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
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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 (where applicable) 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
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. For example, 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 illustrated a 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 Carsonn 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 personal information such as name, address and other personal details.
Income Tax and Benefit Return
2019

Before you start:
If you are filling out this return for a deceased person, make sure you enter their information in all the boxes in Step 1.

Step 1 – Identification and other information

Identification
Print your name and address below.
First name and initial
Johnny
Last name
Casien
Mailing address: Apt No. _ Street No. Street name
2000 Smith St
PO Box RR
City
Prov./Terr. Postal code
Anniston M 1 A 1

Information about you
Enter your social insurance number (SIN):

Enter your date of birth:

Your language of correspondence: English

Is this return for a deceased person?
Ensure the SIN information above is for the deceased person.

If this return is for a deceased person, enter the
date of death:

Email address
By providing an email address, you are registering to receive email notifications from the CRA and agree to the Terms of use
under Step 1 in the guide.
Enter an email address:

Information about your residence
Enter your province or territory of residence on December 31, 2019:

Enter the province or territory where you currently reside if it is
not the same as your mailing address above:

If you were self-employed in 2019, enter the province or territory
where your business had a
permanent establishment:

If you became or ceased to be a resident of Canada for
income tax purposes in 2019, enter the date of
entry or departure:

Marital status
Tick the box that applies to your marital status on
December 31, 2019:

1 Married 2 Living common-law 3 Widowed
4 Divorced 5 Separated 6 Single

Information about your spouse or
common-law partner (if you ticked box 1 or 2 above)
Enter their SIN:

Enter their first name:

Enter their net income for 2019
to claim certain credits:

Enter the amount of universal child
care benefit (UCCB) from line 11700
of their return:

Enter the amount of UCCEB repayment
from line 2130 of their return:

Tick this box if they were self-employed in 2019:

Do not use this area

3000-R Page 1
On Page 3, enter the employment income amount as indicated on the employer’s T4

### Step 2 – Total income

As a resident of Canada, you have to report your income from all sources both inside and outside Canada. The Income Tax and Benefit Guide may have additional information for certain lines.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment income (box 14 of all T4 slips)</td>
<td>10100</td>
</tr>
<tr>
<td>Tax-exempt income for emergency services volunteers</td>
<td></td>
</tr>
<tr>
<td>(See line 10100 in the guide.)</td>
<td></td>
</tr>
<tr>
<td>Commission included on line 10190 (box 42 of all T4 slips)</td>
<td>10120</td>
</tr>
<tr>
<td>Wage-loss replacement contributions (See line 10100 in the guide.)</td>
<td>10130</td>
</tr>
<tr>
<td>Other employment income</td>
<td>10400</td>
</tr>
<tr>
<td>Old age security pension (box 16 of the T4A(OAS) slip)</td>
<td>11300</td>
</tr>
<tr>
<td>CFP or QFP benefits (box 20 of the T4A(P) slip)</td>
<td>11400</td>
</tr>
<tr>
<td>Disability benefits included on line 11410 (box 16 of the T4A(P) slip)</td>
<td>11410</td>
</tr>
<tr>
<td>Other pensions and superannuation (See line 11500 in the guide and complete line 31460 in the Worksheet for the return.)</td>
<td>11500</td>
</tr>
<tr>
<td>Elected split-pension amount (Get and complete Form T1032.)</td>
<td>11600</td>
</tr>
<tr>
<td>Universal child care benefit (UCCB) (See the RC62 slip.)</td>
<td>11700</td>
</tr>
<tr>
<td>UCCB amount designated to a dependant</td>
<td>11701</td>
</tr>
<tr>
<td>Employment insurance and other benefits (box 14 of the T4E slip)</td>
<td>11900</td>
</tr>
<tr>
<td>Employment insurance maternity and parental benefits and provincial parental insurance plan benefits</td>
<td>11905</td>
</tr>
<tr>
<td>Taxable amount of dividends (eligible and other than eligible) from taxable Canadian corporations (Complete the Worksheet for the return.)</td>
<td>12000</td>
</tr>
<tr>
<td>Taxable amount of dividends other than eligible dividends, included on line 120900 from taxable Canadian corporations</td>
<td>12010</td>
</tr>
<tr>
<td>Interest and other investment income (Complete the Worksheet for the return.)</td>
<td>12100</td>
</tr>
<tr>
<td>Net partnership income: limited or non-active partners only</td>
<td>12200</td>
</tr>
<tr>
<td>Registered disability savings plan income (box 131 of the T4A slip)</td>
<td>12500</td>
</tr>
<tr>
<td>Rental income</td>
<td>Gross: 12569</td>
</tr>
<tr>
<td>Taxable capital gains (Complete Schedule 3.)</td>
<td>12700</td>
</tr>
<tr>
<td>Support payments received Total</td>
<td>12799</td>
</tr>
<tr>
<td>RRSP income (from all T4RSP slips)</td>
<td>12900</td>
</tr>
<tr>
<td>Other income</td>
<td>Specify: 13000</td>
</tr>
<tr>
<td>Taxable scholarship, fellowships, bursaries, and artists’ project grants</td>
<td>13010</td>
</tr>
<tr>
<td>Self-employment income</td>
<td></td>
</tr>
<tr>
<td>Business income</td>
<td>Gross: 14269</td>
</tr>
<tr>
<td>Professional income</td>
<td>Gross: 13699</td>
</tr>
<tr>
<td>Commission income</td>
<td>Gross: 13899</td>
</tr>
<tr>
<td>Farming income</td>
<td>Gross: 14099</td>
</tr>
<tr>
<td>Fishing income</td>
<td>Gross: 14299</td>
</tr>
<tr>
<td>Workers’ compensation benefits (box 10 of the T5007 slip)</td>
<td>14400</td>
</tr>
<tr>
<td>Social assistance payments</td>
<td>14500</td>
</tr>
<tr>
<td>Net federal supplements (box 21 of the T4A(OAS) slip)</td>
<td>14600</td>
</tr>
<tr>
<td>Add lines 14400, 14500, and 14600. (See line 25000 in Step 4.)</td>
<td>= 14700 +</td>
</tr>
<tr>
<td>Add lines 10100, 10400 to 11400, 11500 to 11700, 11900, 12000, 12100 to 12500, 12600, 12700, 12800, 12900 to 13010, 13500, 13700, 13900, 14100, 14300, and 14700.</td>
<td>= 15000 +</td>
</tr>
</tbody>
</table>

This is your total income: 15000 = 15000.00
• Find Schedule 11 and use the T2202 issued by the learning institution to calculate the eligible tuition credit. In this example, because of insufficient income, no tuition credits are applied.
You will also need to navigate to Step 5 of the T1 and enter the basic personal amount at line 3000, along with other relevant amounts as calculated in the prior steps.

### 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 the same T1 as entered in Profile:

- Launch ProFile and go to File > New > 2019 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 this

- Once again, here is Johnny’s T4 slip
- 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 on T4 in the right pane of the Form Explorer window, and ProFile will open that form.

- Enter the amounts as they appear on the T4 Slip.
- 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. As in the earlier paper-filed ProFile applies no tuition credit on the Schedule 11.
At Step 5 of the T1 Jacket itself, ProFile automatically inserts all relevant amounts.

<table>
<thead>
<tr>
<th>Part A – Federal non-refundable tax credits</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic personal amount</td>
<td>$12,069.00</td>
</tr>
<tr>
<td>Age amount (if you were born in 1954 or earlier)</td>
<td>$7,454.00</td>
</tr>
<tr>
<td>Spouse or common-law partner amount</td>
<td>$0.00</td>
</tr>
<tr>
<td>Amount for an eligible dependant</td>
<td>$0.00</td>
</tr>
<tr>
<td>Canada caregiver amount for spouse or common-law partner</td>
<td>$0.00</td>
</tr>
<tr>
<td>Canada caregiver amount for other dependants</td>
<td>$0.00</td>
</tr>
<tr>
<td>Enter the number of children for whom you are claiming this amount</td>
<td>0</td>
</tr>
<tr>
<td>Base CPP or QPP contributions:</td>
<td></td>
</tr>
<tr>
<td>through employment income</td>
<td>$272.25</td>
</tr>
<tr>
<td>on self-employment and other earnings</td>
<td>$0.00</td>
</tr>
<tr>
<td>Employment insurance premiums:</td>
<td></td>
</tr>
<tr>
<td>through employment from box 18 and box 55 of all T4 slips</td>
<td>$1,220.00</td>
</tr>
<tr>
<td>Volunteer firefighters’ amount</td>
<td>$0.00</td>
</tr>
<tr>
<td>Search and rescue volunteers’ amount</td>
<td>$0.00</td>
</tr>
<tr>
<td>Canada employment amount</td>
<td>$2,220.00</td>
</tr>
<tr>
<td>Home accessibility expenses</td>
<td>$0.00</td>
</tr>
<tr>
<td>Adoption expenses</td>
<td>$0.00</td>
</tr>
<tr>
<td>Pension income amount</td>
<td>$0.00</td>
</tr>
<tr>
<td>Disability amount (for self)</td>
<td>$0.00</td>
</tr>
<tr>
<td>Disability amount transferred from a dependant</td>
<td>$0.00</td>
</tr>
<tr>
<td>Interest paid on your student loans</td>
<td>$0.00</td>
</tr>
<tr>
<td>Your tuition, education, and textbook amounts</td>
<td>$2,300.00</td>
</tr>
<tr>
<td>Tuition amount transferred from a child</td>
<td>$0.00</td>
</tr>
<tr>
<td>Medical expenses for self, spouse or common-law partner, and your dependent children born in 2002 or later</td>
<td>$13,099.00</td>
</tr>
<tr>
<td>Enter $2.352 or 3% of line 23600, whichever is less</td>
<td></td>
</tr>
<tr>
<td>Line 25 minus line 26 (if negative, enter “0”)</td>
<td></td>
</tr>
</tbody>
</table>
Here is snapshot of Johnny’s tax return

Note that the last page of the tax return indicates that Johnny is receiving a refund of $1,124.00

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 T1. In this example, a married couple, 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 slips:

- T4 slips that itemize each spouse’s employment earnings

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**T4 Statement of Remuneration Paid**

<table>
<thead>
<tr>
<th>Canada Revenue Agency</th>
<th>Anytown ON M1A 1A1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment Income</td>
<td>52,900.00</td>
</tr>
<tr>
<td>CPP contributions</td>
<td>25</td>
</tr>
<tr>
<td>Income tax deducted</td>
<td>8,812.09</td>
</tr>
</tbody>
</table>

**Employer’s T1 Preparer**

<table>
<thead>
<tr>
<th>CARSONN Angela</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020 Smith Street</td>
</tr>
</tbody>
</table>

**Other information**

<table>
<thead>
<tr>
<th>Sex - Case</th>
<th>Amount - Montant</th>
<th>Sex - Case</th>
<th>Amount - Montant</th>
<th>Sex - Case</th>
<th>Amount - Montant</th>
<th>Sex - Case</th>
<th>Amount - Montant</th>
</tr>
</thead>
</table>

---

**T4 slips**

- T4 slips that itemize each spouse’s employment earnings
There is also a charitable donation receipt and a T5 slip issued by a financial institution that lists the amount of investment income earned in the tax year.
Authorize a Representative
As a professional tax preparer, you will want all new clients to complete and sign CRA’s Authorize a Representative form. Think of this form as your T1 Launchpad. With it, you have access to CRA’s website where you can obtain your clients’ tax information. The information that this form unlocks includes: 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 the Authorize a Representative form

- 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 Spousal information section at the bottom of Angela’s Personal Information page

• After entering both spouses’ personal information, press F5

• Alternatively, click the toolbar’s Spouse toggle icon

• ProFile will ask if you want to open an existing return for the spouse, or create a new one. Because they are new clients, select Create a new return for spouse

• Press F4 to open ProFile’s Form Explorer and, in the Search field, enter AuthorizeRep

• Check the box that reads Enable printing and EFILE of this authorization request and ensure that the information on the form is accurate

• Submit the form to your client for signature
• It is especially important that your client signs the form before you submit it to CRA. Once signed, click **EFILE > EFILE Authorize a Representative**

Once CRA authorizes access, log into CRA’s **Represent a Client** portal at www.canada.ca and select **Tax**

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 includes: 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 required forms and schedules.

- 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 where you can enter his T4 information as well.

- From Martin’s T1, press **F4** to find the T5 form and record that slip’s information.
- Assuming that each spouse contributed 50% of the invested amount, 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 to any errors or missing information. In addition to the auditor, you will 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*. Use it to confirm the T4 amounts
- Press F5 to toggle to Martin’s T1 and consult his *Slip Summary* 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

**Using the auditor**
Press F9 to consult ProFile’s *Active Auditor*. With the Active Auditor you can:

• View the return for errors, omissions, and suggestions
• Double-click an audit message to jump to the related form
• Use a sign-off to clear an 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 increasingly popular, provide a PDF copy. In either case, you will want your clients to sign CRA’s T183 which authorizes you to EFILE the T1 on their behalf.

- 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**

  ![Print Selection Window](image)

- 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
EFILE it

The last step is to EFILE the return. EFILE is CRA’s electronic-filing portal that all professional tax preparers are required to use. Remember that before you can EFILE a tax return, your client will need to sign CRA’s T183.
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 *Authorize a Representative* 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 to 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