

INCOME TAX

*NEWFOUNDLAND AND
LABRADOR EDITION*



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INCOME TAX

What is Income Tax?

- Income tax is money that you pay to the government from your earnings. Your employer deducts income tax from your pay and gives it to the government.
- If you are self-employed, you must reserve a portion of your earnings to pay to the government at the end of the fiscal year.
- The rate of tax you pay depends on how much money you make. The less income you make, the less income tax you pay the government.

Is All Income Taxed?

- Most income such as your employment earnings and pensions, investments (including RRSPs), Canada Pension Plan (CPP), Old Age Security (OAS) and Foreign Pension Plans are taxed when you receive them.
- Not all money you receive is taxed. Government benefits such as the Harmonized Sales Tax (HST) Credit, gifts, Worker's Compensation, and Social Assistance (SA) are not taxed.

Who Pays Income Taxes?

- Under the Canadian income tax system, individuals with Canadian residency pay income taxes.
- Newcomers to Canada gain residency for income tax purposes once they establish **residential ties** with Canada.
- Some examples of residential ties include:
 - Having a home in Canada;
 - Having a spouse or common-law partner or dependants move to Canada to live with you;
 - Owning personal property in Canada, such as a car or furniture; and
 - Having social ties in Canada, such as membership in a Canadian recreational or religious group.
- Newcomers to Canada who have established residential ties with Canada may be:
 - Protected persons (refugees);

- People who have received permanent resident status from Citizenship and Immigration Canada (CIC);
- People who have applied to CIC to be permanent residents; or
- People who have approval-in-principle from CIC to stay in Canada.

NOTE: Many factors can be used to determine a person’s residency status in Canada. For more information, contact the **Canada Revenue Agency (CRA)** at 1-800-267-5177 (toll-free in Canada and the United States). From other regions, please call 613-952-3741 (English) or 613-954-1368 (French). You can also refer to the Income Tax Interpretation Bulletin, IT-221R3, Determination of an Individual’s Residence Status, available at: www.cra-arc.gc.ca

Why You Should File An Income Tax Return

- If you owe tax, you must file a return.
- If you do not owe tax or you have no income, you should **still** file a return because you may receive government benefits or money back.
- If you paid too much tax, you will get a refund.
- You may get a GST/HST Credit for low and modest income individuals.
- You may get tax credits and family benefits from the province or territory where you live (see the *Accessing and Optimizing Pensions and Public Benefits tool*).
- Income tax returns are useful for obtaining some kinds of credit, such as a mortgage or student loan for any dependents you may have.

For help preparing your income tax return: Free Chartered Accountant (CA) Income Tax Clinics occur in Newfoundland and Labrador at various community agencies from mid-February until the end of March.

- To qualify, your total household income must be below \$30,000 with dependents or below \$20,000 without dependents. Individuals with rental income and/or business income do not qualify for the Free CA Tax Clinics, regardless of the amount of income.
- **Contact:** The Institute Of Chartered Accountants of Newfoundland & Labrador at: 709-753-3090

FINANCIAL LITERACY SERIES FOR OLDER ADULTS®

This is one of the series of Financial Literacy for Older Adults pocket tools. For more information about NICE tools or related training events, please visit: www.nicenet.ca

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