Chapter 4

A Basic T1

Learning Objectives

At this chapter’s end students will understand:

• How to prepare an individual’s basic T1 tax return
• How to prepare a T1 for a married couple
• The A to Z of preparing a T1 for a client
• How to use CRA’s EFILE system

Additional Resources

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

- Professional Accounting Software
- Tax Preparation & eFiling Return Software
- Professional Tax Software Training
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 4: A Basic T1

T1 BASICS

First of all, professional tax preparers rarely, if ever, use the term “tax return.” Most will distinguish a tax return by its type. Rather than say “tax return,” tax preparers will simply call a personal tax return a “T1.” Likewise, a corporate tax return is a “T2,” and a trust return, a “T3.”

In this section, we will explore the differences between a manually prepared T1 and one prepared in ProFile.

Paper versus ProFile

Chapter 1 introduced a sample page of a hand-written T1. Let’s explore how you would manually prepare a full T1 tax return using CRA’s downloaded forms and schedules.

- Assume that Johnny Carson was a student during the tax year and that he also worked part-time. Here is the T4 slip—statement of remuneration—that Johnny received from his employer:

- Because Johnny was a full-time university student, he also received the following tuition slip
To manually prepare a T1, first obtain a copy of CRA’s *T1 General, Income Tax and Benefit Return*. You can download a fillable PDF from CRA’s website, or a hard copy from any Canada Post outlet.

- Start with Page 1 of the tax return (the T1 Jacket) and begin entering your name, address and other contact info

- On Page 2, enter the employment income amount as indicated on your employer’s T4
• Find Schedule 11 and use the T2202 issued by your learning institution to calculate your eligible tuition credits

• You will also need to find Schedule 1 and enter the basic personal amount at line 300, the Canada employment amount at line 363, and the CPP and EI amounts from your T4 slip at lines 308 and 312. Finally, transfer the amount from line 17 of Schedule 11 to line 323 of Schedule 1
Paper Observations

As the example above illustrates, manually preparing a T1 is a protracted and complex affair. The need for complicated calculations, the risk of omitting a schedule or form, or of not transferring the proper amounts to the right forms, all mean that the probability of errors and omissions is quite high.
Once again, in ProFile

Let’s now explore how we prepare the same T1 in Profile:

- Launch ProFile and go to File > New > 2017 T1
- After ProFile opens the Info page, enter the individual’s name, social insurance number, date of birth and other relevant information
- The Info page should look like the image below

![Info page screenshot]

- Once again, here is Johnny’s T4 slip

![T4 slip screenshot]

- To record the T4 slip in ProFile, press the F4 key to open Form Explorer and then, in the Search field, type T4. Double-click the T4 line in the right pane of the Form Explorer window, and ProFile will open that form
• Enter the data on the T4 Slip form line by line
• And ProFile will transfer the T4 amounts to the corresponding line on the T1 return itself (the T1 Jacket)

Here, again, is Johnny’s tuition slip

• Use Form Explorer to find and open the T2202 tuition form. Record the slip information on that form
• ProFile will transfer those amounts to the Schedule 11. Note that because Johnny didn’t have sufficient income, ProFile applied no tuition credit at line 10 of Schedule 11.
• ProFile will then transfer all available amounts to the Schedule 1 and, ultimately, to the T1 Jacket itself.

• Because Johnny had no other slips or additional information to record, here is snapshot of his tax return

• Note that the last page of the tax return indicates that Johnny is receiving a refund of $253.00
Conclusion

ProFile provides guided tax preparation that requires you to simply enter information on the required forms and slip (in the above example, T4 and T2202) and ProFile then completes the T1 based on those entries.

Contrast that with the same hand-written example, and the benefits gained by using tax-preparation software are immediately evident.

**A Tax Practitioner Approach**

Preparing a T1 for a Married Couple

This section explores how a tax preparer works with a client. In this example, a married couple named Angela Carsonn and Martin St-Pierre have asked you to file their T1 returns. So that you can proceed, they provide you with the following tax slips:

- T4 slips that itemize each spouse’s employment earnings
• There is also a charitable donation receipt and a T5 slip issued by a bank or other financial institution that lists the amount of investment income earned in the tax year. Assume that the investment income was shared equally by each spouse.
With these slips you are ready to proceed.

**T1013**

As a professional tax preparer, you will want all new clients to complete and sign CRA’s T1013 authorization form. Think of a T1013 as your T1 Launchpad. With it you can access CRA’s website and obtain your clients’ tax information. The information that a T1013 provides will include: Notices of Assessments, client data summary, account balances, as well as information slips such as T3, T4, T5 and RRSP slips. Here’s how you complete and file a T1013

- Create a new tax return in ProFile and fill out the *Personal Information* page. Here’s an excerpt of Angela’s information page
• To enter Martin’s spousal information, scroll to the bottom of Angela’s Personal Information page

• After entering Angela’s information, press F5, or click the toolbar’s Spouse toggle icon
• ProFile will ask if you want to open or create a tax return. Because they are new clients, select Create a new return for spouse
Once you enter your clients’ Personal Information page, press F4 to open ProFile’s Form Explorer and, in the Search field, enter T1013

On the T1013, check the Authorize a representative box and ensure that the information—including the clients’ names and social insurance numbers, your CRA representative information as well as the authorization level—are all accurate

Submit the T1013 to your client for signature

It is very important that your clients sign their T1013 before you submit them to CRA. Once signed, click EFILE > EFILE the T1013 for this taxpayer

Once CRA authorizes access, log into CRA’s Represent a Client portal at www.canada.ca (select the Income Tax dropdown)

Choose CRA login and enter your CRA Represent a Client credentials
• Enter Angela’s social insurance number and click *Access SIN*

• You are now at Angela’s Information page. Note the tax information that CRA makes available including: prior-year *Notice of Assessment*, *Statements of Account*, and *RRSP* and *TFSA* balances
Entering tax data

With the tax returns open in ProFile, use *Form Explorer* to open the forms and schedules that you need to record Jane’s slip information.

- Press F4 to open *Form Explorer*, and, in the *Search* field, enter *T4*. Record the slip information on Jane’s T4 form. Press F5 to toggle to Martin’s return. Enter his T4 information as well.

  - From Martin’s T, press F4 to find the T5 form and record that slip’s information
  - Because you decided to allocate 50% of the investment earnings to each spouse, enter “50” on the line that reads, “% reported by spouse”
• Press F5 to return to Angela’s return and then use Form Explorer to open the DON (Charitable Donations) form. Record that slip’s amount as indicated below.

Wrapping things up
Before finalizing things, you’ll want to double-check the tax returns. As discussed earlier, ProFile’s auditor is a powerful tool that alerts you about any errors or missing information. In addition to the auditor, you will also want to refer to the Slip Summary form. This form lists, on a single page, the information from every slip used on a T1.

• Press F4 to open Form Explorer and find Angela’s Slip Summary form. Use it to confirm the T4 and other slip amounts

• Press F5 to toggle to Martin’s T1 and to access his Slip Summary form as well
• You can also use ProFile’s *Sign-offs* Review Marks to indicate, on each form, that you have verified and confirmed all entered amounts

<table>
<thead>
<tr>
<th>Box</th>
<th>Slip #1</th>
<th>Slip #2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Description</td>
<td>ProFile Tour 2020</td>
<td></td>
</tr>
<tr>
<td>Province of employment</td>
<td>10 Ontario</td>
<td>Ontario</td>
</tr>
<tr>
<td>Employment income</td>
<td>14 52,200.00</td>
<td>0</td>
</tr>
<tr>
<td>Employee's contributions</td>
<td>CPP 16 2,410.65</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>QPP</td>
<td>0.00</td>
</tr>
<tr>
<td></td>
<td>EI premiums</td>
<td>17 858.22</td>
</tr>
<tr>
<td></td>
<td>EIP</td>
<td>0.00</td>
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<tr>
<td>Exempt</td>
<td>CPP/QPP</td>
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</tr>
<tr>
<td></td>
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<tr>
<td>Employment code</td>
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<td>No</td>
</tr>
<tr>
<td>RPP contributions</td>
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<td>0.00</td>
</tr>
<tr>
<td>Pension adjustment</td>
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<td>0.00</td>
</tr>
<tr>
<td>Income tax deducted</td>
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<td>0.00</td>
</tr>
<tr>
<td>EI insurable earnings</td>
<td>24 51,700.00</td>
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<tr>
<td>CPP/QPP insurable earnings</td>
<td>26 52,200.00</td>
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</tr>
<tr>
<td>PP</td>
<td>58 0.00</td>
<td></td>
</tr>
</tbody>
</table>

**Using the auditor**

• Press CTRL+F9 to consult ProFile’s *Auditor* for errors, omissions and suggestions
• Double-click an audit message to jump to the related form
• Use a sign-off to clear the audit message
Out the door
You’ll need to provide to your clients a copy of their tax returns. You can, of course, print the return or, as is becoming increasing popular, provide a PDF copy. In either case, in order to EFILE the returns, you will want your clients to sign CRA’s T183 form.

- To print the return, click the toolbar’s Print icon
- ProFile will open the Print Selection window—ready to print only those forms that you selected under Options > Print Selection
If you’d rather email a PDF, first enter the client’s email address on the **Personal Information** form, then click **Print / Email PDF**

In the **eReview Print Selection** window, ProFile enters the email address for you

After confirming the address,

Click **Email** to send the tax file

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**EFILE it**

The very last step is to EFILE the return. **EFILE** is CRA’s electronic-filing portal that all professional tax preparers are required to use.

Before a preparer can EFILE a tax return, she will need the client’s signature on CRA Form T183.

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Here are a few additional need-to-know items regarding the T183:

- Ensure that your client signs where required
• Double-check that the correct method is selected for the Notice of Assessment

- To EFILE the T1 return, just click the EFILE menu and select EFILE/REFILE this return

And that’s it. Job done!
Chapter 4 Quiz

**Question 1:** Tax preparers use the term “T1” to describe:

A. The form an employer sends to an employee at year-end  
B. A statement that a bank sends to investors  
C. A corporate tax return  
D. A personal tax return

**Question 2:** True or False: You record all income and deductions directly onto ProFile’s T1 jacket

**Question 3:** ProFile’s *Info* page is used to:

A. Enter all amounts earned during the year  
B. Enter the names of employers, banks and investments houses  
C. Indicate which forms and schedules you want to use on a T1  
D. Enter the name, address and other personal information

**Question 4:** True or False: Each type of income (T4, T5, etc.) is recorded on a dedicated form or Schedule in ProFile

**Question 5:** True or False: The T2202 Form is used to enter tuition amounts paid to a learning institution

**Question 6:** A signed T1013 form is used to:

A. Get a client’s sign-off on a completed T1  
B. Record deductions and credits  
C. Ensure that there are no CRA omissions  
D. Access CRA’s website and obtain a client’s tax information

**Question 7:** True or False: There is an icon on ProFile’s toolbar to toggle between spouses’ T1s
**Question 8:** True or False: You use the Slip Summary form to verify the amounts from all slips

**Question 9:** A signed T183 is used to:

A. Record the amount of tax deducted on a T4 slip
B. Get a client’s authorization to EFILE a T1
C. Change an error on a filed T1
D. All the above

**Question 10:** True or False: ProFile cannot EFILE a T1. You can only do so from CRA’s website