

Chapter 5

Advanced T1 Work

Learning Objectives

At this chapter's end
students will understand:

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

Additional Resources

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

[Professional Accounting Software](#)

[Tax Preparation & efilings
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 (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. Chapter introduced a married couple Angela Carsonn and Martin St-Pierre. We also prepared a separate and independent tax return for a university student by the name of Johnny Carsonn. Chapter 4, therefore, assumed no relation between the married couple (Angela and Martin) and the student (Johnny). In this chapter, you will learn how ProFile optimizes tax returns—using a feature called *Family Linking*—when there is a relationship amongst various taxpayers.

Let's begin, though, by assuming that the married couple, Angela Carsonn and Martin St-Pierre, submit even more forms.


- These forms include the following RSP slip

		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
Feb 20, 2019		8000.00	
CONTRIBUTOR'S NAME		Angela Carsonn	
Angela Carsonn		ANNUITANT'S SOCIAL INSURANCE NUMBER	CONTRIBUTOR'S SOCIAL INSURANCE NUMBER
		453 545 121	453 545 121
Contribution was in whole or in part, in kind <input type="checkbox"/>			
Official tax receipt		The Canada Trust Company La société Canada Trust	
Registered under the income tax act (CANADA) and subject thereto.		(Authorized Signature) (Signature plus propre adresse)	

- And a schedule of Medical Expense

Medical Expenses				
Date	Name	Provider	Description	Amount
March 14, 2018	Angela Carsonn	Clear Sight Eyes	Eyeglasses	1588.44
June 28, 2018	Angela Carsonn	Dr. Nicholls	Dental	888.78
November 30, 2018	Angela Carsonn	Barclay & Associates	Physiotherapy	1044.22

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


 Agence du revenu du Canada / Canada Revenue Agency


Protected B when completed
 For student

Tuition and Enrolment Certificate

• 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).
 • Tuition fees paid in respect of the calendar year to any one institution have to be more than \$100. Fees paid to an institution certified by ESDC or to a post-secondary educational institution in Canada for courses that are not at a post-secondary school level, 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.
 • Students calculate their provincial or territorial education amounts (if applicable) based on the number of months indicated in Box B or C below.

Name of program or course Fine Arts				Student number NCC-1701							
Name and address of student Carla CARSONN 1010 Main Street				Session periods, part-time and full-time		A Eligible tuition fees, part-time and full-time sessions		Number of months for			
Anytown ON M5A 1A1 CAN				From		To		B Part-time		C Full-time	
				Y	M	Y	M				
CONCORDIA UNIVERSITY 1455 De Maisonneuve Montréal QC H3G 1M8				2018	01	2018	12	8,488.48		0	8
				Totals						8,488.48	
Name and address of educational institution										1	

Information for students: See the back of slip 1. If you want to transfer all or part of your tuition amount, complete the back of slip 2.
 T2202A E (18)


 Canada Revenue Agency / Agence du revenu du Canada

T4
Statement of Remuneration Paid
État de la rémunération payée

Year / Année: **2018**

Employer's name - Nom de l'employeur HI-IMPACT HR 1000 Main St		Employment income - line 101 / Revenu d'emploi - ligne 101 14 9,100.00		Income tax deducted - line 437 / Impôt sur le revenu retenu - ligne 437 22	
Anytown ON M4A 0A1		Province of employment / Province d'emploi 10 ON		Employee's CPP contributions - line 308 / Cotisations de l'employé au RPC - ligne 308 16 277.20	
Employer's account number / Numéro de compte de l'employeur 54 89911 1911 RP 0001		Employee's QPP contributions - line 308 / Cotisations de l'employé au RRQ - ligne 308 17		EI insurable earnings / Gains assurables d'AE 24 9,100.00	
Social insurance number / Numéro d'assurance sociale 12 676 767 627		Employee's EI premiums - line 312 / Cotisations de l'employé à l'AE - ligne 312 18 151.06		CPI/QPP pensionable earnings / Gains ouvrant droit à pension - RPC/RRQ 26 9,100.00	
Exempt - Exemption 28 <input type="checkbox"/> CPP/QPP <input type="checkbox"/> EI <input type="checkbox"/> PPIP <input type="checkbox"/>		RPP contributions - line 207 / Cotisations à un RPA - ligne 207 20		Union dues - line 212 / Cotisations syndicales - ligne 212 44	
Employment code / Code d'emploi 29		Pension adjustment - line 206 / Facteur d'équivalence - ligne 206 52		Charitable donations - line 349 / Dons de bienfaisance - ligne 349 46	
Employee's name and address - Nom et adresse de l'employé Last name (in capital letters) - Nom de famille (en lettres majuscules): CARSONN First name - Prénom: CARLA		Employee's PIP premiums - see over / Cotisations de l'employé au RPAP - voir au verso 55		RPP or DSP registration number / N° d'agrément d'un RPA ou d'un RPDB 50	
1010 Main Anytown ON CAN M5A 1A1		Employee's PIP premiums - see over / Cotisations de l'employé au RPAP - voir au verso 55		PPIP insurable earnings / Gains assurables du RPAP 56	

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

RC-14-599 1

Recording RRSP contributions

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

RRSP/PRPP		RRSP/PRPP deduction	
RRSP contributions			
Verify unused amount from Box B Notice of Assessment or enter it as 'Prior to 2018'.			
Description	Contribution period	Contributions made to	
		Own RRSPs	Spousal RRSPs
TDW	January 1, 2019 to March 1, 2019	8,000.00	0.00
	March 1 to December 31, 2018	0.00	0.00
	Subtotal	8,000.00	0.00
PRPP Contributions			
Description	Contribution period	Employee Contributions Made to	
		Own PRPP	
	January 1, 2018 to December 31, 2018	0.00	
	Subtotal	0.00	
PRPP employer contributions: January 1, 2018 to December 31, 2018 (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	
	Subtotal	8,000.00	0.00
Less: Designated Home Buyers' Plan (HBP) repayment		0.00	
Designated Lifelong Learning Plan (LLP) repayment		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

RRSP/PRPP deduction limit	
Option 1: Enter limit from 2017 Notice of (Re)Assessment	9,500
Option 2: Calculate the limit	
2017 earned income	0 X 18%
Lesser of A or \$26,230	0 A
Less: Pension adjustment from 2017 T4/T4A slips	0
2018 past service pension adjustment	0
Plus: 2018 pension adjustment reversal from T10 slip	0
Subtotal	0
Plus: Unused RRSP/PRPP deduction room from 2017	0
Subtotal	9,500
Less: Saskatchewan Pension Plan deduction	0
RRSP/PRPP deduction limit for 2018	9,500

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 Angela'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

Medical **Medical expenses**

Optimize medical expenses? Yes No

Medical expenses - line 330

Period covered by claim: from 2018/01/01 to 2018/12/31

Payment date	Name of patient	Payment made to	Description of expense	* Subject to limitation?	Amount	Claim
2018/04/14	Angela Carsonn	Clear Sight Eyes	Eyeglasses	No	1,588.44	1,588.44
2018/06/22	Angela Carsonn	Dr Nicholls	Dental	No	888.78	888.78
2018/11/18	Angela Carsonn	Barclay & Assoc	Physio	No	1,044.22	1,044.22
yyyy/mm/dd				No	0.00	0.00
Medical expenses subtotal						3,521.44

Are you claiming medical expenses? Yes

	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 - 2017	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

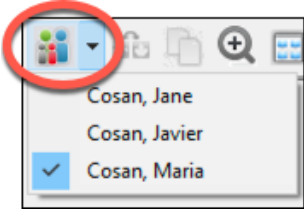
Name of other dependant	Net income
	0.00

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

Recording Dependant Information

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

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 Carla's personal information on the *Dependant information* form


Dependant information			
Are you eligible to receive the Child Tax Benefit?	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>		
Family caregiver amount claimed by	You <input checked="" type="checkbox"/> Spouse <input type="checkbox"/>		
	Dependant #1	Dependant #2	Dependant #3
Social Insurance Number	676 767 627		
First name	Carla		
Last name	Carsonn		
Relationship	Daughter		N/A
Birth date	2002/10/10	yyyy/mm/dd	yyyy/mm/dd
Net income	0.00	0.00	0.00
Total split income from Line 6836 of form T1206	0.00	0.00	0.00
TOSI-adjusted net income	0.00	0.00	0.00
Claim as eligible dependant?	No	No	No
Dependant claiming GST credit?	Yes	Yes	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 2018?	No	No	No
Did dependant live with you in 2018?	Yes	Yes	Yes
Dependant meets all of the conditions of a qualified dependant	Yes	Yes	Yes

- To create Carla's T1 return, right-click on any field in the form and select *Return for Carla*

Dependant information			
Are you eligible to receive the Child Tax Benefit?	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>		
Family caregiver amount claimed by	You <input checked="" type="checkbox"/> Spouse <input type="checkbox"/>		
	Dependant #1	Dependant #2	Dependant #3
Social Insurance Number	676 767 627		
First name	Carla		
Last name	Carsonn		
Relationship	Daughter		N/A
Birth date	2002/10/10	yyyy/mm/dd	yyyy/mm/dd
Net income	0.00	0.00	0.00
Total split income from Line 6836 of form T1206	0.00	0.00	0.00
TOSI-adjusted net income	0.00	0.00	0.00
Claim as eligible dependant?	No	No	No
Dependant claiming GST credit?	Yes	Yes	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 2018?	No	No	No
Did dependant live with you in 2018?	Yes	Yes	Yes
Dependant meets all of the conditions of a qualified dependant	Yes	Yes	Yes

- ProFile will open a window to confirm the action. Click *OK*

Confirm ✕

 **ProFile**

Create a new return for Carla?

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

T4 Slip		Box	Slip #1	Slip #2	Slip #3	Slip #4	Total
Description			Hi-IMPACT HR				
Province of employment		10	Ontario				
Employment income		14	9,100.00	0.00	0.00	0.00	9,100.00
Employee's contributions		16	277.20	0.00	0.00	0.00	277.20
	CPP	17	0.00	0.00	0.00	0.00	0.00
	QPP	18	151.06	0.00	0.00	0.00	151.06
	EI premiums	55	0.00	0.00	0.00	0.00	0.00
	PPIP						
Exempt		28	No	No	No	No	
	CPP/QPP						
	EI		No	No	No	No	
	PPIP		No	No	No	No	
Employment code		29					
RPP contributions		20	0.00	0.00	0.00	0.00	0.00
Pension adjustment		52	0.00	0.00	0.00	0.00	0.00

Tuition Slips		Box	Slip #1	Slip #2	Slip #3	Slip #4	Total
Description			Concordia U				
T2202A, TL11A, TL11B, TL11C							
Tuition fees paid		A	8,488.48	0.00	0.00	0.00	8,488.48
Number of months in part-time enrolment		B	0	0	0	0	0
Number of months in full-time enrolment		C	8	0	0	0	8
TL11D							
Tuition fees paid			0.00	0.00	0.00	0.00	0.00
Charitable donations			0.00	0.00	0.00	0.00	0.00

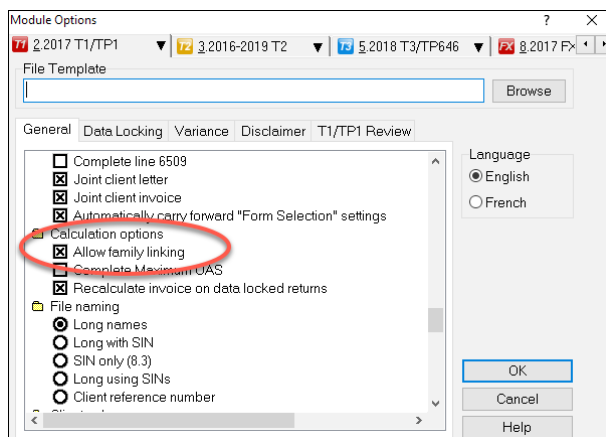
Tuition transfers

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 Carla had excess tuition expenses, ProFile automatically transfers the applicable tuition credit to the appropriate spouse. A quick glance at line 324 of Martin's S1 form confirms the transfer

Interest paid on your student loans (See Guide P105.)	319	0.00	21
Your tuition, education, and textbook amounts (Complete Schedule 11)	323	0.00	22
Tuition amount transferred from a child	324	5,000.00	23
Amounts transferred from your spouse or common-law partner (Complete Schedule 2)	326	0.00	24

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 screenshot below shows the Tax Summary for a married couple named Mary and Frank. Mary earns significantly more than her spouse, Frank, some of her income stemming from a pension of \$48,950. Tax practitioners will know that 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	12,350	7,200	Spousal
Other pensions	115	48,950	0	Frank
Split-pension amount	116	0	0	Infirm/
Universal Child Care Benefit	117	0	0	CPP/Q
Employment Insurance	119	0	0	Volunte
Taxable dividends	120	0	0	Canada
Interest	121	10	142	Public
Limited partnership	122	0	0	Childre
RDSP	125	0	0	Home s
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				
RPP	207	0	0	Credit &
RRSP *	208	0	0	Donatio
Split-Pension Deduction	210	0	0	Total p

- 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 as your split-pension amount for the year. The split-pension amount cannot be more than the amount from Line F. G

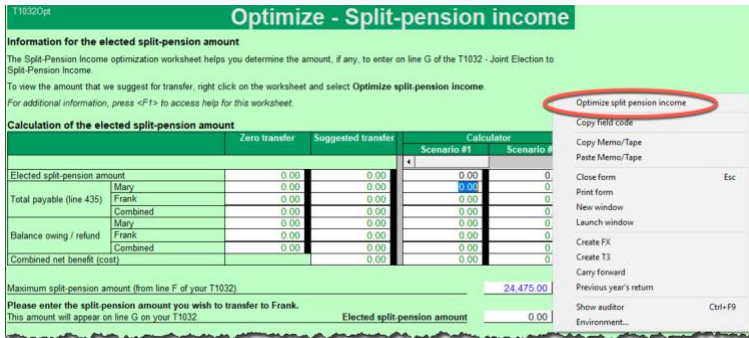
Enter this amount on line 210 of the transferring spouse or common-law partner's return and on line 116 of the receiving spouse or common-law partner's return.

Step 4 - Pension income amount (line 314)

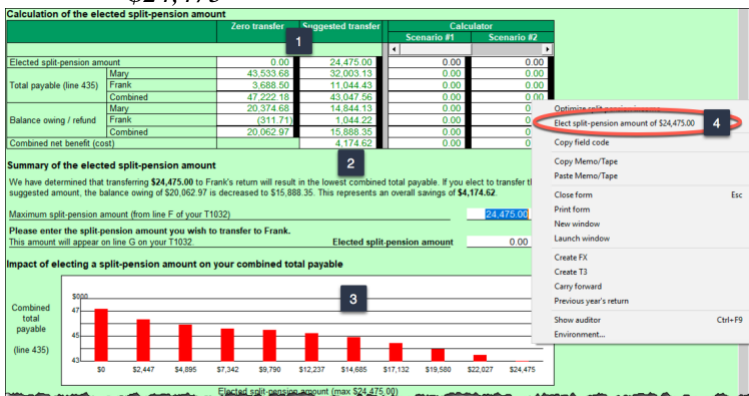
Part A - Calculate the pension income amount of the transferring spouse or common-law partner.

Amount from line A H

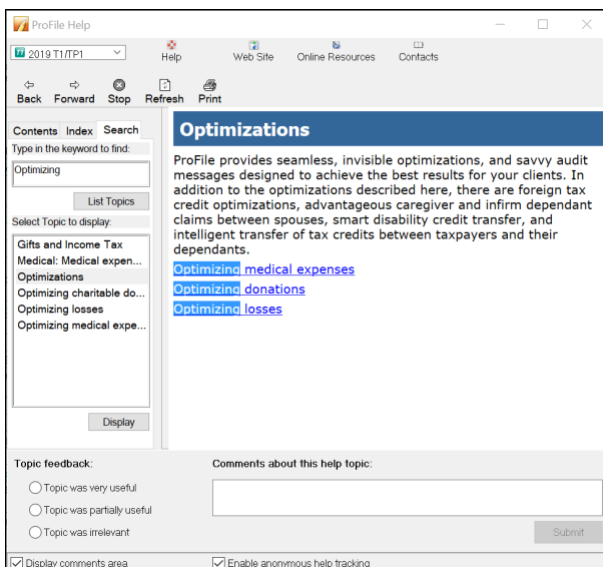
- ProFile opens the *T1032Opt* pension worksheet form. Right-click the form and select *Optimize split pension income*



- 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



To 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

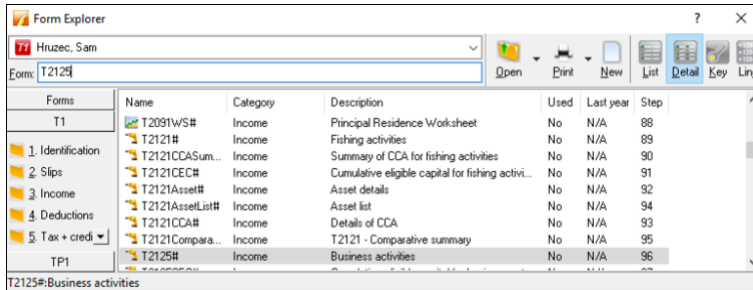
As professional-grade tax software, ProFile can accommodate many types of income scenarios. Examples include rental income, investment income and income from self-employment. This section will illustrate ProFile's ability to accommodate the latter scenario.

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 2018	
<hr/>	
Revenue	91,773
EXPENSES	
Accounting Fees	4,800
Advertising & Promotion	1,447
Interest & Bank Charges	1,547
Office expenses	1,398
Telephone	626
Travel Expense	780
<hr/>	
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
Home Insurance	628
Home Rep/Maint	1775
Heat	1288
Hydro	764
Property 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



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 3 – Business Income

Canada Revenue Agency / Agence du revenu du Canada

Statement of Business or Professional Activities

Protected B when completed

- Use this form to calculate your self-employment business and professional income.
- For each business or profession, fill out a **separate** Form T2125.
- Fill in this form and send it with your income tax and benefit return.
- For more information on how to fill in this form, see Guide T4002, *Self-employed Business, Professional, Commission, Farming and Fishing Income*.

Part 1 - Identification

Name: **Hruzec, Sam** Your social insurance number: **238 137 848**

Business Name: **SH Marketing** Business Number: **RT**

Business address: **1212 Oak Street** City: **Anytown** Province or territory: **ON** Postal code: **M1A 1A1**

Fiscal Period: From: **2018/01/01** to: **2018/12/31** Calendar Year

Main product or service: **Promotion** Industry code (press F8): **8119**

Accounting method (commission only): **Cash** **Accrual** Tax shelter identification number: **TS** Partnership Business Number: (9 digits) Your percentage of the partnership: **100.0000** %

Name and address of person or firm preparing this form: **AB-14007**

Part 3 - Business Income

2. 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: Business Commission

Gross sales, commissions, or fees (include GST/HST collected or collectible)

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
1	91,773.00

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**

2

Subtotal: Amount 1 minus amount 2 **91,773.00** **3**

If you are using the quick method for GST/HST Government assistance calculated as follows:

GST/HST collected or collectible on sales, commissions and fees eligible for the quick method **0.00** **4**

GST/HST remitted, calculated on (sales, commissions and fees eligible for the quick method plus GST/HST collected or collectible) multiplied by the applicable quick method remittance rate **0.00** **5**

Subtotal: Amount 4 minus amount 5 **0.00** **6**

Adjusted gross sales: Amount 3 plus amount 6 (enter on line 8000 of Part 3C) **91,773.00** **7**

- 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	1,856 44

- 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

Protected B when completed

Business Auto

Motor vehicle expenses (Business)

Allocation of expenses	Fiscal period		%	Amount	CCA	Terminal Loss	Recapture	Owned by business?
	Start	End						
T2125#1:SH Marketing	2018/01/01	2018/12/31	100	881.35	1,256.44	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 **Filmore**

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

	Taxable		Non Eligible	Total
	GST	HST		
Fuel and oil	0 00	0 00	827 00	827 00 3
Interest (see Chart B)			0 00	0 00 4
Insurance			914 00	914 00 5
License and registration			0 00	0 00 6
Maintenance and repairs	0 00	0 00	637 00	637 00 7
Leasing (See Chart D)	0 00	0 00	0 00	0 00 8
Other expenses (specify)	0 00	0 00	0 00	0 00 9
	0 00	0 00	0 00	0 00 10
Total motor vehicle expenses	0 00	0 00	2,378 00	2,378 00 11
Business use part: Multiply line 11 by 32.35 %	0 00	0 00	769 35	769 35 12
Business parking fees	0 00	0 00	112 00	112 00 13
Supplementary business insurance			0 00	0 00 14
Allowable motor vehicle expenses	0 00	0 00	881 35	881 35 15

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			0.00 5
Property taxes			3,840.00 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")			78,437.21 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.

Net partnership income: limited or non-active partners only	122	0.00
Registered disability savings plan income (box 131 of the T4A slip)	125	0.00
Rental income	Gross 160 0.00	Net 126 0.00
Taxable capital gains (Complete Schedule 3.)	127	0.00
Support payments received	Total 156 0.00	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 91,773.00	Net 135 76,885.87
Professional income	Gross 164 0.00	Net 137 0.00
Commission income	Gross 166 0.00	Net 139 0.00
Farming income	Gross 168 0.00	Net 141 0.00
Fishing income	Gross 170 0.00	Net 143 0.00
Workers' compensation benefits (box 10 of the T5007 slip)	144	0.00
Social assistance payments	145	0.00
Net partnership income: box 21 of the T4A (0.00)	146	0.00

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
- Note how the auditor alerts you that amounts are prorated ⁵
- You may then complete the rest of the return as you normally would

2018 Personal information	
Taxpayer personal information	
SIN: 222 222 226	Marital status
Title: Ms	Indicate your marital status on December 31, 2018
First name: Rene	1 <input type="checkbox"/> Married 2 <input type="checkbox"/> Living common-law 3 <input type="checkbox"/> Widowed
Last name: Descartes	4 <input type="checkbox"/> Divorced 5 <input type="checkbox"/> Separated 6 <input checked="" type="checkbox"/> Single
Last name changed in 2018? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	If status changed in 2018, enter date of change: mm/dd
Do you want to change your address? <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 type="checkbox"/> No
Care of:	Residency
Street address: 1299 Main St Apt #	Province of residence on 2018/12/31: Ontario ¹
P.O. Box	Province of self-employment:
City: Anytown	If you became or ceased to be a Canadian resident in 2018, enter date of: entry ² or departure
Province: ON	06/12 mm/dd ⁵ <small>Not year resident. Some amounts have been prorated.</small>
Postal code: M2A 1A1	Spouse's or common-law partner's net income while the taxpayer is living in Canada: 5263 0.00
Primary phone: (905) 999-9999	Spouse's or common-law partner's net income while the taxpayer is living outside of Canada: 5267 0.00
Birth date: 1999/12/12 Age: 19	Canadian sourced non-resident income: 5292 12,222.00 ³
Date of Death: yyyy/mm/dd	Foreign sourced non-resident income: 5293 12,222.00
Gender: <input type="checkbox"/> Male <input type="checkbox"/> Female	Prorate non-refundable tax credits for part-year resident? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No ⁴
Province or territory where taxpayer resides if different from mailing address:	Are you a non-resident? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
CRA online mail: <input type="checkbox"/> Already registered <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Residency status: Resident
Email address:	
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.	
Do you want preparer to get Electronic Notice of Assessment? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	

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

