Paying Taxes

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What Are Taxes?

Paying Taxes in BC from People's Law School has been replaced by *Essentials of Money & Debt* [1]. This new title covers income tax as well as other aspects of managing your finances and dealing with debt-related problems.

Everyone who lives in Canada pays *taxes* to all three levels of government:

- federal government,
- provincial government, and
- municipal (city or town) government.

Taxes pay for many services that everyone in Canada uses. For example:

- medical care,
- police,
- schools,
- universities,
- defence,
- roads,
- bridges,
- parks,
- swimming pools, and
- community centres.

There are different kinds of taxes in British Columbia. The main taxes to know about are:

- income tax,
- sales tax,
- property tax,
- duty, a tax you pay when you bring goods into Canada, and
- consumer taxes.

This information applies to British Columbia, Canada. Last reviewed for legal accuracy by People's Law School, 2014.

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References

[1] https://www.peopleslawschool.ca/publications/essentials-money-debt/

What Is Income Tax?

This page is used in the Paying Taxes Lesson Module, a law-related ESL lesson for newcomers to Canada.

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For most people, the biggest tax you pay is income tax. This is the tax you pay on the money you make from working.

The Canada Revenue Agency (*CRA*) is the federal government office in charge of all income tax. The CRA collects taxes for the federal government and for the provincial government.

Each year you must tell CRA how much money you made. You report your income on a tax form called an income tax return.

What income tax must be paid on

Income tax on your pay at work

When you get a job, you fill out a tax form. You get this form in a package called General Income Tax and Benefit Package. Your employer uses the information on your income tax form to work out how much tax money you owe. Each time you are paid, your employer must take the tax money out of your wages and send it to the government.

Income tax on other money you make

Many people make money in other ways. Some have a business. Some get money from renting a house or apartment. Some get money from investments.

If you get money in these ways, you have to report it the Canada Revenue Agency. They may ask you to pay taxes on this income once every three months.

You must report your income from inside and outside of Canada. If you made some money in another country, you have to include it on your income tax return. You may have to pay a large fine if you do not do this.

	For example: Winston lives in Canada but earns money from his business in Hong Kong. Winston *must* declare that business income to Canada Revenue Agency.

Paying income tax

Who has to send in an income tax return?

If you are a resident of Canada for part or all of a *tax year*, you must file an income tax return if you:

- owe tax, or
- want to get some money back, or
- want to receive benefits, such as a pension, medical benefits or social assistance.

When do I have to send in an income tax return?

You *must* send in your income tax return to Canada Revenue Agency by April 30 of the year after the tax year. If you have a business in Canada, you have until June 15 to send in your income tax return.

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How do I get an income tax return?

If you have never sent in a tax return form in Canada, you can get the form from any post office or Canada Revenue Agency (CRA) office. Or you download the form from the CRA website [2].

After the first time, the government will mail you a tax return form each year. Be sure to provide CRA with a change of address if you move. The form comes in a package called the General Income Tax and Benefit Package. The package includes information about how to fill out the form.

How do I fill out my income tax return?

Many people fill out their own tax return. For those confident enough to do it themselves, there is computer software that can help you fill out your income tax return.

Many community groups help new immigrants with tax return forms. This help is usually free. You can pay an accountant, bookkeeper, or a tax preparation company to fill out your tax return.

How do I send in my income tax return?

You can send in your income tax return form by mail or online:

- **Mail:** Many people send their income tax return by mail to the CRA, or drop it off at their local tax office.
- **Online:** You can fill out your income tax online at the CRA website [2]. This service is called Netfile. You cannot use Netfile if you are filing an income tax return for the first time with CRA and the CRA does not have a complete date of birth for you on record.

Does everyone pay income taxes?

Sometimes people sell things for cash or work for cash. They offer you a lower price because they do not pay tax. This may seem like a way for you to save money, but it is against the law. You can also have problems if you pay this way. For example, if something goes wrong, you cannot get your money back.

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[2] http://www.cra.gc.ca

What Other Kinds of Taxes Do I Have to Pay?

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What is sales tax?

You pay sales tax on most things you buy or use. They include clothing, furniture, restaurant meals, phones, taxis, etc. There are a few exceptions. For example, there is no sales tax on groceries, rent, and public transit.

Sales tax consists of a federal sales tax (5%) and a provincial sales tax (7% on goods and services). (In 2013, British Columbia abandoned the harmonized sales tax, or HST, that combined the federal and provincial sales taxes into a single sales tax of 12%.)

What is property tax?

If you own a house, a condominium, a building or land, you pay property tax every year to the town or city government.

How much you pay in property tax depends on the value of the house and the land. Your city or town government will send you a letter that tells you how much you have to pay and when you have to pay it. You pay less property tax if:

- you live in the home yourself,
- you are a senior, or
- you live in northern and rural parts of BC.

You also pay a tax when you buy property. If this is the first home you own anywhere in the world, you may not have to pay this tax. Talk to the notary or lawyer who is helping you with your property purchase.

What is duty?

Duty is a tax you pay on things you buy in another country and bring into Canada. For example, if you bring in clothing you bought outside Canada or the United States or Mexico, you pay duty on it when you cross the border.

Newcomers who are moving to Canada can bring their own things with them. You do not have to pay duty on them but you have to pay duty on any item you bring in that has not been used.

When you travel, you can bring some things into Canada and not pay duty on them. The length of your absence from Canada determines the amount of goods you can bring back, without paying any duties:

- 24 hours or more: You can bring back goods worth CAN$200 without paying duty.
- 48 hours or more: You can bring back goods worth CAN$800 without paying duty.
- 7 days or more: You can bring back goods worth CAN$800 without paying duty, and the goods can follow your entry into Canada (such as by courier or mail).

There are special rules about alcohol and tobacco.

What are consumer taxes?

Consumer taxes are included in the price of things you buy. British Columbia has consumer taxes on things including tobacco, motor fuels, and short-term accommodations.

Carbon tax is a consumer tax on the use of fossil fuels such as coal, oil and natural gas that put carbon dioxide into the atmosphere. Carbon tax rates are based on $30 per tonne of carbon dioxide put into the atmosphere. You pay a carbon tax when you buy gas for your vehicle.

What are business taxes?

There are special taxes for businesses. If you start a business in BC, you will need to pay business tax. Before you start the business, get some information and advice. It would be a good idea to talk to a lawyer. You may wish to start with Lawyer Referral. Lawyer Referral is a program where you can get advice and information for a fee of $25 plus taxes for the first 30 minutes.

Lawyer Referral Program
Call:

- Lower Mainland: 604-687-3221
- Elsewhere in BC: 1-800-663-1919

Sometimes the government finds out a business is not paying taxes. The business may be forced to pay unpaid taxes, along with interest and penalty charges. If you do not pay tax, you can face criminal charges.

Do I have to keep records?

Keep your tax information for six years, including all the documents and all the receipts you used. The government has the right to ask you to provide this information to them. They may do an "audit." An audit is where they ask you to provide proof of your income and your *deductions*.

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How Can I Save on My Taxes?

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Claim your deductions

People with higher incomes pay more in income tax. There are expenses you can deduct to reduce your income tax. When you claim a deduction, your taxable income is less.

Here are some examples of when you can claim a deduction on your income tax:

- I support my spouse.
- I support a family member who has a disability.
- I am a single parent.
- The other parent and I both work full-time and we have childcare expenses.
- I am a full-time student.
- I give money to a charity.
- I am a senior.
- I have a disability.
- I run a business out of my home.
- I had to move to be closer to my job.
- I have medical expenses not covered by my medical insurance.

To make sure you claim all your deductions, ask for help. Call your community centre, accountant, bookkeeper or tax preparer and see if anyone can help with an income tax return.

Can I get some payments and credits from the government?

Even if you have no income to report or tax to pay, you may be able to get some payments or *credits* from the government.

There are different kinds of payments and credits. The main ones are:

- Canada Child Tax Benefit (CCTB) payments,
- the Universal Child Care Benefit, and
- tax credits from the provincial government.

To get any of these payments or credits, you must file an income tax return.

Canada Child Tax Benefit (CCTB)

The Canada Child Tax Benefit (CCTB) is a tax-free monthly payment for families who need help with the cost of raising children under age 18.

The amount you get depends on how much you make and how many children you have.

You should apply for the CCTB as soon as possible after your child is born or after you become a resident of Canada.

Even if you feel you will not get the CCTB because your income is too high, you should still apply. The government makes the payment based on your income for the previous year.

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You will have to provide proof of birth with your application if benefits have not been paid for this child before and:

- your child was born outside of Canada, or
- your child was born in Canada but is more than a year old.

You apply for the CCTB by completing the form, Canada Child Benefits Application. For details, go the Canada Revenue Agency website [2].

You may have to fill out an additional form if:

- you and/or your spouse are not Canadian citizens,
- you and/or your spouse have become new Canadian citizens within the last 12 months,
- you and/or your spouse have become residents of Canada within the last two years, or
- you and/or your spouse have moved back to Canada and re-established residential ties.

BC Family Bonus is a payment from the provincial government to help you with the cost of raising children if your income is low. The BC Family Bonus comes with the Canada Child Tax Benefit. You do not have to apply for it. The government decides if you qualify for it based on your income tax return.

Universal Child Care Benefit

The Universal Child Care Benefit is a payment for each child under the age of 6 years. This benefit is $100 per month per child. The government pays this benefit to *all parents* in Canada. You report it as income on your income tax return. You should apply for this benefit as soon as possible after your child is born or after you become a resident of Canada. You apply for this benefit by completing the form, Canada Child Benefits Application. For details, go the Canada Revenue Agency website [2].

Low Income Climate Action Tax Credit

If your income is low, you may be eligible to receive the BC Low Income Climate Action Tax Credit. This is a payment to help you with the carbon tax you pay.

How much you receive depends on the size of your family and your net family income. For 2013, individuals with a net income under $32,219 and families with a net income under $37,589 were eligible for a payment. The maximum annual payment was $115.50 for an individual and additional amounts for spouses and children.

Are there ways to reduce taxable income?

This section describes ways in which people put away money for their future. Get some advice from a financial advisor to see what choices would be best for you.

Registered Retirement Savings Plan (RRSP)

A *Registered Retirement Savings Plan* or RRSP allows you to delay some of your taxes. You can open a RRSP at a bank, credit union or investment company. You can contribute to your RRSP at any time during the year. You claim the amount of your RRSP contribution as a deduction on your income tax return.

The amount you can contribute is shown on the *Notice of Assessment* you get from the government each year after you file your taxes. By the end of February of each year, your bank, credit union, or investment company will provide you with a receipt for your RRSP contributions in the previous year. You claim the amount as a deduction on your income tax return.

You do not have to claim your whole RRSP contribution each year on your taxes. You can *defer* some or all of your contributions. This can be helpful if you do not have enough income in that year to make the best use of the tax deduction.

You do not have to put the full amount in each year. If you do not pay the full amount, you will have unused contribution room for the future. This means you will be able to put more money into your RRSP later on.

	If you are working part-time now, you may put less than your limit into your RRSP this year. Next year, if you work full time and have a higher income, you could put in more money.

Registered Education Savings Plan (RESP)

A Registered Education Savings Plan (RESP) is a special savings account that helps you save for post-secondary education. You can open a RESP at a bank, credit union or investment company. The government does not tax this money while it is in your RESP. It can grow tax free. When the money pays for education, the money is taxed in the student's name. Since many students have little or no other income, they can usually withdraw the money tax free.

Tax-Free Savings Account (TFSA)

The Tax-Free Savings Account (TFSA) helps you save for your future. You can open a TFSA at a bank or credit union or investment company. You can contribute up to $5,500 annually to a Tax-Free Savings Account.

- Any money you make in this account is tax free.
- Any money you withdraw from this account is tax free.

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References

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[2] http://www.cra-arc.gc.ca

Resources

Helpful Information

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BC Low Income Climate Action Tax Credit	The Province of BC provides information on the BC Low Income Climate Action Tax Credit, a payment to offset the impact of the carbon taxes paid by low income individuals or families.	www.sbr.gov.bc.ca [2]
Canada Revenue Agency (CRA)	The CRA website has extensive information about paying taxes.	Phone toll-free: 1-800-959-8281 www.cra.gc.ca [3]
Child Care Benefits	The Canada Revenue Agency has a phone line for questions relating to child care benefits.	Phone toll-free: 1-800-387-1193
Clicklaw	A portal website for public legal information and education in British Columbia. Search by keyword to find the topic you want.	www.clicklaw.bc.ca [4]
Lawyer Referral	This service can help you find a lawyer who will meet with you for 30 minutes for $25.	Phone: 604-687-3221 Phone toll-free: 1-800-663-1919 cbabc.org/For-the-Public/Lawyer-Referral-Service [5]
Registered Education Savings Plan	The website of Employment and Social Development Canada provides information on the RESP, a tax-sheltered education savings account to save for a child's education after high school.	www.esdc.gc.ca/eng/jobs/student/savings [6]
Tax-Free Savings Account	The Government of Canada provides information about the TFSA, a registered savings account that allows Canadians to earn tax-free investment income.	www.tfsa.gc.ca [7]

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[1] https://www.peopleslawschool.ca/publications/essentials-money-debt/
[2] http://www.sbr.gov.bc.ca/individuals/income_taxes/personal_income_tax/tax_credits/low_income_climate_action.htm
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[4] http://www.clicklaw.bc.ca
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Glossary

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CCTB

Canada Child Tax Benefit, or CCTB, is a payment for families who need help with the cost of raising children under age 18.

CRA

Canadian Revenue Agency is the federal government office in charge of all income tax.

credit

An amount of money.

deduction

Something taken away.

defer

To put off to a future time.

investments

An amount of money invested in something for the purpose of making a profit.

net earnings

The amount of income after deductions.

Notice of Assessment

A document issued by CRA that summarizes your tax filing including taxes paid or taxes owing.

refund

To get money back.

RRSP

A Registered Retirement Saving Plan defers taxes.

tax year

January 1 to December 31.

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About this Wikibook

About Paying Taxes in BC

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This wikibook from People's Law School is for newcomers and new taxpayers in British Columbia who want to know:

- What taxes am I expected to pay?
- Who do I pay taxes to?
- When do I pay taxes?

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The People's Law School

The People's Law School is a non-profit charitable society whose purpose is to provide British Columbians with reliable information about their rights and responsibilities under the law.

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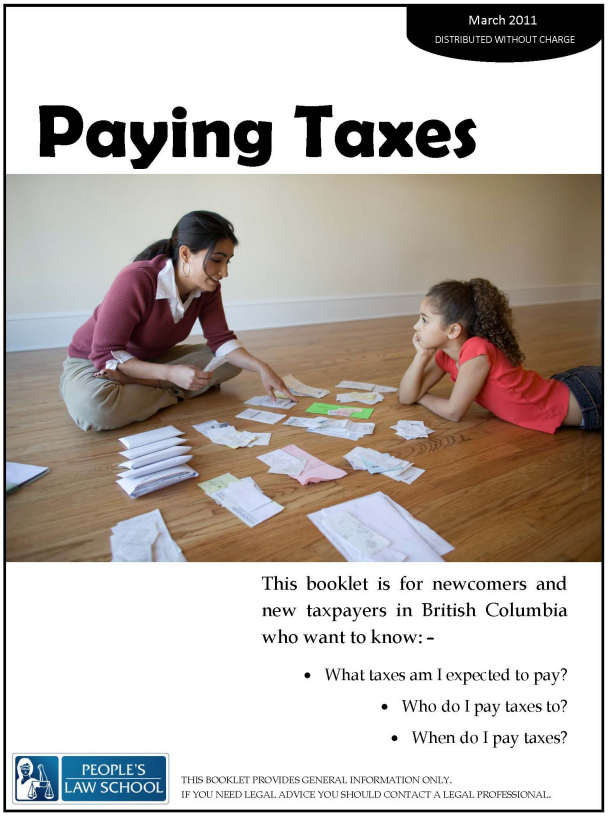
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This booklet is for newcomers and new taxpayers in British Columbia who want to know: –

- What taxes am I expected to pay?
- Who do I pay taxes to?
- When do I pay taxes?

PEOPLE'S LAW SCHOOL

THIS BOOKLET PROVIDES GENERAL INFORMATION ONLY.
IF YOU NEED LEGAL ADVICE YOU SHOULD CONTACT A LEGAL PROFESSIONAL.

Cover of the print edition

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