

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 (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 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 4 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 works T1 returns when there is a relationship between a married couple and a dependant (son or daughter).

Let's begin, though, by assuming that the married couple, Angela Carsonn and Martin St-Pierre, provide 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 12, 2020		8000.00	
Angela Carsonn		CONTRIBUTOR'S NAME Angela Carsonn	
		ANNUITANT'S SOCIAL INSURANCE NUMBER 453 545 121	CONTRIBUTOR'S SOCIAL INSURANCE NUMBER 453 545 121
Contribution was in whole or in part, in kind <input type="checkbox"/>			
		Registered under the income tax act (CANADA) and subject thereto.	
		The Canada Trust Company La Société Canadienne Trust  <small>(Authorized Signature / Signature des personnes autorisées)</small>	

- And a schedule of Medical Expense

Medical Expenses				
Date	Name	Provider	Description	Amount
March 14, 2019	Angela Carsonn	Clear Sight Eyes	Eyeglasses	1588.44
June 28, 2019	Angela Carsonn	Dr. Nicholls	Dental	888.78
November 30, 2019	Angela Carsonn	Barclay & Associates	Physiotherapy	1044.22

- Further assume that Angela's son, Johnny Carsonn was at university full-time and had the following tuition certificate

Canada Revenue Agency / Agence du revenu du Canada

Protected B / Protégé B
when completed / une fois rempli

For student / Pour étudiant
Year / Année: 2019

T2202 Tuition and Enrolment Certificate Certificat pour frais de scolarité et d'inscription

Name and address of designated educational institution / Nom et adresse de l'établissement d'enseignement: ProFile 2021 Tour, 1212 Main St, Anytown ON M1A1A1

School type / Catégorie d'école: 11

Flying school or club / École ou club de pilotage: 12

Student number / Numéro d'étudiant: 14, 10101010

Filer Account Number / Numéro de compte du déclarant: 15

Name of program or course / Nom du programme ou du cours: 13, Computer Science

19	20	21	22	23
Session periods / Périodes d'études	From YY/MM De AA/MM	To YY/MM À AA/MM	Number of months part-time / Nombre de mois à temps partiel	Eligible tuition fees, part-time and full-time / Frais de scolarité admissibles pour études à temps partiel et à temps plein
1	2019 01	2019 12	08	7616
2				0
3				0
4				0
Totals / Totaux: 24			25, 08	26, 7616

Student Name / Nom de l'étudiant: JOHNNY CARSONN

Student address / Adresse de l'étudiant: 2020 Smith St, Anytown M4A 1A1, ON CAN

Social insurance number (SIN) / Numéro d'assurance sociale (NAS): 17, 4 8 7 4 8 7 5 8 9

Information for students: See the back of Certificate 1. If you want to transfer all or part of your tuition amount, complete the back of Certificate 2.

Renseignements pour les étudiants : Lisez le verso du certificat 1. Si vous désirez transférer une partie ou la totalité de vos frais de scolarité, remplissez le verso du certificat 2.

See the privacy notice on the next page. / Consultez l'avis de confidentialité à la page suivante.

T2202 (20)



As in Chapter 4, assume that Johnny also received this T4 slip. The goal therefore is to apply any and all available deductions and credits so as to minimize the family's tax liability. In ProFile, this process is called *Optimization*.

Canada Revenue Agency / Agence du revenu du Canada

T4
Statement of Remuneration Paid / État de la rémunération payée

Year / Année: 2019

Employer's name - Nom de l'employeur: ProFile 2021 Tour, 1212 Main St, Anytown ON M1A 1A1

Employer's account number / Numéro de compte de l'employeur: 54, 23122 3131 RP 0001

Social insurance number / Numéro d'assurance sociale: 12, 487 487 589

Exempt - Exemption: 28, CPP/QPP EI PPIP RPC/RRQ AE RPAP

Province of employment / Province d'emploi: 10, ON

Employment code / Code d'emploi: 29

Employee's name and address - Nom et adresse de l'employé: CARSONN JOHNNY, 2020 Smith Street, Anytown ON CAN, M4A 1A1

14	Employment income - line 10100 / Revenus d'emploi - ligne 10100: 9,000.00	22	Income tax deducted - line 43700 / Impôt sur le revenu retenu - ligne 43700: 900.00
16	Employee's CPP contributions - line 30800 / Cotisations de l'employé au RPC - ligne 30800: 280.50	24	EI insurable earnings / Gains assurables d'AE: 9,000.00
17	Employee's QPP contributions - line 30800 / Cotisations de l'employé au RRQ - ligne 30800	26	CPP/QPP pensionable earnings / Gains ouvrant droit à pension - RPC/RRQ: 9,000.00
18	Employee's EI premiums - line 31200 / Cotisations de l'employé à l'AE - ligne 31200: 145.80	44	Union dues - line 21200 / Cotisations syndicales - ligne 21200
20	RPP contributions - line 20700 / Cotisations à un RPA - ligne 20700	46	Charitable donations - line 34900 / Dons de bienfaisance - ligne 34900
52	Pension adjustment - line 20600 / Facteur d'équivalence - ligne 20600	50	RPP or DPSP registration number / N° d'agrément d'un RPA ou d'un RPDB
55	Employee's PPIP premiums - see over / Cotisations de l'employé au RPAP - voir au verso	56	PPIP insurable earnings / Gains assurables du RPAP

Other information (see over) / Autres renseignements (voir au verso): Box - Case, Amount - Montant

T4 (19)

RC-14-599 1

Recording RRSP contributions

- With Angela and Martin's tax return open, press F4 and, in the Form Explorer, enter *RSP* in the search field. 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 2019'.			
Description	Contribution period	Contributions made to	
		Own RRSPs	Spousal RRSPs
TDW	January 1, 2020 to March 2, 2020	8,000.00	0.00
	March 2 to December 31, 2019	0.00	0.00
Subtotal		8,000.00	0.00
PRPP Contributions			
Description	Contribution period	Employee Contributions Made to Own PRPP	
	January 1, 2019 to December 31, 2019	0.00	
Subtotal		0.00	
PRPP employer contributions: January 1, 2019 to December 31, 2019 (amount from your PRPP contribution receipts) - report on line 20810		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
Saskatchewan Pension Plan (SPP) contributions			
Contribution period	Own SPP	Spousal SPP	
Prior to 2019 (amount from CRA)	0.00	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 2018 Notice of (Re)Assessment	9,500
Option 2: Calculate the limit	
2018 earned income	0 X 18%
Lesser of A or \$26,500	0
Less: Pension adjustment from 2018 T4/T4A slips	0
2019 past service pension adjustment	0
Plus: 2019 pension adjustment reversal from T10 slip	0
Subtotal	0
Plus: Unused RRSP/PRPP deduction room from 2018	0
Subtotal	9,500
Less: Saskatchewan Pension Plan deduction	0
RRSP/PRPP deduction limit for 2019	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 expenses

Optimize medical expenses? Yes No

Medical expenses - line 33099

Period covered by claim: from 2019/01/01 to 2019/12/31

Payment date	Name of patient	Payment made to	Description of expense	* Subject to limitation?	Amount	Claim
2019/03/14	Angela CARSONN	Clear Sight Eyes	Eyeglasses	No	1,588.44	1,588.44
2019/06/28	Angela CARSONN	Dr. Nicholls	Dental	No	888.78	888.78
2019/11/30	Angela CARSONN	Barclay & Associates	Physiotherapy	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 - 2018	0.00	0.00	
Nova Scotia Seniors' Pharmacare Program	0.00	0.00	0.00
Total medical expenses - line 33099			3,521.44

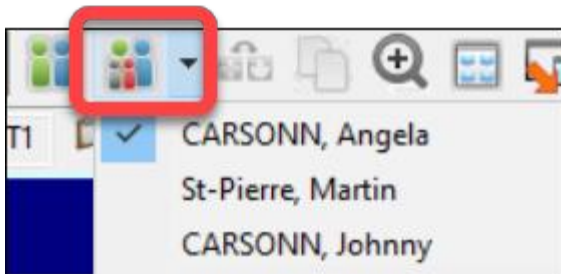
Allowable amount of medical expenses for other dependants - line 33199

Name of other dependant					Net income	Claim
Payment date	Payment made to	Description of expense	* Subject to limitation?	Amount		
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 son, Johnny. 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/dropdown menu that lets you toggle amongst the family's tax files.


- From Angela's T1, Press F4 and enter *Dep* in *Form Explorer's Search* field
- Enter Johnny's personal information on the *Dependant information* form

Dependant			
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	487 487 589		
First name	Johnny		
Last name	CARSONN		
Relationship	Son	N/A	N/A

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

Help	F1
Return for Johnny	
Cut	
Copy	
Copy field code	
Paste	
Insert column	
Delete column	
Format override	Ctrl+F2
Attach memo	F8

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

Confirm		×
	ProFile	
Create a new return for Johnny?		
<input type="button" value="OK"/> <input type="button" value="Cancel"/>		

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

T4		T4 Slip					
Statement of Remuneration Paid		Box	Slip #1	Slip #2	Slip #3	Slip #4	Total
Description			ProFile Tour				
Province of employment		10	Ontario				
Employment income		14	9,000.00	0.00	0.00	0.00	9,000.00
Employee's contributions							
CPP	16	280.50	0.00	0.00	0.00	0.00	280.50
QPP	17	0.00	0.00	0.00	0.00	0.00	0.00
EI premiums	18	145.80	0.00	0.00	0.00	0.00	145.80
PPIP	55	0.00	0.00	0.00	0.00	0.00	0.00
Exempt							
CPP/QPP	28	No					
EI		No					
PPIP		No					
Employment code		29					
RPP contributions		20	0.00				
Pension adjustment		52	0.00				
Income tax deducted		22	900.00				
EI insurable earnings		24	9,000.00				
CPP/QPP pensionable earnings		26	9,000.00				
PPIP insurable earnings		56	0.00				
Union dues		44	0.00				
Charitable donations		46	0.00				

T2202/TL11		Tuition Slips					
Tuition and education credit certificates		Box	Slip #1	Slip #2	Slip #3	Slip #4	Total
Description			ProFile Tour				
T2202, TL11A, TL11C							
Tuition fees paid to Canadian educational institutions		26	7,616.00	0.00	0.00	0.00	7,616.00
Tuition fees paid to foreign educational institutions			0.00	0.00	0.00	0.00	0.00
Number of months in part-time enrolment		24/B	0	0	0	0	0
Number of months in full-time enrolment		25/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

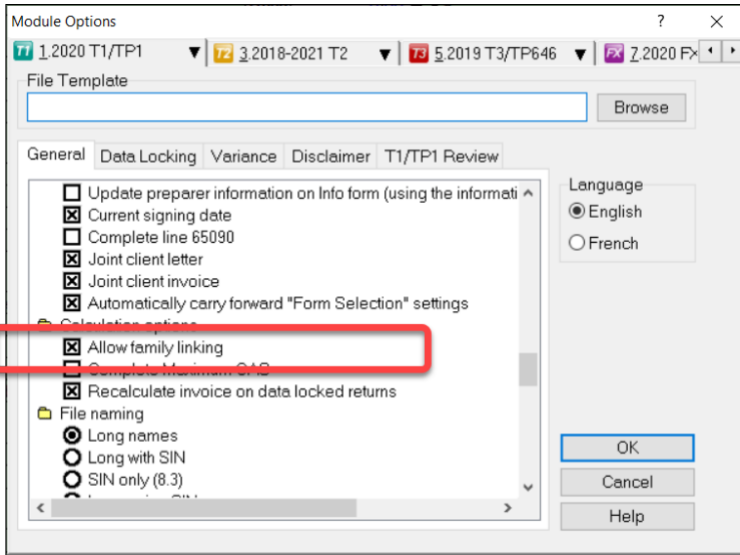
Tuition transfers

When a student's income isn't high enough to use up all available tuition credits, 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 Johnny had excess tuition expenses, ProFile automatically transfers the applicable tuition credit to the appropriate spouse. A quick glance at line 32400 of Martin's T1 confirms the transfer

your tuition, education, and textbook amounts (Complete Schedule 11)	32300	0.00	23
tuition amount transferred from a child	32400	5,000.00	23

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 Sarah and John. In this example, Sarah earns significantly more than her spouse, John, with her income stemming from a pension of \$78,211. Tax practitioners will know that there is an opportunity, therefore, to split the pension income and reduce the couple's overall tax liability.

Summary		
	Sarah	John
Total income		
Employment *	10100	20,000
Old Age Security	11300	0
CPP/QPP benefits	11400	0
Other pensions	11500	0
Split-pension amount	11600	0
Universal Child Care Benefit	11700	0
Employment Insurance	11900	0
Taxable dividends	12000	0
Interest	12100	0
Limited partnership	12200	0
RDSP	12500	0
Rental	12600	0
Taxable capital gains	12700	0
Support payments	12800	0
RRSP	12900	0
Other *	13000	0
Self-employment *	13500	0
Workers' compensation and social assistance	14700	0
Total income	78,211	20,000

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

- 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 21000 of the transferring spouse's or common-law partner's return and on line 11600 of the receiving spouse's or common-law partner's return.

- 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 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

Elected split-pension amount		
Total payable (line 43500)	Sarah	16
	John	
	Combined	16
Balance owing / refund	Sarah	11
	John	(1)
	Combined	9
Combined net benefit (cost)		

Summary of the elected split-pension amount
 We have determined that transferring **\$27,754.62** to John's return vs. the suggested amount, the balance owing of \$9,959.73 is decreased to \$0.

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

Please enter the split-pension amount you wish to transfer to the receiving spouse's or common-law partner's return. This amount will appear on line G on your T1032.

Impact of electing a split-pension amount on your combined tax liability

Right-click context menu options:

- Optimize split pension income
- Copy field code
- Copy Memo/Tape
- Paste Memo/Tape
- Attach a Doc
- 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
- The form highlights the net benefit of accepting the suggested transfer
- It also provides a chart outlining the tax liability under different transfer scenarios
- To accept ProFile's suggested transfer, right-click the form and select *Elect split-pension amount of \$27,754.62*

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
Elected split-pension amount	0.00	27,754.62
Total payable (line 43500)		
Sarah	16,295.72	7,413.00
John	0.00	5,960.50
Combined	16,295.72	13,373.50
Balance owing / refund		
Sarah	11,959.72	4,496.40
John	(1,999.99)	2,541.10
Combined	9,959.73	7,037.50
Combined net benefit (cost)		2,922.10

Summary of the elected split-pension amount
 We have determined that transferring \$27,754.62 to John's return will result in the lowest combined total payable. The balance owing of \$9,959.73 is decreased to \$7,037.57. This represents the suggested amount.

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

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

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

TIP: 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

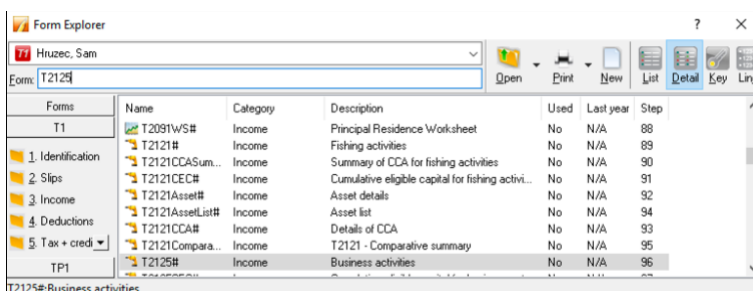
As professional-grade tax software, ProFile can accommodate many types scenarios. Examples include rental income, investment income and income from self-employment. This section will illustrate ProFile's ability to accommodate the latter scenario.

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

SH Marketing Services	
P&L	
Jan - Dec 2019	
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
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 activities 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 in 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

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

Business name: **SH Marketing** | Business number (15 characters): **RT**

Business address:
 Number: **1212** | Street, P.O. Box: **Oak St** | Apartment or suite:
 City: **Anytown** | Province or territory: **ON** | Postal code: **M9A 9A1**

Fiscal period:
 From: **2019/01/01** to: **2019/12/31** | Calendar Year | Was this your last year of business? Yes No

Main product or service: | Industry code (press F6): **811119**
 Promotion: (see the appendix in Guide T4002)

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:
ABC IMPOT
1000 Main St
Laval, Québec J1K1A1

Part 2 - Internet business activities

If your web pages 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 web page or website addresses, also known as uniform resource locator (URL):
 http://

third year, 80% in the fourth year, and 100% in the fifth and all subsequent tax years. For more information, see chapter 2 or guide T4002.

Part 3A – 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): **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**

3A **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 3A): **0.00**

3B **0.00**

Subtotal: Amount 3A minus amount 3B **3C** **91,773.00**

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** **3D**

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** **3E**

Subtotal: Amount 3D minus amount 3E **3F** **0.00**

Adjusted gross sales: Amount 3C plus amount 3F (enter on line 900 of Part I) **3G** **91,773.00**

- Record all business expenses in Part 4 of the T2125

Gross business or professional income (line 8299 of Part 3C) or Gross profit (line 8519 of Part 3D)		91,773.00	4A
Expenses (enter only the business part)			
Advertising		8521	1,447.00 4B
Meals and entertainment	0.00 x 50%		
Meals and entertainment (long haul truck drivers)	0.00 x 80%	8523	0.00 4C
Bad debts		8590	0.00 4D
Insurance		8690	0.00 4E
Interest		8710	1,547.00 4F
Business taxes, licences, and memberships		8760	0.00 4G
Office expenses		8810	1,398.00 4H
Office stationery and supplies		8811	0.00 4I
Professional fees (includes legal and accounting fees)		8860	4,800.00 4J
Management and administration fees		8871	0.00 4K
Rent		8910	0.00 4L
Repairs and maintenance		8960	0.00 4M
Salaries, wages, and benefits (including employer's contributions)		9060	0.00 4N
Property taxes		9180	0.00 4O
Travel expenses		9200	780.00 4P
Utilities		9220	626.00 4Q
Fuel costs (except for motor vehicles)		9224	0.00 4R
Delivery, freight, and express		9275	0.00 4S
Motor vehicle expenses (not including CCA) (see Chart A) - from worksheet		881.35	
Motor vehicle expenses (not including CCA)			881.35 4T

- 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 Marketing	2019/01/01	2019/12/31	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
	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 <u>32.35</u> %	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 it as an eligible business expense on the T2125

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

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 7A
Electricity		764	00 7B
Insurance		628	00 7C
Maintenance		1,775	00 7D
Mortgage interest		0	00 7E
Property taxes		3,840	00 7F
Other expenses (specify):		0	00 7G
Subtotal: Add amounts 7A to 7G			8,295 00 7H
Personal-use part of the business-use-of-home expenses		6,743	66 7I
Subtotal: Amount 7H minus amount 7I			1,551 34 7J
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 7K
Amount carried forward from previous year		0	00 7L
Subtotal: Add amounts 7J to 7L			1,551 34 7M
Net income (loss) after adjustments (amount 5C) (if negative, enter "0")		80,293	65 7N
Business-use-of-home expenses available to carry forward: Amount 7M minus amount 7N (if negative, enter "0")			0 00 7O
Allowable claim: The lesser of amount 7M and 7N above (enter your share of this amount on line 9945 of Part 4)			1,551 34 7P

PART-YEAR RESIDENTS

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
- On the Info page, report the date of entry into Canada
- After reporting the date of entry, ProFile will open additional fields, including Line 52920 and 52930. In these fields, report Canadian and foreign-sourced non-resident income. In this example, there is \$9,000 of foreign-sourced, non-resident income
- Once you enter an amount on either Line 52920 or 52930, ProFile will tick the box to prorate non-refundable tax credits
- Note how the auditor alerts you that amounts are prorated
- You may then complete the rest of the return as you normally would

2019 Personal information

Taxpayer personal information

SIN: 111 111 118
 Title: M
 First name: Rene
 Last name: Descartes
 Last name changed in 2019? Yes No
 Do you want to change your address? Yes No
 Care of: _____
 Street address: 12911 Main St Apt # _____
 P.O. Box: _____ R.R. _____
 City: ANYtown
 Province: ON
 Postal code: K1A 1A1
 Primary phone: (416) 555-1312
 Birth date: 1988/12/12 Age: 31
 Date of Death: yyyy/mm/dd
 Gender: Male Female
 Province or territory where taxpayer resides if different from mailing address: _____
 CRA online mail: Already registered Yes No
 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? Yes No

Marital status

Indicate your marital status on December 31, 2019
 1 Married 2 Living common-law 3 Widowed
 4 Divorced 5 Separated 6 Single
 If status changed in 2019, enter date of change: _____ mm/dd
 Were you married or living common-law at any time in this tax year? Yes No

Residency

Province of residence on 2019/12/31: Ontario
 Province of self-employment: _____
 If you became or ceased to be a Canadian resident in 2019, enter date of: _____ entry or departure mm/dd

Spouse's or common-law partner's net income while the taxpayer is living in Canada	52630	0.00
Spouse's or common-law partner's net income while the taxpayer is living outside of Canada	52670	0.00
Canadian sourced non-resident income	52920	9,000.00
Foreign sourced non-resident income	52930	9,000.00

Prorate non-refundable tax credits for part-year resident? Yes No
 Are you a non-resident? Yes No
 Residency status: Resident

Part year resident. Some amounts have been prorated.

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
