

Definitions

Balance owing

the amount that you have to pay to the Canada Revenue Agency (CRA) if you haven't paid enough tax during the year.

Canada child benefit (CCB)

a tax-free monthly payment that eligible families get to help them with the cost of raising children under age 18. The amount of the benefit varies depending on the number of children, their ages, and the family net income.

Canada Pension Plan (CPP)

a pension plan that will protect you and your family when you lose income because of retirement, death, or disability.

Canada Pension Plan (CPP) overpayment

you may be entitled to a refund if you contributed more to the CPP than required.

Canada Revenue Agency (CRA)

the agency that administers tax laws for the Government of Canada and most provinces and territories.

Deductions

amounts that taxpayers can subtract from their total income to determine their taxable income.

EFILE

a way to file your income tax and benefit return using an EFILE service provider.

Employment insurance (EI) premiums

a deduction from your salary or wages. If you become unemployed, you might be entitled to EI benefits. Self-employed people may be able to enter into an agreement with the Canada Employment Insurance Commission through Service Canada, to participate in the EI program for access to EI special benefits.

Employment insurance (EI) overpayment

you may be entitled to a refund if you contributed more to EI than required.

Exempt from tax

certain types of income are not taxable, for example, lottery winnings, most gifts and inheritances, GST/HST credit and Canada child tax benefit payments.

Goods and services tax (GST)

a 5% federal tax that applies to the supply of most goods and services in Canada. Although the consumer pays the tax, businesses are generally responsible for collecting and remitting it to the government.

Goods and services tax/harmonized sales tax (GST/HST) credit

a tax-free quarterly payment that helps individuals and families with low and modest incomes offset all or part of the GST or HST that they pay.

Gross pay

the amount of your earnings or wages before any deductions are withheld.

Harmonized sales tax (HST)

in some provinces there are two sales taxes, the goods and services tax (GST) and a provincial sales tax (PST). However, in certain provinces, the GST and PST are combined to form the harmonized sales tax (HST). The HST applies to the same goods and services as GST.

Income tax and benefit return

the form you complete every year to report your income and calculate whether you owe tax or receive a refund.

Information slips

these slips show how much income you were paid in the year and the deductions withheld from that income. They are prepared by your employer and other payers, such as banks.

Instalment payments

most taxpayers have their taxes routinely deducted from their pay cheques. Other taxpayers have income that hasn't had any or enough tax withheld. If they paid the taxes they owe only once a year, their tax bills could be very large, so they may have to pay their taxes by instalments or smaller amounts several times during the year.

NETFILE

a method of filing a return over the Internet using commercially available software.

Net income

the amount of income remaining after your allowable deductions. Net income is used to calculate certain tax credits and other amounts such as the Canada child tax benefit, the GST/HST credit, and the social benefits repayment.

Net pay

the amount of your earnings or wages after taxes and deductions have been withheld.

Non-refundable tax credits

these credits reduce the amount of income tax you owe. However, if the total of these credits is more than the tax you owe, you will not get a refund for the difference. This is why they are called "non-refundable".

Notice of assessment

a notice that the CRA sends you after it processes your income tax and benefit return. The notice tells you about any corrections the CRA made to your return, and if you owe tax or are getting a refund. It also includes the amount of your registered retirement savings plan (RRSP) deduction limit for the following year.

Notice of reassessment

a notice that the CRA sends you if a change is made to your original assessment.

Old age security pension (OAS)

a monthly payment available to most Canadians who are 65 years of age or older.

Penalties

amounts that the courts or the CRA may tell you to pay if you do not file an income tax and benefit return on time or try to evade paying tax by not filing a return. If you make false statements on a return, deliberately leave information off a return, or refuse to use the correct form, you may also pay a penalty. Penalties may increase for repeat offenses.

Provincial sales tax (PST)

a consumption tax that is added to the purchase price when goods and services are sold or consumed. Each province sets their own PST rate and exemptions. In some provinces, the PST is combined with the federal goods and services tax (GST) to form the harmonized sales tax (HST).

Quebec Pension Plan (QPP)

a pension plan maintained by the province of Quebec, which is equivalent to the CPP.

Refund

the amount returned to a taxpayer if he or she paid more tax than he or she owed.

Refundable tax credits

these credits reduce the amount of income tax you owe. If the total of these credits is more than the amount you owe, you may be entitled to a refund of the difference. This is why they are called "refundable".

Registered retirement savings plans (RRSP)

contributors to these plans make tax-deductible contributions to build a fund for their retirement. They do not pay taxes on the income the plan earns until they begin to receive income from the plan.

Self-assessment

Canada's tax system is based on the self-assessment principle, which means that taxpayers complete their tax return to report their annual income and to calculate whether they owe tax or receive a refund.

Self-employed

an individual who operates his or her own business.

Social insurance number (SIN)

a nine-digit number that you need to work in Canada or to have access to government programs and benefits. You have to give your SIN to the CRA when you ask us for personal tax information.

Source deductions

employers deduct CPP contributions, EI premiums, and income tax from salary or wages they pay their employees, and they send these amounts to the CRA.

T4 slip (Statement of remuneration paid)

an information slip that shows the income an employer paid to an employee. It also shows how much the employer deducted for income tax, EI premiums, and contributions to CPP (or QPP if you worked in Quebec). Your employer will send you your T4 slip by the end of February following the year you worked.

Tax avoidance

this occurs when you take action to minimize tax, but while within the letter of the law, these actions contravene the object and spirit of the law.

Tax evasion

this typically involves deliberately ignoring a specific part of the law. For example, if you participate in tax evasion you may under-report taxable receipts or claim expenses that are non-deductible or overstated. You might also attempt to evade taxes by wilfully refusing to comply with legislated reporting requirements. Tax evasion, unlike tax avoidance, has criminal consequences.

Tax-free savings account (TFSA)

a registered account that allows individuals to earn investment income tax-free.

Taxable income

the amount of income remaining after the allowable deductions have been subtracted from net income, and on which you have to pay tax.

Taxpayer

every person or entity that is required to comply with the legislation administered by the CRA, including individuals, businesses, benefit recipients, charities, etc.

Universal child care benefit (UCCB)

a taxable benefit paid monthly to help eligible families provide child care for their children less than six years of age.

Working income tax benefit (WITB)

a refundable tax credit for low-income individuals and families who have earned income from employment or business.