria'. The table below represents the data shown in the screenshot:

Description	Box	Slip #1	Slip #2	Slip #3	Slip #4	Total
Province of employment	10	Ontario				
Employment income	14	11,921.00	0.00	0.00	0.00	11,921.00
Employee's contributions	16	416.84	0.00	0.00	0.00	416.84
CPP	17	0.00	0.00	0.00	0.00	0.00
QPP	18	194.31	0.00	0.00	0.00	194.31
EI premiums	55	0.00	0.00	0.00	0.00	0.00
PPIP	28	No				
Exempt CPP/QPP	29	No				
EI	52	No				
PPIP	46	No				
Employment code	20	0.00				
RPP contributions	52	0.00				
Pension adjustment	22	775.65				
Income tax deducted	24	11,921.00				
EI insurable earnings	26	11,921.00				
CPP/QPP pensionable earnings	56	0.00				
PPIP insurable earnings	44	0.00				
Union dues	46	0.00				
Charitable donations	46	0.00				

The bottom screenshot shows the 'Tuition Slips' window for 'Tuition and education credit certificate' for 'Cosan, Maria'. The table below represents the data shown in the screenshot:

Description	Box	Slip #1	Slip #2	Slip #3	Slip #4	Total
Tuition fees paid	A	6,615.27	0.00	0.00	0.00	6,615.27
Tuition fees paid before September 5 th 2017		3,285.47	0.00	0.00	0.00	3,285.47
Number of months in part-time enrolment	B	0	0	0	0	0
... before September 5 th 2017		0	0	0	0	0
Number of months in full-time enrolment	C	8	0	0	0	8
... before September 5 th 2017		4	0	0	0	4
Tuition fees paid		0.00	0.00	0.00	0.00	0.00
Tuition fees paid before September 5 th 2017		0.00	0.00	0.00	0.00	0.00
Charitable donations		0.00	0.00	0.00	0.00	0.00

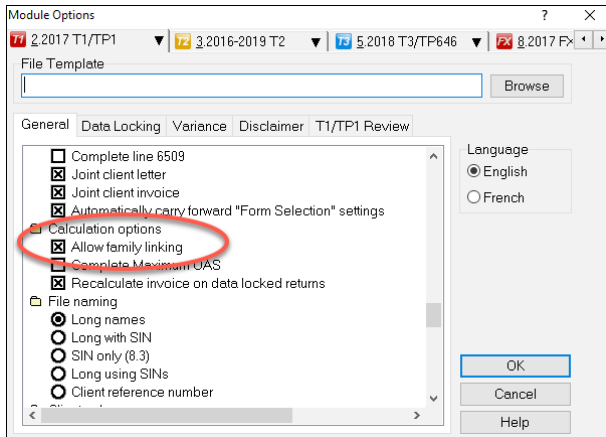
Tuition transfers

When a student's income isn't high enough to use up all of the tuition credit, CRA allows that student to transfer the excess credit to a family member. ProFile takes care of this transfer automatically. It does so by a process called *optimization*.

- Because Maria had excess tuition expenses, ProFile automatically transfers the applicable tuition credit to the appropriate spouse. A quick glance at line 324 on the S1 form of Javier's T1 confirms the transfer

Interest paid on your student loans	319	0.00	22
Your tuition, education, and textbook amounts (attach Schedule 11)	322	0.00	23
Tuition amount transferred from a child	324	5,000.00	24
Amounts transferred from your spouse or common-law partner (attach Schedule 2)	325	0.00	25
Medical expenses for self, spouse or common-law partner, and your			

There is a setting in ProFile that toggles family linking on or off. To make sure that this setting is enabled, go to *Options > Module* and scroll down, under the *General* tab, to the section that reads "Allow family linking."



OPTIMIZING

As mentioned in the previous paragraph, ProFile provides seamless, invisible optimization, and it alerts you with audit messages designed to achieve the most beneficial tax results for a tax preparer's clients.

Here is what ProFile's optimization prowess includes: medical expenses; donations and losses; foreign tax credits; advantageous caregiver and infirm dependant claims between spouses; smart disability credit transfers; and intelligent transfer of tax credits between taxpayers and their dependants.

Pension Splitting

Splitting pension income is another example of ProFile's optimization capability. Let's look at an example.

The Tax Summary below shows that Mary earns significantly more than her spouse, Frank, and it also reveals that Mary has pension income of \$48,950. There is an opportunity, therefore, to split the pension income and reduce the couple's overall tax liability.

Summary		Mary		Frank		
Total income						
Employment *	101	65,200		22,122		Basic p
Old Age Security	113	6,874		4,550		Age an
CPP/QPP benefits	114	12,300		2,000		Spousal
Other pensions	115	48,950		0		Ex-sp
Split-pension amount	116	0		0		Infirm/
Universal Child Care Benefit	117	0		0		CPP/C
Employment Insurance	119	0		0		Volunte
Taxable dividends	120	0		0		Canada
Interest	121	10		142		Public b
Limited partnership	122	0		0		Children
RDSP	125	0		0		Home o
Rental	126	0		0		Home b
Taxable capital gains	127	0		0		Adoptio
Support payments	128	0		0		Pensio
RRSP	129	0		0		Disabili
Other	130	0		0		Transf
Self-employment *	135	0		0		Interes
Workers' compensation and social assistance	136	0		0		Tuition
						Medical
Total income	150	133,384		39,336		
Net income						Credit a
RPP	207	0		0		Donatio
RRSP *	208	0		0		Total p
Split-Pension Deduction	210	0		0		

- To optimize pension income, go to the pension-transferor's return and open form *T1032*
- Scroll down the form and click *Split-Pension Income*

Protected B when completed

Step 3 - Elected split-pension amount

For assistance in determining the elected split-pension amount, see our **Split-Pension Income worksheet**.

Enter the amount that you and your spouse or common-law partner decide to jointly elect to be your split pension amount for the year. The split-pension amount cannot be more than the amount from Line F. G

Enter this amount on line 210 of the transferring spouse or common-law partner's return and on line 116 of the receiving spouse or common-law partner's return.

Step 4 - Pension income amount (line 314)

Part A - Calculate the pension income amount of the transferring spouse or common-law partner.

Amount from line A H

- ProFile opens the *T1032Opt* pension worksheet form. Right-click the form and select *Optimize split pension income*

T1032Opt **Optimize - Split-pension income**

Information for the elected split-pension amount

The Split-Pension Income optimization worksheet helps you determine the amount, if any, to enter on line G of the T1032 - Joint Election to Split-Pension Income.

To view the amount that we suggest for transfer, right click on the worksheet and select **Optimize split-pension income**.

For additional information, press <F1> to access help for this worksheet.

Calculation of the elected split-pension amount

	Zero transfer	Suggested transfer	Calculator	
			Scenario #1	Scenario #2
Elected split-pension amount	0.00	0.00	0.00	0.00
Mary	0.00	0.00	0.00	0.00
Total payable (line 435)				
Frank	0.00	0.00	0.00	0.00
Combined	0.00	0.00	0.00	0.00
Mary	0.00	0.00	0.00	0.00
Balance owing / refund				
Frank	0.00	0.00	0.00	0.00
Combined	0.00	0.00	0.00	0.00
Combined net benefit (cost)		0.00		

Maximum split-pension amount (from line F of your T1032)

Please enter the split-pension amount you wish to transfer to Frank. This amount will appear on line G on your T1032. Elected split-pension amount

Optimize split pension income

- Copy field code
- Copy Memo/Tape
- Paste Memo/Tape
- Close form Esc
- Print form
- New window
- Launch window
- Create FX
- Create T3
- Carry forward
- Previous year's return
- Show auditor Ctrl+F9
- Environment...

- As illustrated in the window below, ProFile will run an analysis and then suggest the pension income to transfer **1**
- The form highlights the net benefit of accepting the suggested transfer **2**
- And it also provides a chart outlining the tax liability with different transfer amounts **3**
- To accept ProFile's suggested transfer, right-click the form and select *Elect split-pension amount of \$24,475* **4**

Calculation of the elected split-pension amount

	Zero transfer	Suggested transfer	Calculator	
			Scenario #1	Scenario #2
Elected split-pension amount	0.00	24,475.00	0.00	0.00
Mary	43,533.68	32,003.13	0.00	0.00
Total payable (line 435)				
Frank	3,688.50	11,044.43	0.00	0.00
Combined	47,222.18	43,047.56	0.00	0.00
Mary	20,374.68	14,844.13	0.00	0.00
Balance owing / refund				
Frank	(311.71)	1,044.22	0.00	0.00
Combined	20,062.97	15,888.35	0.00	0.00
Combined net benefit (cost)		4,174.62	0.00	0.00

Summary of the elected split-pension amount

We have determined that transferring **\$24,475.00** to Frank's return will result in the lowest combined total payable. If you elect to transfer the suggested amount, the balance owing of \$20,062.97 is decreased to \$15,888.35. This represents an overall savings of **\$4,174.62**.

Maximum split-pension amount (from line F of your T1032)

Please enter the split-pension amount you wish to transfer to Frank. This amount will appear on line G on your T1032. Elected split-pension amount

Impact of electing a split-pension amount on your combined total payable

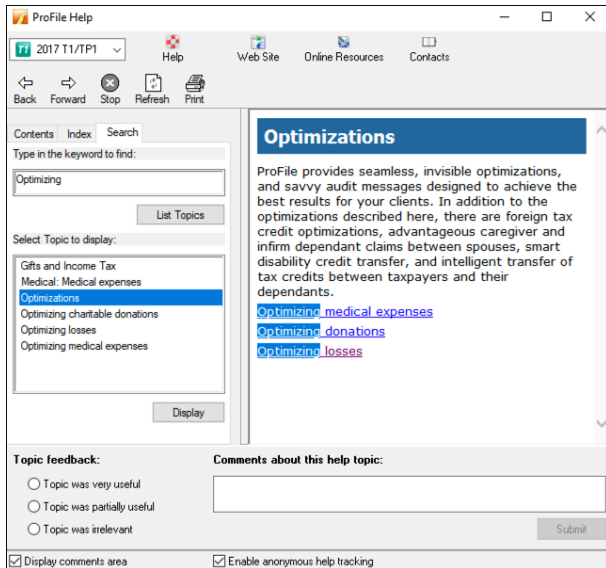
Combined total payable (line 435)

Elected split-pension amount (max \$24,475.00)

Elect split-pension amount of \$24,475.00

- Copy field code
- Copy Memo/Tape
- Paste Memo/Tape
- Close form Esc
- Print form
- New window
- Launch window
- Create FX
- Create T3
- Carry forward
- Previous year's return
- Show auditor Ctrl+F9
- Environment...

You can learn more about optimizing, go to Help > ProFile Help, click the Search tab and enter "Optimizing" in the Search field



PROFILE AND THE SELF-EMPLOYED

As professional-grade tax software, ProFile can accommodate many types of income-generating scenarios. Examples include rental income, investment income and income from self-employment. This section will illustrate ProFile's ability to accommodate the latter scenario.

Sam Hruzec, runs an un-incorporated marketing business called SH Marketing Services. Sam has asked you to prepare a T1. Sam has no income or expenses, other than the Statement of Revenue and Expenses below.

SH Marketing Services	
P&L	
Jan - Dec 2017	
	PBC
Revenue	91,773
Total Revenue	<hr/>
EXPENSES	
Accounting Fees	4,800
Advertising & Promotion	1,447
Bank Service Charges	1,547
Office supplies	1,398
Telephone	626
Travel Expense	780
Vehicle Expenses	
Biz KM	3255
Total KM	10061
Fuel	827
Insurance	914
Repairs	637
Parking	112
Home Office Expenses	
Total space	1695
Business use space	317
Insurance	628
Rep/Maint	1775
Heat	1288
Hydro	764
Prop Tax	3840

T2125

You will record all of Sam's business-related revenue and expenses on form T2125, *Statement of Business or Professional Activities*. After entering Sam's personal and contact information on the Info page, use Form Explorer to find and open the T2125

Forms	Name	Category	Description	Used	Last year	Step
T1	T2091WS#	Income	Principal Residence Worksheet	No	N/A	88
1. Identification	T2121#	Income	Fishing activities	No	N/A	89
2. Slips	T2121CCASum...	Income	Summary of CCA for fishing activities	No	N/A	90
3. Income	T2121CECH#	Income	Cumulative eligible capital for fishing activi...	No	N/A	91
4. Deductions	T2121Asset#	Income	Asset details	No	N/A	92
5. Tax + credi	T2121AssetList#	Income	Asset list	No	N/A	94
TP1	T2121CCA#	Income	Details of CCA	No	N/A	93
	T2121Compara...	Income	T2121 - Comparative summary	No	N/A	95
	T2125#	Income	Business activities	No	N/A	96

Here's how to complete form T2125

- Enter the business contact details and other required information under identification area, and record the gross sales under Part 1 – Business Income

Part 1 - Identification			
Name	Hruzec, Sam	Your social insurance number	238 137 848
Business Name		Business Number	
SH Ent		(15 characters)	RT
Business address			
Number	Street, P.O. Box	Apartment or suite	
1212	Rue Principale		
City	Province or territory	Postal code	
Montreal	QC	H9H 9H9	
Fiscal Period	Was 2017 your last year of business?	Yes	No <input checked="" type="checkbox"/>
From: Year/Month/Day	Year/Month/Day	Calendar Year	
2017-01-01	2017-12-31		
Main product or service	Industry code (press F6)	811119	
Promotion	(see the appendix in Guide T4002)		
Tax shelter identification number	Partnership Business Number	Your percentage of the partnership	
TS	(9 digits)	100.0000	%
Name and address of person or firm preparing this form			
ABC IMPOT			
1445 Stittsville Main St			
Stittsville, Ontario			
Part 2 - Internet business activities			
If your webpages or websites generate business or professional income, fill in this part of the form.			
How many Internet web pages and websites does your business earn income from? Enter "0" if none.			
0			
Provide up to five main webpage or website addresses, also known as uniform resource locator (URL):			
http://			
Percentage of your gross income generated from the webpages and websites. (If no income was generated from the Internet, enter "0".)			
0.0000 %			
T1139 Last year additional business income (T1139 line G)			
0/00			
Part 3A - Business income			
2. <input checked="" type="checkbox"/> If you have business income, tick this box and complete this part. Do not complete parts 3A and 3B on the same form.			
Type of income	<input checked="" type="checkbox"/> Business	<input type="checkbox"/> Commission	
Gross sales, commissions, or fees (include GST/HST collected or collectible)			
91,773.00			
Income reported on T4 slips			
0.00			
Income reported on T4A slips			
0.00			
Fees for services (T4A box 28)			
0.00			
91,773.00 1			
Minus Goods and services tax and provincial sales tax (GST and PST) or harmonized sales tax (HST) (if included in sales above)			
0.00			
Returns, allowances, and discounts (if included in amount 1)			
0.00			
Subtotal : Amount 1 minus amount 2			
91,773.00 2			
3			

- Record all business expenses in Part 4 of the T2125

Part 4 – Net income (loss) before adjustments						
Gross business or professional income (line 8299 of Part 3C) or Gross profit (line 8519 of Part 3D)					91,773.00	a
Expenses (enter only the business part)						
Advertising			8521	1,447.00		
Meals and entertainment	0.00	x 50%				
Meals and entertainment (long haul truck drivers)	0.00	x 80%	8523	0.00		
Bad debts			8590	0.00		
Insurance			8690	0.00		
Interest			8710	1,547.00		
Business taxes, licences, and memberships			8760	0.00		
Office expenses			8810	1,398.00		
Office stationery and supplies			8811	0.00		
Professional fees (includes legal and accounting fees)			8860	4,800.00		
Management and administration fees			8871	0.00		
Rent			8910	0.00		
Repairs and maintenance			8960	0.00		
Salaries, wages, and benefits (including employer's contributions)			9060	0.00		
Property taxes			9180	0.00		
Travel expenses			9200	780.00		
Utilities			9220	626.00		
Fuel costs (except for motor vehicles)			9224	0.00		
Delivery, freight, and express			9275	0.00		
Motor vehicle expenses (not including CCA) (see Chart A) - from worksheet			881.35			
Motor vehicle expenses (not including CCA) (see Chart A) - other	0.00		9281	881.35		
Capital cost allowance (from Area A)			9936	0.00		
Allowance on eligible capital property	0.00					
Convention fees	0.00					
Private health services plan premiums	0.00					
Reserves	0.00					
Terminal loss	0.00					
Other expenses	=	0.00	9270	0.00		
Total expenses: Total of the above amounts			9368	11,479.35		b
Net income (loss) before adjustments: Amount a minus amount b			9369	80,293.65		

- Note, however, that you don't record vehicle expenses on the T2125 itself, but on the *Business Auto* ancillary form (see illustration below), and you indicate, at the top of the *Business Auto* form, where to send the vehicle expenses

Here are other key points to consider with the *Business Auto* form

- You must indicate the business kilometers and the total number of kilometers driven in the tax year. ProFile uses these values to calculate the allowable vehicle expense
- Any vehicle loan or leasing costs are calculated in a separate area of the *Business Auto* form. See *Chart D*, at the bottom of the window below, which is where the eligible leasing cost is calculated

Business Auto								
Motor vehicle expenses (Business)								
Allocation of expenses	Fiscal period		%	Amount	CCA	Terminal Loss	Recapture	Owned by business?
	Start	End						
T2125#1:SH Ent	2017-01-01	2017-12-31	100	881.35	0.00	0.00	0.00	Yes
	yyyy-mm-dd	yyyy-mm-dd	0	0.00	0.00	0.00	0.00	No

Chart A - Motor vehicle expenses					
Description of automobile: <u>Filmore</u>					
Enter the kilometers you drove in the tax year to earn business income			3,255	1	
Enter the total kilometers you drove in the tax year			10,061	2	
	GST	Taxable	HST	Non Eligible	Total
Fuel and oil	0.00		0.00	827.00	827.00
Interest (see Chart B)				0.00	0.00
Insurance				914.00	914.00
License and registration				0.00	0.00
Maintenance and repairs	0.00		0.00	637.00	637.00
Leasing (See Chart D)	0.00		0.00	0.00	0.00
Other expenses (specify)	0.00		0.00	0.00	0.00
	0.00		0.00	0.00	0.00
Total motor vehicle expenses	0.00		0.00	2,378.00	2,378.00
Business use part: Multiply line 11 by	32.35	%		769.35	769.35
Business parking fees	0.00		0.00	112.00	112.00
Supplementary business insurance				0.00	0.00
Allowable motor vehicle expenses	0.00		0.00	881.35	881.35

Chart B - Available interest expense for passenger vehicle			
Date interest payments commenced			2017-01-01
Date interest payments terminated			2017-12-31
Total interest payable (accrual method) or paid (cash method) in the fiscal period			0.00 (A)
The number of days in the fiscal period for which interest was payable (accrual method) or paid (cash method)	365	x	10.00 = 3,650.00 (B)
Available interest expense (amount A or B, whichever is less) (enter this amount on line 4 of Chart A above)			0.00

Chart C - Capital Cost Allowance for motor vehicles	

One further step in recording Sam's business expenses is to enter the allowable *home office expense*. As a self-employed individual working from home, Sam can deduct a portion of her home expenses. This portion is

calculated by adding up all of Sam's home expenses and multiplying it by a factor that represents the percentage of the home's area used to run her business.

- To record home expenses, scroll down to Part 7 at bottom of the T2125
- Enter the home's total area and the area used for business
- Enter the operating costs for the home including heat, electricity, insurance, etc.
- ProFile will calculate the allowable home office expense and include as an eligible business expense on the T2125

Part 7 - Calculation of business-use-of-home expenses			
Area of home used for business	(A)	317	
Total area of home	(B)	1,695	
Heat			1,288.00 1
Electricity			764.00 2
Insurance			628.00 3
Maintenance			1,775.00 4
Mortgage interest			3,840.00 5
Property taxes			0.00 6
Other expenses (specify):			0.00 7
Subtotal: Add amounts 1 to 7			8,295.00 8
Minus: Personal-use part of the business-use-of-home expenses			6,743.66 9
Subtotal: (Amount 8 minus amount 9)			1,551.34 10
Plus: Capital cost allowance (business part only), which means amount i of Area A minus any portion of CCA that is for personal use or entered on line 9936 of Part 4			0.00 11
Amount carried forward from previous year			0.00 12
Subtotal: Add amounts 10 to 12			1,551.34 13
Minus: Net income (loss) after adjustments (amount e of Part 5) (if negative, enter "0")			80,293.65 14
Business-use-of-home expenses available to carry forward: Amount 13 minus amount 14 (if negative, enter "0")			0.00 15
Allowable claim: The lesser of amount 13 and 14 above (enter your share of this amount on line 9945 of Part 5)			1,551.34 16

After entering all required information on the T2125, ProFile will calculate the gross and net business income and transfer it to the T1 Jacket.

Step 2 - Total income			
As a resident of Canada, you have to report your income from all sources both inside and outside of Canada. When you come to a line on the return that applies to you, go to the line number in the guide for more information.			
Employment income (box 14 of all T4 slips)		101	0.00
Commissions included on line 101 (box 42 of all T4 slips)	102		0.00
Wage loss replacement contributions (see line 101 in the guide)	103		0.00
Other employment income		104	0.00
Old Age Security pension (box 18 of the T4A(OAS) slip)		113	0.00
CPP or QPP benefits (box 20 of the T4A(P) slip)		114	0.00
Disability benefits included on line 114 (box 16 of the T4A(P) slip)	152		0.00
Other pensions and superannuation		115	0.00
Elected split-pension amount (attach Form T1032)		116	0.00
Universal Child Care Benefit (UCCB)		117	0.00
UCCB amount designated to a dependant	185		0.00
Employment insurance and other benefits (box 14 of the T4E slip)		119	0.00
Taxable amount of dividends (eligible and other than eligible) from taxable Canadian corporations (attach Schedule 4)		120	0.00
Taxable amount of dividends other than eligible dividends, included on line 120, from taxable Canadian corporations	180		0.00
Interest and other investment income (attach Schedule 4)		121	0.00
Net partnership income: limited or non-active partners only		122	0.00
Registered disability savings plan income		125	0.00
Rental income	Gross 160	Net 126	0.00
Taxable capital gains (attach Schedule 3)		127	0.00
Support payments received	Total 156	Taxable amount 128	0.00
RRSP income (from all T4RSP slips)		129	0.00
Other income	Specify:	130	0.00
Self-employment income			
Business income	Gross 162	Net 135	91,773.00 78,742.31
Professional income	Gross 164	Net 137	0.00
Commission income	Gross 166	Net 139	0.00
Farming income	Gross 168	Net 141	0.00
Fishing income	Gross 170	Net 143	0.00
Workers' compensation benefits (box 10 of the T5007 slip)	144		0.00
Social assistance payments	145		0.00
Net federal supplements (box 21 of the T4A(OAS) slip)	146		0.00
Add lines 144, 145, and 146 (see line 250 in the guide).		147	0.00
Add lines 101, 104 to 143, and 147		150	78,742.31
This is your total income.			

PART-YEAR RESIDENTS

In this section, we'll briefly describe how to set up ProFile for newly-arrived residents.

Working on a part-year resident return

If someone is newly arrived in Canada, follow these steps to set up a T1 return.

- Complete the Info page as you normally would. So that ProFile can prepare the proper schedules, ensure that you select the correct province of residence **1**
- Report the date of entry into Canada **2**
- After reporting the date of entry, ProFile will open additional fields, including Line 5292 and 5293. In these fields, report Canadian and foreign-sourced non-resident income. In this example, there is \$10,000 of foreign-sourced, non-resident income **3**
- Once you enter an amount on either Line 5292 or 5293, ProFile will tick the box to prorate non-refundable tax credits **4**
- You may then complete the rest of the return as you normally would

Title	Mr	1 <input type="checkbox"/> Married	2 <input type="checkbox"/> Living common-law	3 <input type="checkbox"/> Widowed
First name	Rene	4 <input type="checkbox"/> Divorced	5 <input type="checkbox"/> Separated	6 <input checked="" type="checkbox"/> Single
Last name	Descartes	If status changed in 2017, enter date of change mm-dd		
Last name changed in 2017?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Were you married or living common-law at any time in this tax year? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
Do you want to change your address?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Residency		
Care of		Province of residence on 2017/12/31		
Street address	1515 Orchard Street	Ontario 1		
P.O. Box		Province of self-employment		
City	Anytown	If you became or ceased to be a Canadian resident in 2017, enter date of: entry or departure		
Province	ON	06-01 2		
Postal code	M4A 1A9	Spouse's or common-law partner's net income while the taxpayer is living in Canada		
Primary phone	(905) 555-5121	5263 0.00		
Birth date	1988-12-19	Spouse's or common-law partner's net income while the taxpayer is living outside of Canada		
Date of Death	yyyy-mm-dd	5267 0.00		
Gender	<input checked="" type="checkbox"/> Male <input type="checkbox"/> Female	Canadian sourced non-resident income		
Province or territory where taxpayer resides if different from mailing address:		5292 10,000.00 3		
CRA online mail:	<input type="checkbox"/> Already registered <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Foreign sourced non-resident income		
Email address:		5293 19,000.00		
By providing your email address or updating an already registered email address, I understand I am registering for online mail and accept the terms and conditions that are set out on page 2 of the form T183. Paper notices will not be mailed to me from the CRA.				
Prorate non-refundable tax credits for part year resident? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No 4				
Are you a non-resident? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No				
Residency status				
Resident				
Country (other than Canada)				

Residency rules, for both Canadian citizens and non-Canadians, can be a complex affair. For more information, consult CRA's guides, such as T4058 Non-Residents and Income Tax, and T4055 Newcomers to Canada.

Chapter 5 Quiz

Question 1: The feature that allows you to prepare T1s for married couples and their dependants is called:

- A. Hub and Link
 - B. Synchronization
 - C. ProFile Review
 - D. Family Linking
-

Question 2: True or False: ProFile will calculate the allowable RRSP deduction even if no deduction limit indicated:

Question 3: Select the best way to create a dependant's T1:

- A. Go to the *File* menu and click *New T1*
 - B. Right-click a T1 Jacket and select *New*
 - C. Click the *Synchronize* icon
 - D. Right-click the dependant's name on the *Dependant* form, and click *Return for...*
-

Question 4: True or False: If a dependant has excess tuition credits, ProFile will transfer the excess amount to a parent's linked return

Question 5: True or False: ProFile has an option to toggle Family Linking on or off

Question 6: Which of following tax situations does ProFile's Optimization verify?

- A. Medical expenses
 - B. Charitable donations
 - C. Tuition credits
 - D. All the above
-

Question 7: True or False: The T1032 form allows you to optimize and split pension income between spouses

Question 8: True or False: ProFile cannot prepare tax returns for self-employed individuals

Question 9: To prepare a T2125, ProFile requires the following. Choose the best answer:

- A. ProFile cannot prepare a T2125 return
- B. A statement of revenue and expenses (Income Statement or Profit & Loss)
- C. A balance sheet
- D. None of the above

Question 10: True or False: ProFile can prepare a T1 for part-year residents

