

Behind the Counter – April 7, 2010

All Those Slips

It takes a lot of paper to put together a tax return. Most income is recorded and sent to the tax payer by way of income slips. If you are an employed person you may receive one or more T4 slips. On the T4 slip you can find your gross income (Box 14), Canada Pension Plan (CPP) paid (Box 16), Employment Insurance (EI) paid (Box 18) and income taxes paid (Box 22). You don't need to receive a T4 slip if your income was under \$500 and if there was no CPP, EI or Income tax deducted. Your employer will know how much CPP, EI and income tax to deduct by the information from the TD1 form that you filled out when you started employment. There are also boxes for charitable donations, union dues and registered pension plan payments paid through your place of employment. At the bottom of the form, there are a number of empty boxes that are used for taxable benefits. If you have a number in one of these boxes, it has already been included in Box 14 which is your gross income. The kinds of items that would appear here would be commission income, foreign taxes paid, lodging or moving expenses to name a few. This slip is required to be issued by the last day of February each year. If this slip needed to be amended, it would be re-issued with the word 'Amended' typed on the top of the slip.

If you have pension or other income, that may be reflected on a T4A slip. The unique thing to watch out for on this slip is if there is any income in Box 28. Box 28 requires that the footnote that is located in Box 38 be referenced. These footnotes cover about two dozen different items ranging from scholarships, bursaries, death benefits, DPSP or RPP income, loans, medical premiums, group term life insurance for example. This slip is also required to be issued by the last day of February each year only if the income amount is greater than \$500 or if the benefit amount in box 28 is greater than \$25. To amend this slip, it would need to be re-issued with the word 'Amended' typed on the top of the slip.

Other slips that may be received by pensioners are T4AP which is the slip that explains the amount of CPP benefits, survivor and assistance payments that you have received during the year. The T4AOAS is the slip for the Old Age Security. If your Old Age Security has been clawed back during the year, this claw back will be shown on the slip in the box marked income taxes paid. If you are receiving funds out of your RRIF you would receive a T4RIF indicating the funds withdrawn and any taxes paid on the withdrawals and whether this was from your RIF or a spousal RIF.

Investment income is usually reported on a T5 slip. This slip will display items such as eligible dividends and regular dividends, interest, capital gains dividends. This slip allows the issuer to state the currency at the bottom of the slip. You might also find the Canadian equivalent of foreign income earned and

foreign taxes paid in Boxes 15 and 16 on this slip. To amend this slip you would re-issue the slip and change the Report Code from 'O' for original to 'A' for amended. This slip also needs to be issued by the end of February each year.

Another investment income slip is the T3 slip. This slip is usually issued when income is distributed to beneficiaries of a trust. This type of investment became popular with the Real Estate Investment Trust Units. This slip also lists eligible dividends, regular dividends, capital gains and other income. Other income is usually considered and taxed as interest. Other items that can be listed in the blank boxes in the middle of the slip are foreign income and foreign taxes paid as well as return of capital. To amend this slip also requires changing the figure in the report code (Box 16) from a '0' for original to '1' for amended. This is the only slip that is not required to be issued by the end of February. Instead it must be issued by the end of March every year and the reason why April is such a busy month for accountants.

T4RSP slips are issued when people withdraw money from their RRSP savings plans and indicate the gross amount withdrawn and the 10% that is withheld by the banks upon withdrawal.

In addition to those basic types of slips, there are other slips that have are issued for more specialized purposes such as the RC62 for the universal child care benefit. The T4E is issued for employment insurance benefits. The T2202 is issued for tuition and education credits. The T5007 is issued for WCB benefits. The T5008 is issued by security companies when you buy or sell securities at a gain or loss. The T5013 is issued when there is an investment in a partnership.

In addition to the various slips there are also a number of forms that may be issued depending on the situation such as the RRSP contribution slips that indicate the amounts contributed to an RRSP for the year and whether the contribution was to a spousal RRSP and the T2200 for claiming employment expenses. Added to that are the medical and donation receipts, and now the Home Renovation Tax Credit receipts. All this information needs to be compiled in order to enter the information on the numerous schedules that make up the T1 individual tax return.

Gabriele Banka is a Certified General Accountant and the owner of Banka & Company Inc., She can be reached at 250-763-4528 or info@bankaco.com.