THE PROOF SERIES

A PLAYFUL GUIDE TO CANADIAN SENIOR TAXES

Tax Proof

Canadian tax credits, pension splitting, and smarter filing — in plain language, with big type and a few laughs.



John Marshall

PROUDLY CANADIAN



PROUDLY CANADIAN

FREE SAMPLE CHAPTER

By John Marshall

www.buyproof.ca

START HERE

Taxes After Sixty-Five: What's New

Turning sixty-five does not give you a tax holiday, but it does unlock a toolbox of credits and choices most people never hear about. This book opens that toolbox.

New credits › New choices › New deadlines › New confidence

1. You still file every year — Even if your only income is pensions, filing a return is how you claim credits and keep benefits like the GST credit and GIS flowing. No return, no benefits.

2. Credits beat deductions — A deduction shrinks the income you are taxed on. A credit shrinks the tax itself, dollar for dollar. Seniors get some of the best credits in the system.

3. Timing becomes a tool — When you take CPP, whether you split pension income, and how much you withdraw from a RRIF all change your tax bill. Small choices, real dollars.

4. Help is free and everywhere — Free tax clinics, the CRA's own phone lines, and this book. You do not need to pay a preparer hundreds of dollars for a simple senior return.

TALE

E STORY

Ruth, 71, filed her first post-retirement return herself and discovered the age amount.

'The government owed me money and nobody told me,' she laughed. Now she tells everyone at her card club.

!

All dollar figures in this book are approximate and change every year with inflation. Check the CRA website for this year's exact numbers before you file.

Take care: Tax rules change. What a neighbour did five years ago may not work today. When in doubt, check the current CRA guide or ask a free clinic.

CIRCLE THE DATE

The April 30 Deadline

The tax filing deadline for most Canadians is April 30. Miss it and interest starts ticking, even if you are owed a refund. Here is how to stay ahead of it.

Gather slips › File by April 30 › Pay by April 30 › Relax

1. Know your deadline — Most people must file by April 30. If you or your spouse earned self-employment income, you get until June 15 to file, but any tax owing is still due April 30.

2. Interest is unforgiving — File late with a balance owing and the CRA charges interest from May 1, plus a late-filing penalty. Interest compounds daily, so small debts grow teeth.

3. Refunds forgive lateness — If the CRA owes you money, there is no penalty for filing late. But late filing can pause benefits like the GST credit, so file on time anyway.

4. Start in March — Slips arrive by the end of February. Give yourself March to gather everything and April to file. The April 29 rush is a special kind of stress.

TALE

E STORY

Frank, 76, mailed his return on April 29 every year until the post office lost one.

He files online in March now and calls the old way 'sending my money on an adventure.'

! If April 30 falls on a weekend, the deadline moves to the next business day. The CRA announces this each year.

Take care: Never skip filing because you cannot pay. File on time to stop penalties, then call the CRA to arrange a payment plan.



PAPER PARADE

T4s, T4As, T5s: Know Your Slips

Every February, envelopes arrive carrying little slips that report your income to you and to the CRA. Learn to read them and filing gets much easier.

Open every envelope › Match the slips › Check the numbers › File them all

1. The T4A for pensions — Pension income arrives on a T4A. Box 016 shows pension income, and other boxes show tax already withheld. Keep every T4A; each payer sends one.

2. The T4A(P) for CPP — Your Canada Pension Plan payments come on a T4A(P). Box 14 shows the total CPP you received, which counts as income even though it feels like a refund.

3. The T4A(OAS) for OAS — Old Age Security arrives on a T4A(OAS). Box 18 shows your total OAS. This slip matters for the OAS recovery tax, covered later in this book.

4. The T5 for investments — Interest and dividends arrive on T5 slips from banks and brokerages. Even small amounts count, and the CRA gets a copy, so report them all.

TALE

LITTLE STORY

Mabel, 74, found a T5 for forty-two dollars of interest she nearly tossed with the junk mail.

'The CRA knew about it,' she said. 'They always know about it.'

! Slips must reach you by the last day of February. If one is missing by mid-March, call the payer, or use CRA My Account to see what the CRA received.

Take care: If a slip looks wrong, do not just file it and hope. Ask the issuer for a corrected slip; the CRA matches your return against their copies.

COUNT IT ALL

What Counts as Income

Retirement income comes from many taps, and the CRA counts nearly all of them. Here is the full inventory of what goes on your return.



1. Pensions are income — Employer pensions, CPP, OAS, and foreign pensions all count as income. They arrive with tax already withheld, but the total still goes on your return.

2. RRSP and RRIF withdrawals count — Every dollar you take from an RRSP or RRIF is taxable income in the year you withdraw it. That is the trade for the deduction you got when contributing.

3. Some income is special — The GIS (Guaranteed Income Supplement) is not taxable. TFSA withdrawals are not taxable either. Almost everything else is.

4. Worldwide income counts — If you live in Canada, you report income from everywhere in the world, including foreign pensions. Tax treaties usually prevent double tax.

TALE

E STORY

Stan, 72, forgot to report his small UK pension for two years.

The CRA sent a polite letter, a bill, and interest. He now keeps a list of every income source taped inside a kitchen cupboard.

! Splitting pension income with a spouse (a whole section of this book) can move some of this income to whoever pays the lower tax rate.

Take care: Cash jobs and unreported income are not a senior discount. The CRA matches slips and bank patterns, and the penalties dwarf the savings.

CLICK, NOT LICK

Filing Online with NETFILE

NETFILE lets you file your return over the internet and usually gets your refund in under two weeks. It is easier than it sounds, and free.



1. Choose certified software — The CRA lists certified NETFILE software on its website, including free options for simple returns. Pick one marked for this tax year.

2. Type in your slips — Enter each slip's boxes exactly as printed. The software does the math, applies credits, and warns you about missing entries. It is like a careful friend.

3. Review the summary — Before sending, read the summary page: total income, credits claimed, refund or balance. If a number looks wild, go back and check that slip.

4. Send and save — Click file, save the confirmation number, and print or save a PDF copy of the return. Keep it six years; the CRA can ask to see it.

TALE

STORY

Dorothy, 79, filed online for the first time and got her refund in eight days.

'The envelope used to take six weeks,' she said. 'I have been licked by stamps for the last time.'

!

Free tax clinics (see the Free Help section) will file online for you at no charge if you qualify. You do not have to do it alone.

Take care: Only use CRA-certified software from the official CRA list. Random tax apps from ads may not be certified, and some are scams in disguise.

READ THE VERDICT

Your Notice of Assessment

A few weeks after filing, the CRA sends a Notice of Assessment. It is the official scorecard of your return. Here is how to read it without fear.

Open it promptly › Check the totals › Note the RRSP room › File it away

1. It is not a bill — The assessment usually just confirms your refund or balance. A balance owing is not a surprise attack; it is the math you already saw when filing.

2. Check line by line — Compare its income and credit lines to your filed return. If the CRA changed something, the notice explains why, often in plain language.

3. Note your RRSP room — The notice shows your unused RRSP contribution room. Even in retirement this matters if you still earn employment or rental income.

4. Keep it with your return — File the notice with that year's return. If you ever need to prove income for a benefit or a loan, this is the document people ask for.

TALE

Walter, 73, framed nothing, but he does keep every Notice of Assessment in a folder labelled 'Report Cards.' His granddaughter's straight A's have nothing on his thirty years of filed returns.

! You can view and download past assessments anytime in CRA My Account, going back many years. Lost paper is no longer a crisis.

Take care: If the CRA disallows a credit, you have ninety days to object. Do not ignore the notice; read the explanation and respond in time if you disagree.

YOUR CRA DASHBOARD

CRA My Account: Worth the Setup

CRA My Account shows your slips, your benefits, your notices, and your payment history in one place. Setting it up takes one focused afternoon.

Register online › Verify identity › Explore the tabs › Use it yearly

1. Register at canada.ca — Go to the CRA My Account page and choose to register. You will need your social insurance number, date of birth, and an assessed return from a recent year.

2. Prove it is you — The CRA mails a security code to confirm your identity. Enter it when it arrives and you are in. This one-time hassle buys years of convenience.

3. See what the CRA sees — Inside you will find every slip issued to you, your benefit payments, your TFSA room, and your notices. It is the single best filing helper there is.

4. Use Auto-fill my return — Certified tax software can pull your slips straight from My Account into your return. Fewer typos, fewer missed slips, calmer March.

TALE

E STORY

Harold, 74, resisted My Account for years as 'computer nonsense.' After one clinic volunteer set it up, he found two forgotten T5s and now checks it every February like a ritual.

! You can also sign in through your bank's sign-in partner, which many seniors find simpler than a separate CRA user ID and password.

Take care: Never share your My Account login with a tax preparer. If they need access, the CRA has a proper authorization process called Represent a Client.

AVOID THE OUCH

Common Filing Mistakes Seniors Make

Most senior returns are simple, and the same few mistakes cause most of the trouble. Dodge these and your filing season stays boring, in the best way.

Report every slip › Claim every credit › Sign the forms › Double-check

1. Forgetting a slip — The number-one error: a T5 or pension slip left in a drawer. The CRA has a copy and will reassess you, with interest. Gather every slip before you start.

2. Missing the age amount — The age credit does not apply itself. It must be claimed on the return. Thousands of eligible seniors miss it in their first retirement year.

3. Wrong marital status — Report your correct status as of December 31. Benefits like the GST credit are calculated for couples, and errors here ripple through everything.

4. Not filing at all — Some seniors stop filing because their income is low. But filing is what triggers the GST credit, GIS renewal, and other benefits. Always file.

TALE

E STORY

Ethel, 78, skipped filing one year because 'I barely made anything.' She lost six months of GST credit payments. She has filed every year since, calling it her most profitable chore.

!

If you realize you made a mistake, you can adjust a return online through My Account or by mail. Honest corrections are routine and penalty-free.

Take care: Do not let anyone talk you into claiming credits you are not entitled to. The CRA audits, and 'my preparer did it' is not a defence.

THE 65 BONUS

The Age Amount: Your Birthday Credit

Turn sixty-five and the tax system hands you a gift: the age amount, a federal credit worth well over a thousand dollars in tax savings. Claim it every year.

Turn 65 › Claim the amount › Watch income limits › Repeat yearly

1. Who qualifies — Anyone sixty-five or older by December 31 can claim it. No application needed; it goes right on your tax return in the credits section.

2. How much it is worth — The federal age amount is roughly eight to nine thousand dollars, which cuts your federal tax by about fifteen percent of that. Provinces add their own age credits too.

3. It shrinks at higher incomes — Above a threshold (around forty-five thousand dollars of net income), the credit reduces gradually. Very high incomes lose it entirely, but most seniors keep the full amount.

4. Transfer what you cannot use — If your income is too low to use the whole credit, the unused part can transfer to your spouse's return. The software usually handles this automatically.

TALE

E STORY

George, 75, did his own return the year he turned sixty-five and stared at the new credit line.

'A birthday present from Ottawa,' he announced. 'I shall spend it responsibly. Mostly.'

!

You do not need to be retired to claim the age amount. Working seniors over sixty-five get it too.

Take care: The exact amount and threshold change yearly with inflation. Use this year's CRA figures, not last year's memory.

PENSION PERK

The Pension Income Amount

If you receive eligible pension income, you get a credit on the first two thousand dollars of it. Small line, real money, often missed.

Have pension income › Claim two thousand › Split if you can › Save twice

1. What qualifies — Employer pension payments, and for those sixty-five and over, RRIF withdrawals and annuity payments also qualify. CPP and OAS do not count for this credit.

2. Two thousand, fifteen percent — The credit applies to the first two thousand dollars of eligible pension income, saving roughly three hundred dollars in federal tax. Provinces add their own versions.

3. Under sixty-five is narrower — If you are under sixty-five, only certain pension income qualifies, mainly employer pensions. After sixty-five the door opens wider.

4. Pair it with splitting — Pension splitting (a full section later) can give each spouse two thousand dollars of eligible income, doubling this credit for the household.

TALE

TALE STORY

Irene, 70, had a small RRIF and thought it was 'too little to matter.' Her clinic volunteer showed her the pension income amount and the split.

'Too little,' she now says, 'is my favourite kind of money.'

!

If your pension income is under two thousand dollars, you claim what you have. The credit simply matches your actual amount.

Take care: Do not confuse this with the age amount. They are separate credits and you can claim both in the same year.

Enjoyed this sample?

Get the full book, and more free sample chapters, at
www.buyproof.ca

Join our email list and be the first to hear about
new Proof-series releases for Canadians.

We email only about new books.
Unsubscribe anytime.

