

The 17th Floor's Canadian Taxes Glossary

First Steps

Social Insurance Number (SIN)

A 9-digit identification number that you need to work in Canada and receive government benefits and services.

Earned Income

It is calculated by adding your employment earnings and self-employment earnings. It will be reduced if you have employment expenses or rental losses.

Payroll Deductions

Amounts that your employer takes off of your pay. Generally, this includes amounts such as income tax, Canada Pension Plan (CPP) or Quebec Pension Plan (QPP) contributions, and Employment Insurance (EI) premiums.

The 3 Cs

Canada Revenue Agency (CRA)

The agency responsible for collecting taxes and administering various benefits and credits.

Canada Pension Plan (CPP)

A retirement pension administered by Service Canada. It also offers additional payments related to disability.

Calendar Year

The dates from January 1 to December 31 are used for personal income tax purposes.

Common Benefits

Canada Child Benefit (CCB)

A tax-free payment that helps eligible families with the cost of raising children under 18 years of age.

Canada Workers Benefit (CWB)

A refundable tax credit intended to supplement low-income workers' earnings.

Climate Action Incentive (CAI)

A benefit available to residents of Saskatchewan, Manitoba, Ontario, and Alberta who are 18 or older.

Employment Insurance (EI)

A program administered by Service Canada. It provides benefits to individuals who lose their jobs through no fault of their own and are available for and able to work but can't find a job. This program also offers benefits related to parental, sickness, and caregiving leave.

Savings Plans

Registered Disability Savings Plan (RDSP)

A savings plan intended to help parents and others save for the long-term financial security of a person who is eligible for the disability tax credit (DTC).

Registered Education Savings Plan (RESP)

A savings plan used to save for a child's post-secondary education.

Registered Retirement Savings Plan (RRSP)

A retirement savings and investment plan that individuals can open an account for and contribute to. Deductible contributions can be used to reduce your income tax.

Forms

T4 Slip

A tax document given to you by your employer that outlines your employment earnings and payroll deductions for the year.

TD1

A form that you must complete when starting a new job. You provide information about your tax situation so that your employer can pay you accurately.

Taxes

Taxes

Mandatory payments that help the government fund social programs and benefits. One of the most common types of taxes you pay is the income tax.

Taxable Income

Your income after deducting certain amounts from your net income. It is used to calculate how much tax you owe. In Canada, you are subject to federal and provincial or territorial tax. Residents of Quebec will calculate their provincial tax owing with Revenu Québec.

Income Tax and Benefit Return

The Canadian tax return that individuals complete every year to calculate whether they owe tax on their income. They must also complete the return to receive federal and provincial or territorial benefits and credits.

Tax Rate

A predetermined percentage used to calculate the taxes you owe.

Tax Brackets

Predetermined levels of income that are used on the tax return to calculate the taxes you owe.

Tax Credits

Amounts that help reduce the taxes that you owe. Some can only reduce your taxes to zero, while others can be refunded to you.

SOURCE: Canada Revenue Agency

About the 17th Floor

The 17th Floor is an online community for Canadian Payroll, HR and Accounting professionals offering peer-to-peer mentorship among this interconnected audience to support their professional and corporate growth through the growing practice of human capital management. Join us for free at www.17thfloor.com.