

Learning Objectives:

Upon completion of this chapter, you should be able to:

1. Identify the criteria that determine which provincial/territorial income tax rates to use
2. Describe the purpose of the federal and provincial/territorial Personal Tax Credits Return – TD1
3. Determine gross taxable income
4. Determine net taxable income
5. Determine income tax withholdings

Communication Objectives:

Upon completion of this chapter, you should be able to explain the methods used to calculate income tax withholdings.

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Introduction

As a legislative requirement, employers must withhold federal and provincial/territorial income taxes from an employee's employment income and remit these withholdings to the Canada Revenue Agency (CRA) according to a prescribed remittance schedule. Employment income is subject to tax at source, at the time of payment. Nine provinces and three territories use the same method as the federal government to determine which types of remuneration are subject to income tax. The method for calculating income taxes and the remittance schedules is defined in the Income Tax Regulations (ITR).

The *Income Tax Act* does not define the terms 'taxable income', 'gross taxable income', or 'net taxable income'; however, these are common terms used by payroll practitioners. On the T1 General Income Tax Return, the terms 'total income', 'net income' and 'taxable income' are used; however, in that context, the terms include other forms of income in addition to income from employment.

The CRA's publication *Employers' Guide – Payroll Deductions and Remittances – T4001*, uses the terms 'gross remuneration', 'remuneration subject to tax deductions at source' and 'taxable remuneration' when referencing monies from which statutory deductions must be withheld. The payroll practitioner will more commonly refer to 'gross remuneration' as 'gross taxable income' and 'remuneration subject to tax deductions at source' or 'taxable remuneration' as 'net taxable income'.

As the province of Québec has its own tax act and regulations, the term 'income tax' used in this chapter refers to federal and all provincial/territorial income taxes, except for Québec income tax. The province of Québec and its tax legislation will be studied in a later chapter.

Provincial and Territorial Tax Withholding

The appropriate provincial/territorial tax rate to apply to an employee's taxable income depends on the employee's workplace location. If the employee works on the employer's premises, the provincial/territorial tax rate of that location applies to the employee's income.

Example:

John Morgan lives in Gatineau, Québec, and works in the accounting department at Castle Heavy Equipment in Ottawa, Ontario. John's provincial income tax deductions at source will be calculated using the Ontario tax rates as that is the province where the employee reports to work.

If the employee does not work on the employer's premises, the location of the employer's office that pays the employee determines which provincial/territorial tax rate to apply to the employee's income.

Example:

Susan Frances works for Castle Heavy Equipment as a customer service agent. Susan works from home in Saint John, New Brunswick. The customer territory includes Eastern Ontario, Québec and New Brunswick. As Susan does not report to work at any establishment of the employer but is paid from the Ontario office, Susan will have provincial income tax deductions at source calculated based on the Ontario tax rates.

If the employee does not work on the employer's premises and is paid from the employer's business located outside Canada, the employee does not pay provincial tax but is taxed using a tax rate for employees working in Canada beyond the limits of any province/territory or outside Canada.

Example:

An organization located in the United States has hired Max Nolan, a Canadian resident to work as a technician providing service to customers in British Columbia. Max reports to the employer's business in the United States. The employee's federal tax is determined by using the *Payroll Deductions Tables - Income tax deductions - In Canada Beyond the Limits of Any Province/Territory or Outside Canada* – T4032OC. No provincial tax is deducted.

When individuals file their income tax returns, their taxes are assessed based on the province where they lived on the last day of the taxation year. Because of this, their tax liability could be different from the amount withheld at source; they owe taxes based on their province of residence but have had taxes withheld based on their province of employment. Employees can either request that the amount of tax withheld on each payment is increased, using the Canada Revenue Agency (CRA) form Personal Tax Credits Return – TD1 or apply to the CRA for a reduction in tax at source, using a Request to Reduce Tax Deductions at Source – T1213. Both forms will be reviewed later in this chapter.

Remuneration Subject to Income Tax

The following types of remuneration are subject to income tax:

- salary, wages, overtime, retroactive payments, commissions and wages in lieu of notice
- bonuses, vacation pay and gratuities
- pensions, retiring allowances, severance pay and death benefits
- the value of any taxable benefits and allowances

The total of these types of remuneration is the employee's gross taxable income.

Example:

Vera Struthers received the following remuneration from the employer on June 30:

Monthly salary	\$2,500.00
Taxable automobile allowance	450.00
Group term life taxable benefit	+ 50.00
Gross taxable income for June is	<u>\$3,000.00</u>

The following amounts are tax deductible and subtracted from gross taxable income before income taxes are applied to an employee's remuneration:

- employee contributions to a registered pension plan (RPP)
- contributions to a Registered Retirement Savings Plan (RRSP)
- union dues (not applicable in the province of Québec)
- deductions for living in a prescribed zone, as claimed on the employee's federal Personal Tax Credits Return – TD1; under the Income Tax Regulations, an area is a prescribed zone if it is in the Yukon, the Northwest Territories, Nunavut, Labrador or north of specified latitudes in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario or Québec
- deductions authorized by the Canada Revenue Agency (CRA)

Gross taxable income less authorized deductions are the employee's net taxable income.

Example:

Vera Struthers' gross taxable income	\$3,000.00
RPP contributions withheld by the employer	- 50.00
Net taxable income	<u>\$2,950.00</u>

Both federal and provincial/territorial income taxes will be based on the net taxable income.

Content Review

- If the employee works on the employer's premises, the provincial/territorial tax rate of that location applies to the employee's income.
- If the employee does not work on the employer's premises, the location of the employer's office that the employee is paid from determines which provincial/territorial tax rate to apply to the employee's income.
- If the employee does not work on the employer's premises and is paid from the employer's business located outside Canada, the employee does not pay provincial tax but is taxed using a tax rate for employees working in Canada beyond the limits of any province/territory or outside Canada.
- Remuneration subject to income tax includes earnings plus the value of any taxable benefits and allowances.
- Tax deductible amounts are subtracted from gross taxable income to determine the net taxable income that taxes are calculated on.

Review Questions

1. The appropriate provincial/territorial tax rate to apply to an employee's taxable income depends on the employee's workplace location. What tax rate would be used when:
 - a. the employee works on the employer's premises
 - b. the employee does not work on the employer's premises
 - c. the employer does not have a location in Canada

2. List three tax deductible amounts that are deducted from gross taxable income before income taxes are applied to an employee's remuneration.

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3. Doris MacNeil works for Modern Furniture in Alberta and receives the following remuneration on this pay:

Bi-weekly salary	\$1,364.85
Overtime	342.96
Commission	13.72
Group term life insurance non-cash taxable benefit	15.75
Taxable car allowance	75.00

What is Doris' gross taxable income for this pay?

4. Doris contributes 3% of the bi-weekly salary to the employer's registered pension plan (RPP) and also pays \$5.00 in union dues each pay. Calculate Doris' net taxable income, using the information provided in question 3.

Federal Personal Tax Credits Return – TD1 and TD1-WS Worksheet

Every Canadian resident receives a tax credit for a basic personal amount. Canadian taxpayers may also receive tax credits for eligible expenditures such as tuition. These tax credits reduce the total amount of tax payable.

Taxpayers who have additional tax credits may wait until their tax return is assessed to receive a tax refund, or they may complete a Personal Tax Credits Return – TD1 to inform the employer of the additional tax credits that will be claimed that taxation year.

The Personal Tax Credits Return – TD1 is completed by an employee who:

- has a new employer or payer and is receiving a salary, wages, commissions or any other remuneration
- wishes to increase the amount of income tax deducted at source
- wishes to claim the deduction for living in a prescribed zone
- has changes in the personal tax credit amounts previously claimed on a TD1

The information on the federal TD1 is used by the employer or payer to determine the amount of federal income tax to deduct from an individual's employment income or other income such as pension income. An employee **must** complete a federal TD1 with signature and date and file it with the employer. By claiming additional tax credit amounts on the federal TD1, an employee can reduce the amount of federal income tax they have to pay at source.

Once the employee's total claim amount has been determined, a corresponding claim code can be established using the claim code chart, which is found in the provincial/territorial payroll deductions tables. Either the total claim amount or the claim code will be used by the employer to determine the amount of tax to deduct, depending on the tax method used.

The Worksheet for the Personal Tax Credits Return – TD1-WS is used to calculate partial claim amounts on the TD1 for:

- the basic personal amount (for high income employees)
- age
- Canada caregiver amount for eligible dependant or spouse or common-law partner
- Canada caregiver amount for dependant(s) age 18 or older

The worksheet is kept by the employee. It does not have to be filed with the employer.

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Canada Revenue Agency
Agence du revenu du Canada

2022 Personal Tax Credits Return

Protected B when completed

TD1

Read page 2 before filling out this form. Your employer or payer will use this form to determine the amount of your tax deductions.

Fill out this form based on the best estimate of your circumstances.

If you do not fill out this form, your tax deductions will only include the basic personal amount, estimated by your employer or payer based on the income they pay you.

Last name		First name and initial(s)		Date of birth (YYYY/MM/DD)		Employee number	
Address				Postal code		For non-residents only Country of permanent residence	
						Social insurance number	
<p>1. Basic personal amount – Every resident of Canada can enter a basic personal amount of \$14,398. However, if your net income from all sources will be greater than \$155,625 and you enter \$14,398, you may have an amount owing on your income tax and benefit return at the end of the tax year. If your income from all sources will be greater than \$155,625, you have the option to calculate a partial claim. To do so, fill in the appropriate section of Form TD1-WS, Worksheet for the 2022 Personal Tax Credits Return, and enter the calculated amount here.</p>							
<p>2. Canada caregiver amount for infirm children under age 18 – Either parent (but not both), may claim \$2,350 for each infirm child born in 2005 or later, that resides with both parents throughout the year. If the child does not reside with both parents throughout the year, the parent who is entitled to claim the "Amount for an eligible dependant" on Line 8 may also claim the Canada caregiver amount for that same child who is under age 18.</p>							
<p>3. Age amount – If you will be 65 or older on December 31, 2022, and your net income for the year from all sources will be \$39,826 or less, enter \$7,898. If your net income for the year will be between \$39,826 and \$92,480 and you want to calculate a partial claim, get Form TD1-WS, Worksheet for the 2022 Personal Tax Credits Return, and fill in the appropriate section.</p>							
<p>4. Pension income amount – If you will receive regular pension payments from a pension plan or fund (excluding Canada Pension Plan, Quebec Pension Plan, Old Age Security, or Guaranteed Income Supplement payments), enter \$2,000 or your estimated annual pension income, whichever is less.</p>							
<p>5. Tuition (full time and part time) – If you are a student enrolled at a university or college, or an educational institution certified by Employment and Social Development Canada, and you will pay more than \$100 per institution in tuition fees, fill in this section. If you are enrolled full time or part time, enter the total of the tuition fees you will pay.</p>							
<p>6. Disability amount – If you will claim the disability amount on your income tax and benefit return by using Form T2201, Disability Tax Credit Certificate, enter \$8,870.</p>							
<p>7. Spouse or common-law partner amount – If you are supporting your spouse or common-law partner who lives with you and whose net income for the year will be less than Line 1 (Line 1 plus \$2,350 if they are infirm), enter the difference between this amount and their estimated net income for the year. If their net income for the year will be Line 1 or more (Line 1 plus \$2,350 if they are infirm), you cannot claim this amount. In all cases, if their net income for the year will be \$25,195 or less and they are infirm, go to Line 9.</p>							
<p>8. Amount for an eligible dependant – If you do not have a spouse or common-law partner and you support a dependent relative who lives with you and whose net income for the year will be less than Line 1 (Line 1 plus \$2,350 if they are infirm and you cannot claim the Canada caregiver amount for children under age 18 for this dependant), enter the difference between this amount and their estimated net income. If their net income for the year will be Line 1 or more (Line 1 plus \$2,350 or more if they are infirm), you cannot claim this amount. In all cases, if their net income for the year will be \$25,195 or less and they are infirm and are age 18 or older, go to Line 9.</p>							
<p>9. Canada caregiver amount for eligible dependant or spouse or common-law partner – If, at any time in the year, you support an infirm eligible dependant (aged 18 or older) or an infirm spouse or common-law partner whose net income for the year will be \$25,195 or less, get Form TD1-WS and fill in the appropriate section.</p>							
<p>10. Canada caregiver amount for dependant(s) age 18 or older – If, at any time in the year, you support an infirm dependant age 18 or older (other than the spouse or common-law partner or eligible dependant you claimed an amount for on Line 9, or could have claimed an amount for if their net income were under \$16,748) whose net income for the year will be \$17,670 or less, enter \$7,525. If their net income for the year will be between \$17,670 and \$25,195 and you want to calculate a partial claim, get Form TD1-WS and fill in the appropriate section. You can claim this amount for more than one infirm dependant age 18 or older. If you are sharing this amount with another caregiver who supports the same dependant, get the Form TD1-WS and fill in the appropriate section.</p>							
<p>11. Amounts transferred from your spouse or common-law partner – If your spouse or common-law partner will not use all of their age amount, pension income amount, tuition amount, or disability amount on their income tax and benefit return, enter the unused amount.</p>							
<p>12. Amounts transferred from a dependant – If your dependant will not use all of their disability amount on their income tax and benefit return, enter the unused amount. If your or your spouse's or common-law partner's dependent child or grandchild will not use all of their tuition amount on their income tax and benefit return, enter the unused amount.</p>							
<p>13. TOTAL CLAIM AMOUNT – Add Lines 1 to 12. Your employer or payer will use this amount to determine the amount of your tax deductions.</p>							
<div style="border: 1px solid black; height: 20px; width: 100%;"></div>							

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Filling out Form TD1

Fill out this form only if any of the following apply:

- you have a new employer or payer and you will receive salary, wages, commissions, pensions, employment insurance benefits, or any other remuneration
- you want to change amounts you previously claimed (for example, the number of your eligible dependants has changed)
- you want to claim the deduction for living in a prescribed zone
- you want to increase the amount of tax deducted at source

Sign and date it, and give it to your employer or payer.

If you do not fill out this form, your tax deductions will only include the basic personal amount, estimated by your employer or payer based on the income they pay you.

More than one employer or payer at the same time

- ☐ If you have more than one employer or payer at the same time and you have already claimed personal tax credit amounts on another Form TD1 for 2022, you cannot claim them again. If your total income from all sources will be more than the personal tax credits you claimed on another Form TD1, check this box, enter "0" on Line 13 and do not fill in Lines 2 to 12.

Total income less than total claim amount

- ☐ Check this box if your total income for the year from all employers and payers will be less than your total claim amount on Line 13. Your employer or payer will not deduct tax from your earnings.

Non-residents (Only fill in if you are a non-resident of Canada.)

As a non-resident of Canada, will 90% or more of your world income be included in determining your taxable income earned in Canada in 2022?

- ☐ Yes (Fill out the previous page.)
- ☐ No (Enter "0" on Line 13, and do not fill in Lines 2 to 12 as you are not entitled to the personal tax credits.)

If you are unsure of your residency status, call the international tax and non-resident enquiries line at 1-800-959-8281.

Provincial or territorial personal tax credits return

If your claim amount on Line 13 is more than \$14,398, you also have to fill out a provincial or territorial TD1 form. If you are an employee, use the Form TD1 for your province or territory of employment. If you are a pensioner, use the Form TD1 for your province or territory of residence. Your employer or payer will use both this federal form and your most recent provincial or territorial Form TD1 to determine the amount of your tax deductions. If you are claiming the basic personal amount only, your employer or payer will deduct provincial or territorial taxes after allowing the provincial or territorial basic personal amount.

Note: If you are a Saskatchewan resident supporting children under 18 at any time during 2022, you may be able to claim the child amount on Form TD1SK, 2022 Saskatchewan Personal Tax Credits Return. Therefore, you may want to fill out Form TD1SK even if you are only claiming the basic personal amount on this form.

Deduction for living in a prescribed zone

If you live in the Northwest Territories, Nunavut, Yukon, or another prescribed northern zone for more than six months in a row beginning or ending in 2022, you can claim any of the following:

- \$11.00 for each day that you live in the prescribed northern zone
- \$22.00 for each day that you live in the prescribed northern zone if, during that time, you live in a dwelling that you maintain, and you are the only person living in that dwelling who is claiming this deduction

\$

Employees living in a prescribed intermediate zone can claim 50% of the total of the above amounts.

For more information, go to canada.ca/taxes-northern-residents.

Additional tax to be deducted

You may want to have more tax deducted from each payment, especially if you receive other income, including non-employment income such as CPP or QPP benefits, or old age security pension. By doing this, you may not have to pay as much tax when you file your income tax and benefit return. To choose this option, state the amount of additional tax you want to have deducted from each payment. To change this deduction later, fill out a new Form TD1.

\$

Reduction in tax deductions

You can ask to have less tax deducted on your income tax and benefit return if you are eligible for deductions or non-refundable tax credits that are not listed on this form (for example, periodic contributions to a registered retirement savings plan (RRSP), child care or employment expenses, charitable donations, and tuition and education amounts carried forward from the previous year). To make this request, fill out Form T1213, Request to Reduce Tax Deductions at Source, to get a letter of authority from your tax services office. Give the letter of authority to your employer or payer. You do not need a letter of authority if your employer deducts RRSP contributions from your salary.

Forms and publications

To get our forms and publications, go to canada.ca/cra-forms-publications or call 1-800-959-5525.

Personal information (including the SIN) is collected for the purposes of the administration or enforcement of the Income Tax Act and related programs and activities including administering tax, benefits, audit, compliance, and collection. The information collected may be used or disclosed for purposes of other federal acts that provide for the imposition and collection of a tax or duty. It may also be disclosed to other federal, provincial, territorial, or foreign government institutions to the extent authorized by law. Failure to provide this information may result in interest payable, penalties, or other actions. Under the Privacy Act, individuals have a right of protection, access to and correction of their personal information, or to file a complaint with the Privacy Commissioner of Canada regarding the handling of their personal information. Refer to Personal Information Bank CRA PPU 120 on Info Source at canada.ca/cra-info-source.

Certification

I certify that the information given on this form is correct and complete.

Signature _____

Date _____

It is a serious offence to make a false return.

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Worksheet for the 2022 Personal Tax Credits Return

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TD1-WS

Fill out this worksheet if you want to calculate partial claims for the following amounts on your Form TD1, 2022 Personal Tax Credits Return.

Do not give your filled out worksheet to your employer or payer. Keep it for your records.

Line 1 of Form TD1 – Basic personal amount			
If your estimated net income will be more than \$155,625, calculate your partial claim as follows:			
Base amount			12,719.00 1
Your estimated net income for the year		2	
Income threshold	- 155,625.00	3	
Line 2 minus line 3	=	4	
\$66,083 minus line 4 (if zero or negative, enter \$12,719 at line 9)	=	5	
Divide line 5 by \$66,083	=		
Applicable amount		6	
Multiply line 6 by line 7	x 1,679.00	7	
Line 1 plus line 8	=		8
Enter this amount on Line 1 of Form TD1.			9
Line 3 of Form TD1 – Age amount			
If you will be 65 or older on December 31, 2022, and your estimated net income from all sources will be between \$39,826 and \$92,480, calculate your partial claim as follows:			
Maximum amount			7,898.00 1
Your estimated net income for the year		2	
Base amount	- 39,826.00	3	
Line 2 minus line 3 (if negative, enter "0")	=	4	
Applicable rate	x 15%	5	
Multiply line 4 by line 5	=		6
Line 1 minus line 6			7
Enter this amount on Line 3 of Form TD1.			
Line 9 of Form TD1 – Canada caregiver amount for eligible dependant or spouse or common-law partner			
If the estimated net income of your infirm eligible dependant (aged 18 or older) or your infirm spouse or common-law partner, whichever applies, will be \$25,195 or less for the year, calculate your claim as follows:			
Base amount			25,195.00 1
Your infirm dependant's estimated net income for the year	-	2	
Line 1 minus line 2 (maximum \$7,525)	=	3	
Enter the amount you claimed on line 7 or line 8, whichever applies, of Form TD1 for this dependant	-	4	
Line 3 minus line 4	=		5
Enter this amount on Line 9 of Form TD1 (if negative, enter "0").			
Line 10 of Form TD1 – Canada caregiver amount for dependant(s) age 18 or older			
If the estimated net income of your infirm dependant (see notes below) will be between \$17,670 and \$25,195 for the year, calculate your partial claim as follows:			
Base amount			25,195.00 1
Your infirm dependant's estimated net income for the year	-	2	
Line 1 minus line 2 (maximum \$7,525)	=	3	
Enter the amount, if any, that will be claimed by the dependant's other caregiver	-	4	
Line 3 minus line 4	=		5
Enter this amount on Line 10 of Form TD1 (if negative, enter "0").			
Notes: If you would like to claim this amount for more than one dependant, fill out a separate worksheet for each one.			
Add all of the amounts from line 5 of each worksheet and enter the total amount on line 10 of Form TD1.			
If you are claiming the Canada caregiver amount for spouse or common-law partner or for an eligible dependant, see Line 9 above.			

Twelve tax credit amounts may be claimed on the TD1.

As the payroll practitioner should be able to explain the content of the form to an employee, the following is provided for information purposes; it will not be tested.

1. **Basic personal amount** – Every Canadian resident can claim this amount. The basic personal amount is a variable amount based on net taxable income set by the government on an annual basis. An individual who will have more than one employer or payer at the same time during the year or who is a non-resident should review the relevant information on the second page of the form.
2. **Canada caregiver amount for infirm children under age 18** – Either parent (but not both), may claim an amount for each infirm child under age 18, that resides with both parents throughout the year. If the child does not reside with both parents throughout the year, the parent who is entitled to claim the “Amount for an eligible dependant” on line 8 may also claim the Canada caregiver amount for that same child who is under age 18.
3. **Age amount** – An individual who will be 65 or older on December 31 of the tax year and whose net income for the year is less than a certain amount, can claim the full age credit. A partial credit is also available depending on the individual’s income level. The TD1-WS must be completed to claim the partial credit.
4. **Pension income amount** – Individuals who are receiving regular payments from a pension plan or fund can claim an annually specified amount or their estimated annual pension income, whichever is less. Pension income does not include payments from the Canada or Québec Pension Plan, Old Age Security or Guaranteed Income Supplements.
5. **Tuition amounts (full time and part time)** – Students who are enrolled at a university, college or educational institution certified by ESDC and who pay more than a specified amount per institution in tuition fees, can claim this credit. Full or part time students can claim the total tuition paid in the calendar year.
6. **Disability amount** – Individuals who use the Disability Tax Credit Certificate – T2201 when filing their tax return can claim this amount.
7. **Spouse or common-law partner amount** – Individuals who are supporting a spouse or common-law partner who lives with them and whose net income for the year is less than a certain amount can claim this credit. A partial credit is also available depending on the spouse or common-law partner’s income level. If the spouse or common-law partner is infirm and has net income less than a certain amount, line 9 should also be completed.
8. **Amount for an eligible dependant** – Individuals who do not have a spouse or common-law partner and support a dependant relative who lives with them and whose net income for the year is less than a certain amount can claim this credit. A partial credit is also available based on the dependant’s income level. If the dependent is infirm and has net income less than a certain amount, line 9 should also be completed.
9. **Canada caregiver amount for eligible dependant or spouse or common-law partner** – Individuals who care for an infirm eligible dependant (age 18 or older) or an infirm spouse or common-law partner whose net income for the year is less than a certain amount can claim this credit by completing the appropriate section of form TD1-WS.

10. **Canada caregiver amount for dependant(s) age 18 or older** – Individuals who support an infirm dependant aged 18 or older whose net income for the year is less than a certain amount, can make this claim. This claim cannot be for the same person for whom a claim was made on line 9 (Canada caregiver amount for eligible dependant or spouse or common-law partner). A partial credit is also available based on the dependant's income level. The appropriate section of form TD1-WS must be completed to claim the partial credit.
11. **Amounts transferred from your spouse or common-law partner** – Any amounts not used by an individual's spouse or common-law partner on their income tax return for age, pension income, tuition or disability amount credits can be claimed here.
12. **Amounts transferred from a dependant** - Any amounts not used by an individual's dependant for the disability amount or any amounts not used by an individual or an individual's spouse's or common-law partner's dependent child or grandchild for their tuition amount on their income tax return can be claimed here.
13. **Total claim amount** – the total of the credits reported on lines 1 – 12 is entered here.

Additional information is provided on the reverse of the TD1 for:

- **More than one employer or payer at the same time** – Individuals with more than one employer at the same time who have claimed the personal tax credits on another TD1 form cannot claim them again
- **Total income less than total claim amount** – If the individual's total income for the year will be less than their total claim, no tax will be withheld
- **Non-residents** – Information is provided for non-residents of Canada and their claim entitlement
- **Provincial or territorial personal tax credits return** – Information is provided on whether it is necessary to complete a provincial or territorial personal tax credits return
- **Deduction for living in a prescribed zone** - Individuals who live in the Northwest Territories, Nunavut, Yukon or other prescribed northern zones for more than six consecutive months can claim certain amounts. For more information, see Form T2222, Northern Residents Deductions
- **Additional tax to be deducted** – Individuals can request that more income tax is withheld from their payments
- **Reduction in tax deductions** – Information is provided on how to apply for a reduction in tax deductions, using Form T1213, Request to Reduce Tax Deductions at Source

The total claim amount on line 13 of the TD1 corresponds to a claim code that is used to look up the amount of income tax to withhold in the payroll deduction tables or the Payroll Deductions Online Calculator (PDOC). These methods of calculating income tax withholdings will be discussed later in this chapter.

2022 FEDERAL CLAIM CODE VALUES		
CLAIM CODE	FROM	TO
0	No claim amount	No claim amount
1	\$0.00	\$14,398.00
2	\$14,398.01	\$16,828.00
3	\$16,828.01	\$19,258.00
4	\$19,258.01	\$21,688.00
5	\$21,688.01	\$24,118.00
6	\$24,118.01	\$26,548.00
7	\$26,548.01	\$28,978.00
8	\$28,978.01	\$31,408.00
9	\$31,408.01	\$33,838.00
10	\$33,838.01	\$36,268.00
X	Over \$36,268.01 - manual calculation required	
E	Exempt	

Claim code 0 is used for non-resident employees not entitled to the personal tax credits or employees who have another job and have already claimed their basic personal amount on the TD1 they filed with their other employer.

Employees should complete a new federal TD1 within seven days of a change to their personal situation if it affects the amounts they can claim on the form. These employees will also need to complete a new provincial/territorial TD1. If they do not complete new federal and provincial/territorial TD1s, they could be subject to a penalty of \$25.00 for each day the form is late. The minimum penalty is \$100.00; the maximum penalty is \$2,500.00. This penalty would apply when an individual continues to claim amounts to which they are no longer entitled. The CRA would assess the penalties when the individual's income tax return is assessed.

It is a serious offence for an employer to knowingly accept a form that contains false or deceptive statements. If you receive a questionable form, first discuss the form with the employee. If still in doubt, refer the form to the CRA.

Example:

Trevor Fournier graduated from the University of Alberta in April 2022. In July 2022, employment with Western Food Stores in Calgary, Alberta commenced. As part of the new hire process, Trevor completed the federal TD1. Trevor's situation is as follows:

- Trevor is a single parent who can claim the 'Amount for an eligible dependant's credit for a daughter Anna, who is 16 years old and works part-time. Anna is expected to earn an estimated \$4,635.00 net income in 2022.
- The 'Tuition amount' credit can also be claimed. Trevor's tuition for 2022 was \$4,750.00.

Trevor's federal TD1 2022 is shown on the following pages with the following claim amounts.

Line 1: Trevor claims the maximum basic personal amount based on estimated net taxable income.

Line 5: Trevor claims the eligible tuition for the current year.

Line 8: Trevor claims an amount for an eligible dependant that is the difference between the basic personal amount claimed on line 1 and the dependant's estimated net income.

Trevor will need to review the TD1 claims and submit updated forms when there is a change. For instance, in the next year the tuition amount may change or no longer be available and the claim for an eligible dependant will change based on new annual amounts or Anna's income changing.



Canada Revenue Agency
Agence du revenu du Canada

2022 Personal Tax Credits Return

Protected B when completed

TD1

Read page 2 before filling out this form. Your employer or payer will use this form to determine the amount of your tax deductions.

Fill out this form based on the best estimate of your circumstances.

If you do not fill out this form, your tax deductions will only include the basic personal amount, estimated by your employer or payer based on the income they pay you.

Last name FOURNIER	First name and initial(s) TREVOR	Date of birth (YYYY/MM/DD) 1963-10-08	Employee number
Address 239 7TH AVENUE SE, CALGARY AB		Postal code T 2 E 9 C 6	For non-residents only Country of permanent residence
		Social insurance number 1 9 7 5 6 2 8 7 3	

- 1. Basic personal amount** – Every resident of Canada can enter a basic personal amount of \$14,398. However, if your net income from all sources will be greater than \$155,625 and you enter \$14,398, you may have an amount owing on your income tax and benefit return at the end of the tax year. If your income from all sources will be greater than \$155,625, you have the option to calculate a partial claim. To do so, fill in the appropriate section of Form TD1-WS, Worksheet for the 2022 Personal Tax Credits Return, and enter the calculated amount here.

14,398.00
- 2. Canada caregiver amount for infirm children under age 18** – Either parent (but not both), may claim \$2,350 for each infirm child born in 2005 or later, that resides with both parents throughout the year. If the child does not reside with both parents throughout the year, the parent who is entitled to claim the "Amount for an eligible dependant" on Line 8 may also claim the Canada caregiver amount for that same child who is under age 18.
- 3. Age amount** – If you will be 65 or older on December 31, 2022, and your net income for the year from all sources will be \$39,826 or less, enter \$7,898. If your net income for the year will be between \$39,826 and \$92,480 and you want to calculate a partial claim, get Form TD1-WS, Worksheet for the 2022 Personal Tax Credits Return, and fill in the appropriate section.
- 4. Pension income amount** – If you will receive regular pension payments from a pension plan or fund (excluding Canada Pension Plan, Quebec Pension Plan, Old Age Security, or Guaranteed Income Supplement payments), enter \$2,000 or your estimated annual pension income, whichever is less.
- 5. Tuition (full time and part time)** – If you are a student enrolled at a university or college, or an educational institution certified by Employment and Social Development Canada, and you will pay more than \$100 per institution in tuition fees, fill in this section. If you are enrolled full time or part time, enter the total of the tuition fees you will pay.

4,750.00
- 6. Disability amount** – If you will claim the disability amount on your income tax and benefit return by using Form T2201, Disability Tax Credit Certificate, enter \$8,870.
- 7. Spouse or common-law partner amount** – If you are supporting your spouse or common-law partner who lives with you and whose net income for the year will be less than Line 1 (Line 1 plus \$2,350 if they are **infirm**), enter the difference between this amount and their estimated net income for the year. If their net income for the year will be Line 1 or more (Line 1 plus \$2,350 if they are **infirm**), you cannot claim this amount. In all cases, if their net income for the year will be \$25,195 or less **and** they are **infirm**, go to Line 9.
- 8. Amount for an eligible dependant** – If you do not have a spouse or common-law partner and you support a dependent relative who lives with you and whose net income for the year will be less than Line 1 (Line 1 plus \$2,350 if they are **infirm** and you **cannot claim the Canada caregiver amount for children under age 18 for this dependant**), enter the difference between this amount and their estimated net income. If their net income for the year will be Line 1 or more (Line 1 plus \$2,350 or more if they are **infirm**), you cannot claim this amount. In all cases, if their net income for the year will be \$25,195 or less **and** they are **infirm and are age 18 or older**, go to Line 9.

9,763.00
- 9. Canada caregiver amount for eligible dependant or spouse or common-law partner** – If, at any time in the year, you support an **infirm** eligible dependant (aged 18 or older) or an **infirm** spouse or common-law partner whose net income for the year will be \$25,195 or less, get Form TD1-WS and fill in the appropriate section.
- 10. Canada caregiver amount for dependant(s) age 18 or older** – If, at any time in the year, you support an **infirm** dependant age 18 or older (other than the spouse or common-law partner or eligible dependant you claimed an amount for on Line 9, or could have claimed an amount for if their net income were under \$16,748) whose net income for the year will be \$17,670 or less, enter \$7,525. If their net income for the year will be between \$17,670 and \$25,195 and you want to calculate a partial claim, get Form TD1-WS and fill in the appropriate section. You can claim this amount for more than one infirm dependant age 18 or older. If you are sharing this amount with another caregiver who supports the same dependant, get the Form TD1-WS and fill in the appropriate section.
- 11. Amounts transferred from your spouse or common-law partner** – If your spouse or common-law partner will not use all of their age amount, pension income amount, tuition amount, or disability amount on their income tax and benefit return, enter the unused amount.
- 12. Amounts transferred from a dependant** – If your dependant will not use all of their **disability amount** on their income tax and benefit return, enter the unused amount. If your or your spouse's or common-law partner's dependent child or grandchild will not use all of their **tuition amount** on their income tax and benefit return, enter the unused amount.
- 13. TOTAL CLAIM AMOUNT** – Add Lines 1 to 12.
Your employer or payer will use this amount to determine the amount of your tax deductions.

28,911.00

Chapter 4

Income Tax

Protected B when completed

Filling out Form TD1

Fill out this form **only** if any of the following apply:

- you have a new employer or payer and you will receive salary, wages, commissions, pensions, employment insurance benefits, or any other remuneration
- you want to change amounts you previously claimed (for example, the number of your eligible dependants has changed)
- you want to claim the deduction for living in a prescribed zone
- you want to increase the amount of tax deducted at source

Sign and date it, and give it to your employer or payer.

If you do not fill out this form, your tax deductions will only include the basic personal amount, estimated by your employer or payer based on the income they pay you.

More than one employer or payer at the same time

☐ If you have more than one employer or payer at the same time and you have already claimed personal tax credit amounts on another Form TD1 for 2022, you **cannot claim them again**. If your total income from all sources will be **more** than the personal tax credits you claimed on another Form TD1, **check** this box, enter "0" on Line 13 and do not fill in Lines 2 to 12.

Total income less than total claim amount

☐ Check this box if your total income for the year from **all** employers and payers will be **less** than your total claim amount on Line 13. Your employer or payer will not deduct tax from your earnings.

Non-residents (Only fill in if you are a non-resident of Canada.)

As a non-resident of Canada, will 90% or more of your world income be included in determining your taxable income earned in Canada in 2022?

☐ Yes (Fill out the previous page.)

☐ No (Enter "0" on Line 13, and do not fill in Lines 2 to 12 as you are not entitled to the personal tax credits.)

If you are unsure of your residency status, call the international tax and non-resident enquiries line at **1-800-959-8281**.

Provincial or territorial personal tax credits return

If your claim amount on Line 13 is more than \$14,398, you also have to fill out a provincial or territorial TD1 form. If you are an employee, use the Form TD1 for your province or territory of employment. If you are a pensioner, use the Form TD1 for your province or territory of residence. Your employer or payer will use both this federal form and your most recent provincial or territorial Form TD1 to determine the amount of your tax deductions.

If you are claiming the basic personal amount **only**, your employer or payer will deduct provincial or territorial taxes after allowing the provincial or territorial basic personal amount.

Note: If you are a Saskatchewan resident supporting children under 18 at any time during 2022, you may be able to claim the child amount on Form TD1SK, 2022 Saskatchewan Personal Tax Credits Return. Therefore, you may want to fill out Form TD1SK even if you are **only** claiming the basic personal amount on this form.

Deduction for living in a prescribed zone

If you live in the Northwest Territories, Nunavut, Yukon, or another prescribed **northern** zone for more than six months in a row beginning or ending in 2022, you can claim any of the following:

- \$11.00 for each day that you live in the prescribed northern zone
- \$22.00 for each day that you live in the prescribed northern zone if, during that time, you live in a dwelling that you maintain, and you are the only person living in that dwelling who is claiming this deduction

Employees living in a prescribed **intermediate** zone can claim 50% of the total of the above amounts.

For more information, go to canada.ca/taxes-northern-residents.

\$

Additional tax to be deducted

You may want to have more tax deducted from each payment, especially if you receive other income, including non-employment income such as CPP or QPP benefits, or old age security pension. By doing this, you may not have to pay as much tax when you file your income tax and benefit return. To choose this option, state the amount of additional tax you want to have deducted from each payment. To change this deduction later, fill out a new Form TD1.

\$

Reduction in tax deductions

You can ask to have less tax deducted on your income tax and benefit return if you are eligible for deductions or non-refundable tax credits that are not listed on this form (for example, periodic contributions to a registered retirement savings plan (RRSP), child care or employment expenses, charitable donations, and tuition and education amounts carried forward from the previous year). To make this request, fill out Form T1213, Request to Reduce Tax Deductions at Source, to get a letter of authority from your tax services office. Give the letter of authority to your employer or payer. You do not need a letter of authority if your employer deducts RRSP contributions from your salary.

Forms and publications

To get our forms and publications, go to canada.ca/cra-forms-publications or call **1-800-959-5525**.

Personal information (including the SIN) is collected for the purposes of the administration or enforcement of the Income Tax Act and related programs and activities including administering tax, benefits, audit, compliance, and collection. The information collected may be used or disclosed for purposes of other federal acts that provide for the imposition and collection of a tax or duty. It may also be disclosed to other federal, provincial, territorial, or foreign government institutions to the extent authorized by law. Failure to provide this information may result in interest payable, penalties, or other actions. Under the Privacy Act, individuals have a right of protection, access to and correction of their personal information, or to file a complaint with the Privacy Commissioner of Canada regarding the handling of their personal information. Refer to Personal Information Bank CRA PPU 120 on Info Source at canada.ca/cra-info-source.

Certification

I certify that the information given on this form is correct and complete.

Signature

Trevor Fournier

It is a serious offence to make a false return.

Date

2021-12-10

Trevor's claim amount from line 13 of the TD1 is \$28,911; the corresponding claim code is 7.

2022 FEDERAL CLAIM CODE VALUES		
CLAIM CODE	FROM	TO
0	No claim amount	No claim amount
1	\$0.00	\$14,398.00
2	\$14,398.01	\$16,828.00
3	\$16,828.01	\$19,258.00
4	\$19,258.01	\$21,688.00
5	\$21,688.01	\$24,118.00
6	\$24,118.01	\$26,548.00
7	\$26,548.01	\$28,978.00
8	\$28,978.01	\$31,408.00
9	\$31,408.01	\$33,838.00
10	\$33,838.01	\$36,268.00
X	Over \$36,268.01 - manual calculation required	
E	Exempt	

Provincial/Territorial Personal Tax Credits Return – TD1 and TD1-WS Worksheet

The CRA provides a Personal Tax Credits Return – TD1 and a Worksheet for the Personal Tax Credits Return – TD1-WS for each province and territory, except Québec. The forms are named TD1** and TD1**-WS, where a two-letter provincial/territorial code replaces the asterisks. For example, the TD1 for the province of Alberta is TD1AB and the worksheet is TD1AB-WS.

Employees are required to complete the provincial/territorial tax credit return that corresponds to their province or territory of employment, or province/territory of residence in the case of a pensioner if they are claiming anything other than the basic personal amount.

Most of the tax credit categories on the provincial/territorial TD1 are the same as the categories on the federal TD1; however, the amounts for each category may differ by jurisdiction. As with the federal TD1, the provincial/territorial form must be signed, dated and given to the employer, who will use it to determine the amount of tax to be deducted.

Before the total provincial/territorial claim amount can be determined, a provincial/territorial TD1-WS form may need to be completed for partial claims for age, caregiver or amount for infirm dependant age 18 or older. This form is kept by the employee; it does not need to be given to the employer.

The provincial/territorial total claim amounts and codes may not necessarily be the same as those on the federal form, as the dollar values for the individual credits differ federally and provincially/territorially. The only exception is when a non-resident employee has a federal claim code of '0'; in that case, the provincial/territorial claim code must also be '0'.

The charts showing the provincial/territorial claim amounts and codes are found in the provincial/territorial *Payroll Deductions Tables* – T4032, published by the CRA, or by using the Payroll Deductions Online Calculator (PDOC).

It is important to note that the provincial/territorial TD1 forms will have a direct impact in determining the employee's provincial/territorial tax deductions. This will be discussed later in the chapter under methods of taxation.

Samples of Alberta's TD1AB and TD1AB-WS forms are found on the following pages.



2022 Alberta Personal Tax Credits Return

Protected B when completed
TD1AB

Read page 2 before filling out this form. Your employer or payer will use this form to determine the amount of your provincial tax deductions.
Fill out this form based on the best estimate of your circumstances.

Last name	First name and initial(s)	Date of birth (YYYY/MM/DD)	Employee number
Address	Postal code	For non-residents only Country of permanent residence	Social insurance number

<p>1. Basic personal amount – Every person employed in Alberta and every pensioner residing in Alberta can claim this amount. If you will have more than one employer or payer at the same time in 2022, see "More than one employer or payer at the same time" on page 2.</p>	19,369
<p>2. Age amount – If you will be 65 or older on December 31, 2022, and your net income from all sources will be \$40,179 or less, enter \$5,397. If your net income for the year will be between \$40,179 and \$76,159 and you want to calculate a partial claim, get Form TD1AB-WS, Worksheet for the 2022 Alberta Personal Tax Credits Return, and fill in the appropriate section.</p>	
<p>3. Pension income amount – If you will receive regular pension payments from a pension plan or fund (excluding Canada Pension Plan, Quebec Pension Plan, Old Age Security, or Guaranteed Income Supplement payments), enter \$1,491, or your estimated annual pension income, whichever is less.</p>	
<p>4. Disability amount – If you will claim the disability amount on your income tax and benefit return by using Form T2201, Disability Tax Credit Certificate, enter \$14,940.</p>	
<p>5. Spouse or common-law partner amount – If you are supporting your spouse or common-law partner who lives with you and whose net income for the year will be less than \$19,369, enter the difference between \$19,369 and their estimated net income. If their net income for the year will be \$19,369 or more, you cannot claim this amount.</p>	
<p>6. Amount for an eligible dependant – If you do not have a spouse or common-law partner and you support a dependent relative who lives with you and whose net income for the year will be less than \$19,369, enter the difference between \$19,369 and their estimated net income. If their net income for the year will be \$19,369 or more, you cannot claim this amount.</p>	
<p>7. Caregiver amount – If you are taking care of a dependant who lives with you, whose net income for the year will be \$17,826 or less, and who is either your or your spouse's or common-law partner's:</p> <ul style="list-style-type: none"> parent or grandparent (aged 65 or older) relative (aged 18 or older) who is dependent on you because of an infirmity, enter \$11,212 <p>If the dependant's net income for the year will be between \$17,826 and \$29,038 and you want to calculate a partial claim, get Form TD1AB-WS and fill in the appropriate section.</p>	
<p>8. Amount for infirm dependants age 18 or older – If you are supporting an infirm dependant aged 18 or older who is your or your spouse's or common-law partner's relative, who lives in Canada, and whose net income for the year will be \$7,407 or less, enter \$11,212. You cannot claim an amount for a dependant you claimed on line 7. If the dependant's net income for the year will be between \$7,407 and \$18,619 and you want to calculate a partial claim, get Form TD1AB-WS and fill in the appropriate section.</p>	
<p>9. Amounts transferred from your spouse or common-law partner – If your spouse or common-law partner will not use all of their age amount, pension income amount, or disability amount on their income tax and benefit return, enter the unused amount.</p>	
<p>10. Amounts transferred from a dependant – If your dependant will not use all of their disability amount on their income tax and benefit return, enter the unused amount.</p>	
<p>11. TOTAL CLAIM AMOUNT – Add lines 1 to 10. Your employer or payer will use your claim amount to determine the amount of your provincial tax deductions.</p>	<div style="border: 1px solid black; width: 100px; height: 30px;"></div>

Chapter 4

Income Tax

Protected B when completed

Filling out Form TD1AB

Fill out this form only if you are an employee working in Alberta or a pensioner residing in Alberta and any of the following apply:

- you have a new employer or payer and you will receive salary, wages, commissions, pensions, employment insurance benefits, or any other remuneration
- you want to change amounts you previously claimed (for example, the number of your eligible dependants has changed)
- you want to increase the amount of tax deducted at source

Sign and date it, and give it to your employer or payer.

If you do not fill out Form TD1AB, your employer or payer will deduct taxes after allowing the basic personal amount only.

More than one employer or payer at the same time

☐ If you have more than one employer or payer at the same time and you have already claimed personal tax credit amounts on another Form TD1AB for 2022, you cannot claim them again. If your total income from all sources will be more than the personal tax credits you claimed on another Form TD1AB, check this box, enter "0" on line 11 and do not fill in lines 2 to 10.

Total income less than total claim amount

☐ Check this box if your total income for the year from all employers and payers will be less than your total claim amount on line 11. Your employer or payer will not deduct tax from your earnings.

Additional tax to be deducted

If you wish to have more tax deducted, fill in "Additional tax to be deducted" on the federal Form TD1.

Reduction in tax deductions

You can ask to have less tax deducted on your income tax and benefit return if you are eligible for deductions or non-refundable tax credits that are not listed on this form (for example, periodic contributions to a registered retirement savings plan (RRSP), child care or employment expenses, charitable donations, and tuition and education amounts carried forward from the previous year). To make this request, fill out Form T1213, Request to Reduce Tax Deductions at Source, to get a letter of authority from your tax services office. Give the letter of authority to your employer or payer. You do not need a letter of authority if your employer deducts RRSP contributions from your salary.

Forms and publications

To get our forms and publications, go to canada.ca/cra-forms-publications or call 1-800-959-5525.

Personal information (including the SIN) is collected for the purposes of the administration or enforcement of the Income Tax Act and related programs and activities including administering tax, benefits, audit, compliance, and collection. The information collected may be used or disclosed for purposes of other federal acts that provide for the imposition and collection of a tax or duty. It may also be disclosed to other federal, provincial, territorial, or foreign government institutions to the extent authorized by law. Failure to provide this information may result in interest payable, penalties, or other actions. Under the Privacy Act, individuals have a right of protection, access to and correction of their personal information, or to file a complaint with the Privacy Commissioner of Canada regarding the handling of their personal information. Refer to Personal Information Bank CRA PPU 120 on Info Source at canada.ca/cra-info-source.

Certification

I certify that the information given on this form is correct and complete.

Signature _____

Date _____

It is a serious offence to make a false return.



Worksheet for the 2022 Alberta Personal Tax Credits Return

Protected B when completed
TD1AB-WS

Fill out this worksheet if you want to calculate partial claims for the following amounts on your Form TD1AB, 2022 Alberta Personal Tax Credits Return.

Do not give your filled out worksheet to your employer or payer. Keep it for your records.

Line 2 of Form TD1AB – Age amount

If you will be 65 or older on December 31, 2022, and your estimated net income from all sources will be between \$40,179 and \$76,159 calculate your partial claim as follows:

Maximum amount		5,397 00	1
Your estimated net income for the year			2
Base amount	- 40,179 00		3
Line 2 minus line 3 (if negative, enter "0")	=		4
Applicable rate	x 15%		5
Multiply line 4 by line 5.	=		6
Line 1 minus line 6			7
Enter this amount on line 2 of Form TD1AB.	=		

Line 7 of Form TD1AB – Caregiver amount

If your dependant's estimated net income for the year will be between \$17,826 and \$29,038, calculate your partial claim as follows:

Base amount		29,038 00	1
Your dependant's estimated net income for the year	-		2
Line 1 minus line 2 (maximum \$11,212, if negative, enter "0")	=		3
Enter the amount you claimed on line 6 of your Form TD1AB for this dependant.	-		4
Line 3 minus line 4 (if negative, enter "0")	=		5
Enter this amount on line 7 of Form TD1AB.			

Line 8 of Form TD1AB – Amount for infirm dependants age 18 or older

You cannot claim this amount for a dependant for whom you claimed the caregiver amount on line 7 of Form TD1AB. If your dependant's estimated net income for the year will be between \$7,407 and \$18,619, calculate your partial claim as follows:

Base amount		18,619 00	1
Your infirm dependant's estimated net income for the year	-		2
Line 1 minus line 2 (maximum \$11,212, if negative, enter "0")	=		3
Enter the amount you claimed on line 6 of your Form TD1AB for this dependant.	-		4
Line 3 minus line 4 (if negative, enter "0")	=		5
Enter this amount on line 8 of Form TD1AB.			

Example:

Trevor Fournier graduated from the University of Alberta in April 2022. In July 2022, employment with Western Food Stores in Calgary, Alberta commenced. As part of the new hire process, Trevor completed the TD1AB form. Trevor's situation is as follows:

- Trevor is a single parent who can claim the 'Amount for an eligible dependent's credit for a daughter Anna, who is 16 years old and works part-time. Anna is expected to earn \$4,635.00 in 2022.

Trevor's TD1AB form for 2022 is shown on the following pages with the following claim amounts.

Line 1: Trevor claims the basic personal amount.

Line 6: Trevor claims an amount for an eligible dependant that is the difference between the basic personal amount claimed on line 1 and the dependant's estimated net income.

Note: The Alberta provincial TD1 form does not include a claim amount for tuition.

Trevor will need to review and update the TD1 form if eligibility for the amount for an eligible dependant changes, for instance based on new annual amounts or if Anna's income changes.



2022 Alberta Personal Tax Credits Return

Protected B when completed
TD1AB

Read page 2 before filling out this form. Your employer or payer will use this form to determine the amount of your provincial tax deductions.
Fill out this form based on the best estimate of your circumstances.

Last name FOURNIER	First name and initial(s) TREVOR	Date of birth (YYYY/MM/DD) 1963-10-08	Employee number
Address 239 7TH AVENUE SE, CALGARY AB	Postal code T 2 E 9 C 6	For non-residents only Country of permanent residence	Social insurance number 1 9 7 5 6 2 8 7 3
1. Basic personal amount – Every person employed in Alberta and every pensioner residing in Alberta can claim this amount. If you will have more than one employer or payer at the same time in 2022, see "More than one employer or payer at the same time" on page 2.			19,369
2. Age amount – If you will be 65 or older on December 31, 2022, and your net income from all sources will be \$40,179 or less, enter \$5,397. If your net income for the year will be between \$40,179 and \$76,159 and you want to calculate a partial claim, get Form TD1AB-WS, Worksheet for the 2022 Alberta Personal Tax Credits Return, and fill in the appropriate section.			
3. Pension income amount – If you will receive regular pension payments from a pension plan or fund (excluding Canada Pension Plan, Quebec Pension Plan, Old Age Security, or Guaranteed Income Supplement payments), enter \$1,491, or your estimated annual pension income, whichever is less.			
4. Disability amount – If you will claim the disability amount on your income tax and benefit return by using Form T2201, Disability Tax Credit Certificate, enter \$14,940.			
5. Spouse or common-law partner amount – If you are supporting your spouse or common-law partner who lives with you and whose net income for the year will be less than \$19,369, enter the difference between \$19,369 and their estimated net income. If their net income for the year will be \$19,369 or more, you cannot claim this amount.			
6. Amount for an eligible dependant – If you do not have a spouse or common-law partner and you support a dependent relative who lives with you and whose net income for the year will be less than \$19,369, enter the difference between \$19,369 and their estimated net income. If their net income for the year will be \$19,369 or more, you cannot claim this amount.			14,734
7. Caregiver amount – If you are taking care of a dependant who lives with you, whose net income for the year will be \$17,826 or less, and who is either your or your spouse's or common-law partner's: <ul style="list-style-type: none"> parent or grandparent (aged 65 or older) relative (aged 18 or older) who is dependent on you because of an infirmity, enter \$11,212 If the dependant's net income for the year will be between \$17,826 and \$29,038 and you want to calculate a partial claim, get Form TD1AB-WS and fill in the appropriate section.			
8. Amount for infirm dependants age 18 or older – If you are supporting an infirm dependant aged 18 or older who is your or your spouse's or common-law partner's relative, who lives in Canada, and whose net income for the year will be \$7,407 or less, enter \$11,212. You cannot claim an amount for a dependant you claimed on line 7. If the dependant's net income for the year will be between \$7,407 and \$18,619 and you want to calculate a partial claim, get Form TD1AB-WS and fill in the appropriate section.			
9. Amounts transferred from your spouse or common-law partner – If your spouse or common-law partner will not use all of their age amount, pension income amount, or disability amount on their income tax and benefit return, enter the unused amount.			
10. Amounts transferred from a dependant – If your dependant will not use all of their disability amount on their income tax and benefit return, enter the unused amount.			
11. TOTAL CLAIM AMOUNT – Add lines 1 to 10. Your employer or payer will use your claim amount to determine the amount of your provincial tax deductions.			34,103

Chapter 4

Income Tax

Protected B when completed

Filling out Form TD1AB

Fill out this form **only** if you are an employee working in Alberta or a pensioner residing in Alberta and any of the following apply:

- you have a new employer or payer and you will receive salary, wages, commissions, pensions, employment insurance benefits, or any other remuneration
- you want to change amounts you previously claimed (for example, the number of your eligible dependants has changed)
- you want to increase the amount of tax deducted at source

Sign and date it, and give it to your employer or payer.

If you do not fill out Form TD1AB, your employer or payer will deduct taxes after allowing the basic personal amount **only**.

More than one employer or payer at the same time

☐ If you have more than one employer or payer at the same time and you have already claimed personal tax credit amounts on another Form TD1AB for 2022, you **cannot claim them again**. If your total income from all sources will be **more** than the personal tax credits you claimed on another Form TD1AB, check this box, enter "0" on line 11 and do not fill in lines 2 to 10.

Total income less than total claim amount

☐ Check this box if your total income for the year from **all** employers and payers will be **less** than your total claim amount on line 11. Your employer or payer will not deduct tax from your earnings.

Additional tax to be deducted

If you wish to have more tax deducted, fill in "Additional tax to be deducted" on the federal Form TD1.

Reduction in tax deductions

You can ask to have less tax deducted on your income tax and benefit return if you are eligible for deductions or non-refundable tax credits that are not listed on this form (for example, periodic contributions to a registered retirement savings plan (RRSP), child care or employment expenses, charitable donations, and tuition and education amounts carried forward from the previous year). To make this request, fill out Form T1213, Request to Reduce Tax Deductions at Source, to get a letter of authority from your tax services office. Give the letter of authority to your employer or payer. You do not need a letter of authority if your employer deducts RRSP contributions from your salary.

Forms and publications

To get our forms and publications, go to canada.ca/cra-forms-publications or call 1-800-959-5525.

Personal information (including the SIN) is collected for the purposes of the administration or enforcement of the Income Tax Act and related programs and activities including administering tax, benefits, audit, compliance, and collection. The information collected may be used or disclosed for purposes of other federal acts that provide for the imposition and collection of a tax or duty. It may also be disclosed to other federal, provincial, territorial, or foreign government institutions to the extent authorized by law. Failure to provide this information may result in interest payable, penalties, or other actions. Under the Privacy Act, individuals have a right of protection, access to and correction of their personal information, or to file a complaint with the Privacy Commissioner of Canada regarding the handling of their personal information. Refer to Personal Information Bank CRA PPU 120 on Info Source at canada.ca/cra-info-source.

Certification

I certify that the information given on this form is correct and complete.

Signature

Trevor Fournier

It is a serious offence to make a false return.

Date

2021-12-10

Trevor's total claim amount of \$34,103 from line 12 of the TD1AB form corresponds to a claim code of 7.

2022 ALBERTA CLAIM CODE VALUES		
CLAIM CODE	FROM	TO
0	No claim amount	No claim amount
1	\$0.00	\$19,369.00
2	\$19,369.01	\$22,203.00
3	\$22,203.01	\$25,037.00
4	\$25,037.01	\$27,871.00
5	\$27,871.01	\$30,705.00
6	\$30,705.01	\$33,539.00
7	\$33,539.01	\$36,373.00
8	\$36,373.01	\$39,207.00
9	\$39,207.01	\$42,041.00
10	\$42,041.01	\$44,875.00
X	Over \$44,875.01 - manual calculation required	
E	Exempt	

Content Review

- The Canada Revenue Agency (CRA) federal and provincial/territorial – Personal Tax Credits Return – TD1 and TD1-WS forms are completed by an employee who:
 - has a new employer or payer and is receiving a salary, wages, commissions or any other remuneration
 - wishes to increase the amount of income tax deducted at source
 - wishes to claim the deduction for living in a prescribed zone
 - has changes in the personal amounts previously claimed on the TD1 form
- The total claim amount or the claim code on the federal and provincial Personal Tax Credits Return – TD1 form will be used by the employer to determine the amount of federal and provincial or territorial income tax to deduct from an individual's employment income or other income such as pension income.
- Employees are required to complete the provincial/territorial tax credit return form that corresponds to their province or territory of employment or province/territory of residence in the case of a pensioner.

Review Questions

5. What is the purpose of the federal and provincial/territorial Personal Tax Credits Returns – TD1 forms?
6. In what situations would an employee complete the federal Worksheet for the Personal Tax Credits Return – TD1-WS?
7. When does the claim code on the employee's federal TD1 form have to match the claim code on the provincial/territorial TD1 form?

Income Tax Calculation Methods – Federal and Provincial/Territorial

The methods available to calculate income tax deductions are the:

- Payroll Deductions Tables
- Payroll Deductions Online Calculator (PDOC)
- Manual method
- Formula method

Payroll practitioners who need to manually calculate income tax deductions would normally use the payroll deduction tables or the Payroll Deductions Online Calculator to determine the amount of federal and provincial/territorial tax to withhold.

Payroll Deductions Tables Method

The Canada Revenue Agency (CRA) publishes the *Payroll Deductions Tables* – T4032, which contain the withholding requirements for Canada Pension Plan (CPP), Employment Insurance (EI) and federal and provincial/territorial tax by jurisdiction. The CRA publishes the tables for January 1st each year. New tables may be published for July 1st as well, due to mid-year changes to tax rates, as changes are traditionally announced for January 1st and July 1st. New tax tables would be published for any changes to tax rates effective throughout the year. The tax tables are only available in electronic format.

Note:

The payroll deduction tables and online tools used as illustrations throughout this chapter are not necessarily those of the current year

The tables are published for each jurisdiction using publication number T4032**, where a two letter provincial/territorial code replaces the asterisks. For example, the T4032 for the province of Alberta is T4032**AB**.

As the pay period frequency impacts the deductions for CPP contributions and income tax withholdings, the tables provide the withholdings for these statutory deductions using the following pay period frequencies:

- Weekly (52 pays)
- Bi-weekly (26 pays)
- Semi-monthly (24 pays)
- Monthly (12 pays)

If the employer has unusual pay period frequencies, such as hourly, daily (240 working days), or 10, 13, or 22 pay periods a year, the CRA's publication, *Payroll Deductions Supplementary Tables – T4008* should be used. If the employer is located outside Canada and does not have a location in Canada, the CRA publication *Payroll Deductions Tables – Income tax deductions - In Canada Beyond the Limits of Any Province/Territory or Outside Canada – T4032OC* is used.

When using the paper payroll deduction tables, note that in the left hand column titled 'Pay' the figure for the top of each range is the same as the figure beginning the next range. The figure at the top of each range is one cent less but has been rounded for ease of printing the tables. For example, in the following table the first line shows \$2,066 - \$2,100; the range is actually \$2,066.00 - \$2,099.99.

Alberta Federal tax deductions only Effective January 1, 20XX Monthly (12 pay periods a year)													Alberta Retenues d'impôt fédéral seulement Mensuel (12 périodes de paie par année)												
Pay		Federal claim codes/Codes de demande fédéraux																							
Rémunération		0	1	2	3	4	5	6	7	8	9	10													
From De	Less than Moins de		Deduct from each pay Retenez sur chaque paie																						
2066.	- 2100	313.45	214.65	203.65	181.75	159.85	137.90	116.00	94.05	72.15	50.20	28.30													
2100.	- 2134	318.55	219.70	208.75	186.85	164.90	143.00	121.05	99.15	77.25	55.30	33.40													
2134.	- 2168	323.60	224.80	213.85	191.90	170.00	148.10	126.15	104.25	82.30	60.40	38.45													
2168.	- 2202	328.70	229.90	218.90	197.00	175.10	153.15	131.25	109.30	87.40	65.45	43.55													
2202.	- 2236	333.80	234.95	224.00	202.10	180.15	158.25	136.35	114.40	92.50	70.55	48.65													

To calculate the required federal and provincial/territorial tax deductions using the payroll deduction tables, follow the steps outlined in the chart that follows. The chart illustrates the method to determine federal and provincial tax using Alberta as the province of employment. Sample monthly tax tables from the Alberta payroll deduction tables are included in your Student Information Guide and provided in this material.

When the employer calculates the employee's tax liability using the payroll deductions tables, the claim code determined by the employee's federal and provincial/territorial Personal Tax Credits Return – TD1 total claim amount is required.

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STEP	ACTION	EXAMPLE												
1	<p>Continuing with our previous example, Trevor Fournier earns \$2,500.00 monthly and also receives a monthly taxable car allowance of \$250.00. There is also a monthly contribution of \$100.00 to a Registered Pension Plan (RPP); this RPP contribution reduces gross taxable income.</p> <p>Determine the employee's net taxable income subject to tax withholdings at source for the pay period – the sum of the employee's earnings, taxable allowances, taxable expense reimbursements, taxable benefits, less the employee's:</p> <ul style="list-style-type: none">• Contributions to a registered pension plan• RRSP contributions (including any employer RRSP contributions)• Union dues (for non-Québec employees)• Deductions for residing in a prescribed zone as claimed on the federal TD1• Deductions authorized by the CRA	<table><tr><td>Salary</td><td>\$2,500.00</td></tr><tr><td>Add taxable car allowance</td><td><u>250.00</u></td></tr><tr><td>Gross taxable income</td><td>\$2,750.00</td></tr><tr><td>LESS:</td><td></td></tr><tr><td>RPP contribution</td><td><u>- 100.00</u></td></tr><tr><td>Net taxable income subject to tax withholdings at source</td><td>\$2,650.00</td></tr></table>	Salary	\$2,500.00	Add taxable car allowance	<u>250.00</u>	Gross taxable income	\$2,750.00	LESS:		RPP contribution	<u>- 100.00</u>	Net taxable income subject to tax withholdings at source	\$2,650.00
Salary	\$2,500.00													
Add taxable car allowance	<u>250.00</u>													
Gross taxable income	\$2,750.00													
LESS:														
RPP contribution	<u>- 100.00</u>													
Net taxable income subject to tax withholdings at source	\$2,650.00													
2	Choose the appropriate provincial/territorial payroll deductions table depending on the employee’s province of employment.	Alberta												
3	<p>In the ‘Pay’ column in the monthly federal tax tables, find the range containing the employee’s net taxable income.</p> <p>Follow the line across to the claim code column in the federal tax tables that corresponds to the claim code established on the employee's federal TD1.</p>	<p>Net taxable income: \$2,650.00</p> <p>Federal range: \$2,644 - \$2,678</p> <p>Federal Claim Code: 7</p>												

STEP	ACTION											EXAMPLE
<div>Alberta Federal tax deductions only Effective January 1, XXXX Monthly (12 pay periods a year)</div>												<div>Alberta Retenues d'impôt fédéral seulement Mensuel (12 périodes de paie par année)</div>
Pay		Federal claim codes/Codes de demande fédéraux										
Rémunération		0	1	2	3	4	5	6	7	8	9	10
From De	Less than Moins de	Deduct from each pay Retenez sur chaque paie										
2576. -	2610	391.55	292.70	281.75	259.85	237.90	216.00	194.10	172.15	150.25	128.30	106.40
2610. -	2644	398.65	299.85	288.90	266.95	245.05	223.10	201.20	179.30	157.35	135.45	113.50
2644. -	2678	405.80	306.95	296.00	274.10	252.15	230.25	208.30	186.40	164.50	142.55	120.65
2678. -	2712	412.90	314.10	303.15	281.20	259.30	237.35	215.45	193.55	171.60	149.70	127.75
2712. -	2746	420.05	321.20	310.25	288.35	266.40	244.50	222.55	200.65	178.75	156.80	134.90
4	The amount shown at this intersection is the federal tax to be deducted.								Federal tax: \$186.40			
5	In the ‘Pay’ column in the monthly provincial tax tables, find the range containing the employee’s net taxable income. Follow the line across to the claim code column in the provincial tax tables that corresponds to the claim code established on the employee's provincial TD1.								Net taxable income: \$2,650.00 Provincial range: \$2,624 – 2,658 Provincial Claim Code: 7			
<div>Alberta Provincial tax deductions only Effective January 1, XXXX Monthly (12 pay periods a year)</div>												<div>Alberta Retenues d'impôt provincial seulement Mensuel (12 périodes de paie par année)</div>
Pay		Provincial claim codes/Codes de demande provinciaux										
Rémunération		0	1	2	3	4	5	6	7	8	9	10
From De	Less than Moins de	Deduct from each pay Retenez sur chaque paie										
2556. -	2590	253.80	140.90	132.60	115.95	99.35	82.70	66.10	49.45	32.85	16.20	
2590. -	2624	257.10	144.25	135.95	119.30	102.70	86.05	69.45	52.80	36.20	19.55	2.95
2624. -	2658	260.45	147.60	139.25	122.65	106.00	89.40	72.75	56.15	39.50	22.90	6.25
2658. -	2692	263.80	150.90	142.60	126.00	109.35	92.75	76.10	59.50	42.85	26.25	9.60
2692. -	2726	267.15	154.25	145.95	129.30	112.70	96.05	79.45	62.80	46.20	29.55	12.95
6	The amount shown at this intersection is the amount of provincial tax to be deducted.								Alberta provincial tax: \$56.15			
7	The total federal and provincial tax is the amount to be deducted from the employee.								\$186.40 + \$56.15 = \$242.55			

Payroll Deductions Online Calculator

The Payroll Deductions Online Calculator (PDOC) is a program available on the CRA's website; users are not required to download or install the program to use it. PDOC calculates Canada Pension Plan (CPP) contributions, Employment Insurance (EI) premiums, and federal and provincial/territorial income tax withholdings for a regular salary, paid vacation, pension income, bonuses, retroactive pay and commissions for all jurisdictions, except Québec. PDOC uses the exact salary to determine the tax deductions, unlike the Payroll Deductions Tables which uses the mid-point of the salary range. Each of these tax deduction results is correct, but the PDOC deductions are more precise.

PDOC is updated, as tax changes occur, usually for January 1 and for July 1 of each taxation year. The program does not calculate Québec Pension Plan (QPP) contributions, Québec Parental Insurance Plan (QPIP) premiums or Québec provincial income tax. The WebRas tool available on Revenu Québec's website, calculates these Québec-specific payroll deductions.

While the PDOC calculations can be printed, they are not intended to be used as a statement of earnings. Employers should consult the employment standards legislation in their jurisdictions to make sure that they meet the requirements regarding the information that must appear on the statement of earnings.

Example:

Using the PDOC, determine the statutory withholdings for Trevor Fournier's monthly pay.

Name	Trevor Fournier
Employer	Western Food Stores
Pay period ending date	July 31, 2022
Province of employment	Alberta
Pay period frequency	Monthly
Gross salary	\$2,500.00 earnings, \$250.00 taxable car allowance
Deductions to determine taxable income	\$100.00 Registered Pension Plan contribution
Total claim amount (from federal TD1)	7
Total claim amount (from provincial TD1AB)	7

The following illustration shows the steps used to determine the employee's statutory withholdings. Note: The example is not reflective of the current year withholding rates and is intended for illustration purposes only.

STEP	WHAT TO DO	EXAMPLE
1	Launch the PDOC webpage and agree to the terms of use.	Launch PDOC <h2>Use the calculator</h2> <p>To continue, select "I accept" below.</p> <div> <input checked="" type="button" value="I accept"/> <input type="button" value="I do not accept"/> </div>
2	Choose 'Salary' as the calculation type. Click Next	<p>* Select the type of calculation (required)</p> <ul style="list-style-type: none"> <input checked="" type="radio"/> Salary <input type="radio"/> Commission (Use only if the employee incurs expenses and Form TD1X has been completed) <input type="radio"/> Pension <input type="radio"/> Verify CPP contributions and EI premiums <div>Next</div>
3	Use the drop-down menu to choose: <ul style="list-style-type: none"> Province or territory of employment Pay frequency Pay date Click Next	<p>* Province or territory of employment (required)</p> <div>Alberta ▼</div> <p>* Pay period frequency (required)</p> <div>Monthly (12 pay periods a year) ▼</div> <p>* Date the employee is paid (required)</p> <div> <div>20XX ✓</div> <div>07 ▼</div> <div>31 ▼</div> </div> <div> <div>Previous</div> <div>Next</div> </div>
4	Enter Gross Income for the pay period (total cash).	<h3>Gross Income</h3> <p>* Salary or wages income per pay period (required)</p> <div> <div>\$</div> <div>2500.00</div> </div>

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STEP	WHAT TO DO	EXAMPLE
5	<p>If the employee enjoys taxable benefits or allowances, contributes to a pension or RRSP, pays union dues or is eligible for other exemptions choose the ones that will apply by checking the boxes.</p> <p>Click Next</p>	<p>Select any of the following that apply:</p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Taxable benefits and allowances provided to your employee (such as parking, cell phone use, Internet use, employee training) ? <input type="checkbox"/> Employer's contributions to the employee's RRSP <input checked="" type="checkbox"/> Employee's contributions to RRSPs or RPPs or PRPPs ? <input type="checkbox"/> Union dues <input type="checkbox"/> Annual deduction for living in a prescribed zone ? <input type="checkbox"/> Other deduction amounts approved by a tax services office ? <input type="checkbox"/> Alimony or maintenance payments (for garnishment or a similar order of a court or competent tribunal) ? <input type="checkbox"/> Tax exempt for Indigenous peoples, if employment income is situated on a reserve ? <input type="checkbox"/> In 2020, the employer deducted QPP contributions before transferring employee to another province or territory <p>Previous Next</p>
6	<p>Enter values for any taxable benefits or allowances.</p> <p>Use the provided Benefits and Allowances Chart link to determine if benefits and allowances are cash or non-cash insurable for EI or non-cash not insurable for EI.</p>	<p>Cash, insurable for EI</p> <p>\$ 250.00</p> <p>Non-cash, insurable for EI</p> <p>\$</p> <p>Non-cash, not insurable for EI</p> <p>\$</p>
7	<p>Enter any employee contributions to an RRSP, RPP or PRPP</p>	<p>Employee's Contributions to RRSPs or RPPs or PRPPs</p> <p>Employee's contributions to a RRSP (deduct at source) ?</p> <p>\$</p> <p>Employee's contributions to a RPP (deduct at source) ?</p> <p>\$ 100.00</p> <p>Employee's contributions to a PRPP (deduct at source) ?</p> <p>\$</p>

STEP	WHAT TO DO	EXAMPLE
8	Enter the amount of union dues if applicable	Union Dues Union dues (deduct at source) <div>\$ <input type="text"/></div>
9	Enter any other authorized deductions. Click Next	Living in a Prescribed Zone Annual deduction for living in a prescribed zone (from Form TD1) <div>\$ <input type="text"/></div> <hr/> Other Deduction Amounts Other deduction amounts approved by a tax services office ⓘ <div>\$ <input type="text"/></div> <hr/> <div>Previous Next</div>
10	Enter the employee's TD1 information The default will be basic personal for federal and provincial. If the employee has claimed additional credits on their form choose the correct claim code from the drop-down list. If the employee has requested additional voluntary tax enter the pay period amount.	TD1 Federal and TD1 Provincial Tax Credit Return ⓘ Total claim amount from employee's federal Form TD1 <div>24,979.01 - 27,329.00 (Claim Code 7) ▼</div> Requested additional tax deductions from Form TD1 <div>\$ <input type="text"/></div> Total claim amount from employee's provincial Form TD1 <div>33,539.01 - 36,373.00 (Claim Code 7) ▼</div>

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STEP	WHAT TO DO	EXAMPLE
11	<p>If the employee has already paid the maximum CPP for the year check the first button to remove that calculation.</p> <p>If the employee is exempt from CPP check that button to remove that calculation.</p> <p>If the employee is close to the maximum CPP for the year enter the year-to-date pensionable earnings and contributions.</p>	<p>Canada Pension Plan (CPP)</p> <p><input type="radio"/> CPP maximum annual contribution of \$2,898.00 has been reached ?</p> <p><input type="radio"/> CPP exempt ?</p> <p><input checked="" type="radio"/> Year-to-date amount (from your records)</p> <p>Pensionable earnings year-to-date</p> <p>\$ <input type="text"/></p> <p>CPP contributions deducted year-to-date</p> <p>\$ <input type="text"/></p>
12	<p>Follow the same process as CPP if the employee has paid the maximum EI, is exempt from EI or is close to the maximum EI premium for the year.</p>	<p>Employment Insurance (EI)</p> <p><input type="radio"/> EI maximum annual premium of \$856.36 has been reached ?</p> <p><input type="radio"/> EI exempt ?</p> <p><input checked="" type="radio"/> Year-to-date amount (from your records)</p> <p>Insurable earnings year-to-date</p> <p>\$ <input type="text"/></p> <p>EI premiums deducted year-to-date</p> <p>\$ <input type="text"/></p>
13	<p>Enter the Employer EI multiplier if the employer has a reduced rate.</p> <p>Click Calculate</p>	<p>Employer's Employment Insurance (EI) Premium Rate</p> <p>The employer's EI premium is equal to 1.4 times the employee's premium, unless a reduced rate applies. If a reduced rate applies, enter the rate in the field:</p> <p><input type="text" value="1.4"/></p> <p><input type="button" value="Previous"/> <input type="button" value="Calculate"/></p>

STEP	WHAT TO DO	EXAMPLE
14	The result will show the federal and provincial income tax, CPP contribution and EI premium that must be withheld from this payment.	Salary or wages income 2,500.00
		Taxable benefit paid in cash 250.00
		Total cash income 2,750.00
		Taxable income for the pay period 2,650.00
		Pensionable earnings for the pay period 2,750.00
		Insurable earnings for the pay period 2,750.00
		Federal tax deduction 29.14
		Provincial tax deduction 0.00
		Total tax deductions on income 29.14
		CPP deductions 129.06
		EI deductions 43.45
		Amounts deducted at source 100.00
		Total deductions 301.65
		Net amount 2,448.35

As was mentioned previously in this chapter, the Payroll Deductions Online Calculator uses the exact salary to determine the tax deductions, unlike the Payroll Deduction Tables which use the midpoint of the salary range so the tax may differ. Each of these tax deduction results is correct, but the PDOC method of determining the withholding amount is more precise.

The Manual Method

There are some situations where you cannot use the payroll deductions tables to determine the amount of income tax to withhold at source. These situations include when an employee:

- reports a claim code ‘X’ on their federal and/or provincial/territorial TD1 forms
- is claiming labour-sponsored funds tax credits
- earns more than the maximum amounts provided in the payroll deduction tables

In these situations, the manual method must be used. This method involves the following three stages:

- determining the annual net taxable income
- calculating the federal tax on the taxable income
- calculating the provincial tax on the taxable income

If the employer calculates the tax using this manual method, the dollar value of the total claim amount (line 13 federally and line 12 provincially/territorially) from the employee’s TD1 form is required.

In recent years, with the availability of the Payroll Deductions Online Calculator (PDOC) and Revenue Québec's WebRas) that perform these calculations, the manual calculation method is used less frequently than in the past. As the manual method is rarely used, and the methodology surrounding it is quite complex, it will not be covered in this program. Step by step instructions on how to apply the manual method can be found in the payroll deductions tables.

The Formula Method

The formula method is used by organizations that process their payrolls using an in-house software program. It is also the method used by payroll service providers to process their clients' payrolls. The CRA publishes approved formulas in the guide *Payroll Deductions Formulas for Computer Programs – T4127*.

If the employer uses an external payroll service provider or an in-house payroll software system to process their payroll, the total claim amount from line 13 of the employee's federal TD1 and line 12 of the employee's provincial/territorial TD1 form, rather than the claim code, will be used to calculate the tax deductions.

There are currently two formula options for the payroll deduction formulas for computer programs. The option selected will depend on the:

- computer system configuration
- memory capability of the system
- nature of the payroll

The general formula used in Option 1 determines the federal and provincial or territorial tax deductions on salary, wages, taxable benefits, pension income, commissions, and other periodic payments. This general formula can also be used to calculate the income tax on a bonus or other non-periodic payment. This option is the one that the CRA uses to calculate the federal, provincial and territorial tax deduction amounts published in the Payroll Deductions Tables.

The formula used in Option 2 is intended for employers whose employees' remuneration fluctuates considerably from one pay period to the next, for example, employees who are paid only by commissions.

Both formulas use information from the employee's file to determine the federal and provincial/territorial income tax deductions.

Content Review

- The Canada Revenue Agency (CRA) publishes the *Payroll Deductions Tables – T4032*, which contain the withholding requirements for Canada Pension Plan (CPP), Employment Insurance (EI) and federal and provincial/territorial tax by jurisdiction.
- The payroll deductions tables provide the statutory deduction withholdings for weekly, bi-weekly, semi-monthly and monthly pay period frequencies.
- The Payroll Deductions Online Calculator (PDOC) calculates CPP contributions, EI premiums, and federal and provincial/territorial income tax withholdings for a regular salary, paid vacation, pension income, bonuses, retroactive pay and commissions for all jurisdictions, except Québec.
- The manual method of calculating tax withholdings at source is used when an employee:
 - reports a claim Code ‘X’ on their federal and/or provincial/territorial TD1 forms
 - is claiming labour-sponsored funds tax credits
 - earns more than the maximum amounts provided in the payroll deduction tables
- The formula method is used by organizations that process their payrolls using an in-house software program. It is also the method used by payroll service providers to process their clients’ payrolls.

Review Questions

8. In which situations would you use the manual method of calculating income tax withholdings at source?
9. For the following Alberta employees, fill in the chart provided with the employee's gross earnings, pensionable earnings, insurable earnings and net taxable income.
- a. Frank Stringer earns \$730.00 in regular wages per weekly pay period. There is also a non-cash taxable benefit for group term life insurance coverage of \$4.50 per week. Frank is on-call for the employer and receives on-call pay of \$20.00 per week.

GROSS EARNINGS	PENSIONABLE EARNINGS	INSURABLE EARNINGS	NET TAXABLE INCOME

Calculations:

- b. Melissa Leblanc works 80 hours per bi-weekly pay period and earns \$16.50 per hour. In this pay period, Melissa worked 7 hours of overtime and will be paid \$24.75 for each hour of overtime. Melissa is a member of the union and pays \$8.00 per pay for union dues.

GROSS EARNINGS	PENSIONABLE EARNINGS	INSURABLE EARNINGS	NET TAXABLE INCOME

Calculations:

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- c. Paula Girard is paid a salary of \$4,500.00 per month and receives a monthly \$450.00 taxable car allowance. The organization's registered pension plan allows Paula to contribute 5% of the monthly salary to the plan, which is deducted.

GROSS EARNINGS	PENSIONABLE EARNINGS	INSURABLE EARNINGS	NET TAXABLE INCOME

Calculations:

Request to reduce tax deductions at source – T1213

As mentioned earlier in this chapter, employees who expect to receive a large income tax refund when their income tax is assessed may apply to the CRA, using a Request to Reduce Tax Deductions at Source – T1213, to have less income tax deducted during the year instead of waiting until they receive their income tax assessment. When the application is approved by the CRA, a letter of authority will be issued allowing the employer to reduce the employee's taxable income.

Example:

Christine Mitchell will be claiming a large amount for child care expenses when filing the annual income tax return and, as a result, expects to receive a tax refund. A T1213 was submitted to the CRA and a letter of authority from the CRA was received. This letter gives Christine's employer permission to reduce taxable income during the year.

Christine completed T1213, an example of a CRA letter of authority and information on how to implement the reduction follows.

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Canada Revenue Agency
Agence du revenu du Canada

Protected B
when completed

Request to Reduce Tax Deductions at Source

Year 20XX

- Use this form to ask for reduced tax deductions at source for any deductions, credits, or non-refundable tax credits that are not part of the Form TD1, *Personal Tax Credits Return*.
- Before you send us your request, make sure that your income tax returns for the previous years are filed and all amounts owing are paid in full.
- You usually have to file this request every year. However, if from one year to the next, your deductible support payments stay the same or increase, you can make this request every two years. But you have to provide a separate form for each year.
- Send the filled out form with all supporting documents to your taxpayer services regional correspondence centre. You will find the address on page two.

Identification			
First name CHRISTINE	Last name MITCHELL	Social insurance number 1 2 3 4 5 6 7 8 9	
Address 2946 TRIPP RD.			
City REGINA	Province or territory SK	Postal code S 5 T 3 L 7	Residence Telephone 306-555-1212
Employer/Payer Name 17525 GEORGE ST, REGINA, SK S3H 9C2	Contact person NATIONWIDE ENERGY	Telephone and fax numbers 306-555-9905 330-655-5002	
Request to reduce tax on			
<input checked="" type="checkbox"/> Salary <input type="checkbox"/> Lump sum* – if lump sum, give payment amount and details (for example, a bonus or vacation pay)			
\$ _____			
* If you are using a lump sum amount for an RRSP and the amount is unknown, enter your expected RRSP contribution without exceeding your RRSP deduction limit.			
Deductions from income and non-refundable tax credits			
Registered retirement savings plan (RRSP) contributions		\$ _____	
• Give details or a copy of the payment arrangement contract. • Do not include contributions deducted from your pay by your employer.			
Child care expenses		\$ <u>20,000.00</u>	
• Give details on a separate sheet.			
Support payments		\$ _____	
• Attach a copy of your court order or written agreement and Form T1158, <i>Registration of Family Support Payments</i> (if not previously filed). • Recipient's name and social insurance number: _____			
Employment expenses		\$ _____	
• Attach a filled out Form T2200, <i>Declaration of Conditions of Employment</i> , and Form T777, <i>Statement of Employment Expenses</i> .			
Carrying charges and interest expenses on investment loans		\$ _____	
• Attach a copy of statements from the lender confirming the purpose and amount of the loan(s) and the interest payments to be made in the year.			
Medical expenses		\$ _____	
• Attach a list identifying the medical expenses and indicate the related amount			
Donations		\$ _____	
• Attach a list that names the registered charities or other qualified donees and indicates the related amount.			

Personal information is collected under the *Income Tax Act* to administer tax, benefits, and related programs. It may also be used for any purpose related to the administration or enforcement of the Act such as audit, compliance and the payment of debts owed to the Crown. It may be shared or verified with other federal, provincial/territorial government institutions to the extent authorized by law. Failure to provide this information may result in interest payable, penalties or other actions. Under the *Privacy Act*, individuals have the right to access their personal information and request correction if there are errors or omissions. Refer to Info Source at cra.gc.ca/gnpy/tp/infsrc/infsrc-eng.html. Personal Information Bank CRA PPU 005.

Protected B
when completed

Deductions from income and non-refundable tax credits (continued)	
Clergy residence • Attach a filled out and signed T1223, <i>Clergy Residence Deduction</i> .	\$ _____
RPP buying back contributions for past service • Indicate if the buying back is for past service contributions for 1989 or earlier years and the deductible amount. • Indicate if the buying back is for past service contributions made for 1990 or later years and attach a copy of the Past Service Pension Adjustment (PSPA) certification.	\$ _____
Foreign tax credit • Attach a filled out Form T2209, <i>Federal Foreign Tax Credits</i> , or a letter that includes the calculations. • Attach a filled out Schedule 1 or a letter that includes the calculations.	\$ _____
Other (for example, moving expenses, carrying forward tuition, education, and textbook amounts, or rental loss) • Attach all supporting documents*. Use a separate sheet to give details if necessary. Specify: _____	\$ _____
<small>* Refer to the General Income Tax and Benefit Guide for information on which supporting documents are needed to justify the deductions and credits you requested.</small>	
Total amounts to be deducted from income	\$ <u>20,000.00</u>
Subtract income not under tax deductions at source (interest, net rental or self-employed income)	_____
Net amount requested for tax waiver	\$ <u>20,000.00</u>

If you reside in:	Send your request to:
• Newfoundland and Labrador • New Brunswick • Nova Scotia • Prince Edward Island	Nova Scotia TSO Post Office Box 638, Station Central Halifax NS B3J 2T5 Fax: 902-450-8558
• Quebec	Montreal TSO 305 René-Lévesque Boulevard West Montréal QC H2Z 1A8 Fax: 514-496-5345
• Ontario • Nunavut	London TSO 451 Talbot Street London ON N6A 5E5 Fax: 519-645-4029
• Manitoba • Saskatchewan • Alberta • Northwest Territories	Saskatoon TSO 340 3rd Avenue North Saskatoon SK S7K 0A8 Fax: 306-652-3211
• British Columbia • Yukon	Fraser Valley and Northern TSO 9737 King George Boulevard Post Office Box 9070, Station Main Surrey BC V3T 5W6 Fax: 604-587-2010

Certification	
I request authorization for my employer/payer to reduce my tax deductions at source based on the information given. I certify that the information given on this form and in any attached documents is correct and complete.	
<i>Christine Mitchell</i> _____ <small>Signature</small>	2020-05-31 _____ <small>Date</small>

SAMPLE LETTER OF AUTHORITY FROM THE CRA

Canada Revenue Agency Agence du revenu du Canada

Tax Services Office
P.O. Box 557
Regina SK S4P 3A3

July 23, 2022

Account Number
123 456 789

Christine Mitchell
3946 Tripp Road
Regina, SK S5T 3L7

Dear Madam:

Re: Reduction of Income Tax Deductions at Source
 Employer Name: Nationwide Energy
 Calendar Year: 2022

We have approved your request to allow your employer or payer to reduce your income tax deductions at source for 2022.

Please give a copy of this letter to your employer or payer so they can make the changes to your withholding tax. Also, please ask your employer or payer to keep this letter with its payroll records in case our auditors ask to see it later.

We issued this authorization under subsection 153 (1.1) of the *Income Tax Act*. It applies only to reduce your withholding tax. It is not our unconditional acceptance that your claims for which we issued the waiver can be deducted by you. We also issued it based on our understanding that enough tax will be withheld in the year to satisfy your tax liability for the year. If the tax withheld does not satisfy your liability for the year you must fully pay your outstanding balance by April 30 of the following year. In addition, future requests may not be approved if the tax withheld does not satisfy your liability for the year.

This authorization is valid for the calendar year indicated unless the circumstances under which we issued it change. If these circumstances do change, you should notify us immediately so that we can review the situation, and issue a revised letter.

Please request any renewal for a future year by November 1 of the year before the future year. This will provide us with enough time to review your request and issue a letter before the beginning of the year.

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Account No.: 123 456 789

Note to the employer or payer:

If you use payroll deductions formulas for a computer program to calculate tax withholding, use the following formula to calculate the F1 value for the general tax formula:

$$\$20,000 \times \frac{\text{Total pay periods in the year}}{\text{Pay periods remaining in the year}}$$

If you use the tax formula based on cumulative averaging, use \$20,000.00 as the F1 value. Please note that an amount included in the F1 value has the effect of reducing federal tax and either territorial tax or provincial tax, except Québec provincial tax.

If you calculate tax withholdings manually, divide \$20,000.00 by the number of pay periods remaining in the year. Subtract the calculated amount from the gross earnings in each pay period to determine the revised taxable earnings. Use the revised taxable earnings to determine the federal and territorial tax to withhold or the federal and provincial tax to withhold, except Québec provincial tax.

Please call our office at 306-652-3211 if you need more information.

If your employer requires additional information regarding the calculation, please contact the Business Window at 1-800-959-5525.

Yours sincerely,

J. Smith
Director, Regina Tax Services Office
Canada Revenue Agency

The F1 value stated in the CRA letter of authority refers to one of the factors used in the CRA approved payroll deduction formulas for computer programs. The F1 value is the amount of annual deductions such as child care expenses and support payments authorized by a tax services office or tax center.

As the CRA letter of authority states, the employer will have to adjust the amount of income tax to be withheld from the employee. The adjustment method will depend on how the income tax is normally calculated. Employers using a payroll service provider will need to know which field in the system captures the F1 value and enter the required amount in that field. A similar entry would be required to an in-house system using the payroll deductions formulas.

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Most payroll service providers and in-house systems use the payroll deductions formulas for computer programs to calculate the tax withholding amounts. The calculation provided in the CRA letter must be used to determine the F1 value to include in the income tax formula.

If Christine's employer uses the payroll deduction formulas to calculate income tax withholdings, the following calculation must be performed to determine the F1 value. In this example, there were 10 remaining bi-weekly pay periods when the employer received a copy of the letter.

$$\begin{aligned}\text{F1 value} &= \text{CRA approved reduction} \times \frac{\text{Total pay periods in the year}}{\text{Pay periods remaining in the year}} \\ &= \$20,000.00 \times \frac{26}{10} \\ &= \$20,000.00 \times 2.6 \\ \text{F1 value} &= \$52,000.00\end{aligned}$$

A value of \$52,000.00 must be entered within the field in the system that captures the F1 value needed to calculate the correct income tax to be withheld for the balance of the year.

If Christine's income tax deductions are calculated manually, the approved amount must be prorated over the number of pays remaining in the year. If there were 10 remaining bi-weekly pay periods when the employer received a copy of the letter, the reduction would be calculated as follows:

$$\begin{aligned}\text{Gross taxable income reduction} &= \frac{\text{CRA approved reduction}}{\text{Pay periods remaining in the year}} \\ &= \frac{\$20,000.00}{10} \\ \text{Gross taxable income reduction} &= \$2,000.00\end{aligned}$$

The \$20,000.00 is divided by the 10 pays remaining in the year, for a pay period reduction of \$2,000.00. Christine's gross taxable income will be reduced by \$2,000.00 each pay for the balance of the year.

Salary	\$3,000.00
Taxable benefits	<u>+ 25.00</u>
Gross taxable income	\$3,025.00

Less:	
CRA approved reduction	<u>2,000.00</u>
Net taxable income	\$1,025.00

Christine's federal and provincial/territorial income taxes will be based on the net taxable income of \$1,025.00.

Payroll Calculation Template

Now that the calculation of Canada Pension Plan (CPP) contributions, Employment Insurance (EI) premiums and federal and provincial income taxes has been illustrated, the concept of basic net pay can be explored. The steps in this template will assist with the calculation of an employee's net pay. The payroll practitioner must understand the terminology and components of net pay to explain the calculations to an employee. The determination of Québec Pension Plan contributions, Québec Parental Insurance Plan premiums and Northwest Territories/Nunavut Payroll Tax will be covered in subsequent chapters.

Exhibit 4-1

Step One: Determine Gross Earnings	
Gross Earnings (GE)	= Earnings + taxable allowances + non-taxable allowances + cash taxable benefits
Step Two: Determine Non-Cash or Near-Cash Taxable Benefits	
Taxable Benefits	= Non-cash taxable benefits + near-cash taxable benefits
Step Three: Determine Canada/Quebec Pension Plan (C/QPP) contribution	
Pensionable Earnings (PE)	= Earnings + taxable allowances + cash taxable benefits + non-cash taxable benefits + near-cash taxable benefits
C/QPP contribution	= (PE – pay period exemption) x annual C/QPP rate
Step Four: Determine Employment Insurance (EI) premium	
Insurable Earnings (IE)	= Earnings + taxable allowances + cash taxable benefits
EI premium	= IE x annual EI rate
Step Five: Determine Quebec Parental Insurance Plan (QPIP) premium	
Insurable Earnings (IE)	= Earnings + taxable allowances + cash taxable benefits
QPIP premium	= IE x annual QPIP rate
Step Six: Determine Federal Income Tax	
Net Federal Taxable Income	= Earnings + taxable allowances + cash taxable benefits + non-cash taxable benefits + near-cash taxable benefits – authorized deductions <ul style="list-style-type: none"> • Employee contribution to an RPP • Contributions to an RRSP • Union dues • Deduction for living in a prescribed zone • CRA authorized deductions

Step Seven: Determine Provincial Income Tax

Net Provincial Taxable Income (non-Quebec) = Earnings + taxable allowances + cash taxable benefits + non-cash taxable benefits + near-cash taxable benefits – authorized deductions

- Employee contribution to an RPP
- Contributions to an RRSP
- Union dues
- Deduction for living in a prescribed zone
- CRA authorized deductions

Net Provincial Taxable Income (Quebec) = Earnings + taxable allowances + cash taxable benefits + non-cash taxable benefits + near-cash taxable benefits – authorized deductions

- Employee contribution to an RPP
- Contributions to an RRSP
- Deduction for living in a prescribed zone
- RQ authorized deductions

Step Eight: Total Deductions

Total Deductions + C/QPP contributions
+ EI premiums
+ QPIP premiums
+ Federal income tax
+ Quebec provincial income tax
+ Other deductions

Step Nine: Net Pay

Net Pay = Gross Earnings – Total Deductions

Net Pay Calculations

To determine the employee's net pay, the payroll practitioner must be able to identify and calculate the employee's gross earnings, pensionable earnings, insurable earnings, net taxable income, statutory deductions and other deductions as illustrated in the payroll calculation template.

Example 1:

Venture Plastics Manufacturing, located in Alberta, has salaried employees. The salaried employees are paid bi-weekly.

Andrea Ericson earns an annual salary of \$52,000.00. Andrea's claim codes on the federal and Alberta TD1 are 1.

$$\begin{aligned}\text{Salary per pay period} &= \frac{\text{Annual salary}}{\text{Pay period frequency}} \\ &= \frac{\$52,000.00}{26} \\ &= \$2,000.00\end{aligned}$$

Step One: Determine Gross Earnings

$$\begin{aligned}\text{Gross Earnings (GE)} &= \text{Earnings} + \text{taxable allowances} + \text{non-taxable allowances} \\ &\quad + \text{cash taxable benefits} \\ &= \$2,000.00 + 0.00 + 0.00 + 0.00 \\ &= \$2,000.00\end{aligned}$$

Step Two: Determine Non-Cash or Near-Cash Taxable Benefits

$$\begin{aligned}\text{Taxable Benefits} &= \text{Non-cash taxable benefits} + \text{near-cash taxable benefits} \\ &= \$0.00 + 0.00 \\ &= \$0.00\end{aligned}$$

Step Three: Determine Canada/Quebec Pension Plan (C/QPP) contribution

$$\begin{aligned}\text{Pensionable Earnings (PE)} &= \text{Earnings} + \text{taxable allowances} + \text{cash taxable benefits} + \\ &\quad \text{non-cash taxable benefits} + \text{near-cash taxable benefits} \\ &= \$2,000.00 + 0.00 + 0.00 + 0.00 + 0.00 \\ &= \$2,000.00\end{aligned}$$

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C/QPP contribution	= (PE – pay period exemption) x annual C/QPP rate = (\$2,000.00 – 134.61) x 0.0570 = \$ 106.33
Step Four: Determine Employment Insurance (EI) premium	
Insurable Earnings (IE)	= Earnings + taxable allowances + cash taxable benefits = \$2,000.00 + 0.00 + 0.00 = \$2,000.00
EI premium	= IE x annual EI rate = \$2,000.00 x 0.0158 = \$31.60
Step Five: Determine Quebec Parental Insurance Plan (QPIP) premium	
Not applicable	Andrea is an employee in Alberta
Step Six: Determine Federal Income Tax	
Net Federal Taxable Income	= Earnings + taxable allowances + cash taxable benefits + non-cash taxable benefits + near-cash taxable benefits – authorized deductions <ul style="list-style-type: none"> • Employee contribution to an RPP • Contributions to an RRSP • Union dues • Deduction for living in a prescribed zone • CRA authorized deductions = \$2,000.00 + 0.00 + 0.00 + 0.00 + 0.00 – 0.00 = \$2,000.00 Using manual tax tables for an Alberta employee, bi-weekly payroll, TD1 claim code 1.
Federal income tax	= \$306.60
Step Seven: Determine Provincial Income Tax	
Net Provincial Taxable Income (Alberta)	= Earnings + taxable allowances + cash taxable benefits + non-cash taxable benefits + near-cash taxable benefits – authorized deductions <ul style="list-style-type: none"> • Employee contribution to an RPP • Contributions to an RRSP • Union dues • Deduction for living in a prescribed zone • CRA authorized deductions

	=	\$2,000.00 + 0.00 + 0.00 + 0.00 + 0.00 – 0.00
	=	\$2,000.00
		Using manual tax tables for an Alberta employee, bi-weekly payroll, TD1 claim code 1.
Provincial income tax	=	\$148.65
Total federal and provincial income tax	=	\$306.60 + 148.65
	=	\$455.25
Step Eight: Total Deductions		
Total Deductions	+	C/QPP contributions
	+	EI premiums
	+	QPIP premiums
	+	Federal income tax
	+	Quebec provincial income tax
	+	Other deductions
		\$106.33 (CPP)
		31.60 (EI)
		<u>455.25</u> (Federal and provincial income tax)
		\$593.18
Step Nine: Net Pay		
Net Pay	=	Gross Earnings – Total Deductions
	=	\$2,000.00 – 593.18
	=	\$1,406.82

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Example 2:

Schooner Industries, located in Alberta, has hourly paid employees, who are paid weekly.

Joanne Clarkson earns \$17.00 per hour and works 40 hours a week. Joanne's claim codes on the federal and Alberta TD1 are 1.

$$\begin{aligned}\text{Weekly earnings} &= \text{Hourly rate} \times \text{hours worked} \\ &= \$17.00 \times 40 \\ &= \$680.00\end{aligned}$$

Step One: Determine Gross Earnings

$$\begin{aligned}\text{Gross Earnings (GE)} &= \text{Earnings} + \text{taxable allowances} + \text{non-taxable} \\ &\quad \text{allowances} + \text{cash taxable benefits} \\ &= \$680.00 + 0.00 + 0.00 + 0.00 \\ &= \$680.00\end{aligned}$$

Step Two: Determine Non-Cash or Near-Cash Taxable Benefits

$$\begin{aligned}\text{Taxable Benefits} &= \text{Non-cash taxable benefits} + \text{near-cash taxable benefits} \\ &= \$0.00 + 0.00 \\ &= \$0.00\end{aligned}$$

Step Three: Determine Canada/Quebec Pension Plan (C/QPP) contribution

$$\begin{aligned}\text{Pensionable Earnings (PE)} &= \text{Earnings} + \text{taxable allowances} + \text{cash taxable benefits} + \\ &\quad \text{non-cash taxable benefits} + \text{near-cash taxable benefits} \\ &= \$680.00 + 0.00 + 0.00 + 0.00 + 0.00 \\ &= \$680.00 \\ \text{C/QPP contribution} &= (\text{PE} - \text{pay period exemption}) \times \text{annual C/QPP rate} \\ &= (\$680.00 - 67.30) \times 0.0570 \\ &= \$34.92\end{aligned}$$

Step Four: Determine Employment Insurance (EI) premium

$$\begin{aligned}\text{Insurable Earnings (IE)} &= \text{Earnings} + \text{taxable allowances} + \text{cash taxable benefits} \\ &= \$680.00 + 0.00 + 0.00 \\ &= \$680.00 \\ \text{EI premium} &= \text{IE} \times \text{annual EI rate} \\ &= \$680.00 \times 0.0158 \\ &= \$10.74\end{aligned}$$

Step Five: Determine Quebec Parental Insurance Plan (QPIP) premium

Not applicable

Joanne is an employee in Alberta

Step Six: Determine Federal Income Tax

Net Federal Taxable Income = Earnings + taxable allowances + cash taxable benefits + non-cash taxable benefits + near-cash taxable benefits – authorized deductions

- Employee contribution to an RPP
- Contributions to an RRSP
- Union dues
- Deduction for living in a prescribed zone
- CRA authorized deductions

$$= \$680.00 + 0.00 + 0.00 + 0.00 + 0.00 - 0.00$$

$$= \$680.00$$

Using manual tax tables for an Alberta employee, bi-weekly payroll, TD1 claim code 1.

Federal income tax = \$84.85

Step Seven: Determine Provincial Income Tax

Net Provincial Taxable Income (Alberta) = Earnings + taxable allowances + cash taxable benefits + non-cash taxable benefits + near-cash taxable benefits – authorized deductions

- Employee contribution to an RPP
- Contributions to an RRSP
- Union dues
- Deduction for living in a prescribed zone
- CRA authorized deductions

$$= \$680.00 + 0.00 + 0.00 + 0.00 + 0.00 - 0.00$$

$$= \$680.00$$

Using manual tax tables for an Alberta employee, bi-weekly payroll, TD1 claim code 1.

Provincial income tax = \$41.20

Total federal and provincial income tax = \$84.85 + 41.20
= \$126.05

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Step Eight: Total Deductions

Total Deductions	+ C/QPP contributions
	+ EI premiums
	+ QPIP premiums
	+ Federal income tax
	+ Quebec provincial income tax
	+ Other deductions
	\$ 34.92 (CPP)
	10.74 (EI)
	<u>126.05</u> (Federal and provincial income tax)
	\$171.71

Step Nine: Net Pay

Net Pay	= Gross Earnings – Total Deductions
	= \$680.00 – 171.71
	= \$508.29

Review Questions

10. Franklin Stores, located in Alberta, has both salaried and hourly paid employees, who are paid on a bi-weekly basis.

Linda Michaud earns \$18.00 per hour and works 80 hours per pay. Linda's claim codes on the federal and Alberta TD1 are 2.

Calculate Linda's net pay.

Chapter Review Questions and Answers

1. The appropriate provincial/territorial tax rate to apply to an employee's taxable income depends on the employee's workplace location. What tax rate would be used when:

- a. the employee works on the employer's premises

If the employee works on the employer's premises, the provincial/territorial tax rate of that location applies to the employee's income.

- b. the employee does not work on the employer's premises

If the employee does not work on the employer's premises, the location of the employer's office that pays the employee determines which provincial/territorial tax rate to apply to the employee's income.

- c. the employer does not have a location in Canada

If the employer does not have a location in Canada, employees are taxed at a rate for employees working beyond the limits of any province/territory.

2. List three tax deductible amounts that are deducted from gross taxable income before income taxes are applied to an employee's remuneration.

- **employee contributions to a registered pension plan (RPP)**
- **contributions to a Registered Retirement Savings Plan (RRSP)**
- **union dues (not applicable in the province of Québec)**
- **deductions for living in a prescribed zone as claimed on the employee's federal Personal Tax Credits Return – TD1**
- **deductions authorized by the Canada Revenue Agency (CRA)**

3. Doris MacNeil works for Modern Furniture in Alberta and receives the following remuneration on this pay:

Bi-weekly salary	\$1,364.85
Overtime	342.96
Commission	13.72
Group term life insurance non-cash taxable benefit	15.75
Taxable car allowance	75.00

What is Doris' gross taxable income for this pay?

Bi-weekly salary	\$1,364.85
Overtime	342.96
Commission	13.72
Group term life insurance non-cash taxable benefit	15.75
Taxable car allowance	<u>75.00</u>
Gross taxable income	\$1,812.28

4. Doris contributes 3% of the bi-weekly salary to the employer's registered pension plan (RPP) and also pays \$5.00 in union dues each pay. Calculate Doris' net taxable income, using the information provided in question 3.

Bi-weekly salary	\$1,364.85
Overtime	342.96
Commission	13.72
Group term life insurance non-cash taxable benefit	15.75
Taxable car allowance	<u>75.00</u>
Gross taxable income	\$1,812.28

Deductions used to determine net taxable income:	
RPP contributions (\$1,364.85 x .03)	40.95
Union dues	<u>5.00</u>
Total deductions	\$45.95

Gross taxable income	\$1,812.28
Deductions used to determine net taxable income	<u>- 45.95</u>
Net taxable income	\$1,766.33

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5. What is the purpose of the federal and provincial/territorial Personal Tax Credits Returns – TD1 forms?

The information on the federal and provincial/territorial Personal Tax Credits Returns – TD1 forms is used by the employer or payer to determine the amount of federal and provincial or territorial income tax to deduct from an individual's employment income or other income such as pension income.

6. In what situations would an employee complete the federal Worksheet for the Personal Tax Credits Return – TD1-WS?

An employee would complete the federal TD1-WS worksheet to calculate partial claim amounts on the TD1 for:

- age
- Canada caregiver amount for eligible dependant or spouse or common-law partner
- Canada caregiver amount for dependant(s) age 18 or older

7. When does the claim code on the employee's federal TD1 form have to match the claim code on the provincial/territorial TD1 form?

The provincial/territorial total claim codes must be the same as those on the federal form when a non-resident employee has a federal claim code of '0', in this case, the provincial/territorial claim code must also be '0'.

8. In which situations would you use the manual method of calculating income tax withholdings at source?

The manual method of calculating tax withholdings at source is used when an employee:

- reports a claim code 'X' on the federal and/or provincial/territorial TD1 forms
- is claiming labour-sponsored funds tax credits
- earns more than the maximum amounts provided in the payroll deduction tables

9. For the following Alberta employees, fill in the chart provided with the employee's gross earnings, pensionable earnings, insurable earnings and net taxable income.
- a. Frank Stringer earns \$730.00 in regular wages per weekly pay period. There is also a non-cash taxable benefit for group life insurance benefits of \$4.50 per week. Frank is on-call for the employer and receives on-call pay of \$20.00 per week.

GROSS EARNINGS	PENSIONABLE EARNINGS	INSURABLE EARNINGS	NET TAXABLE INCOME
\$750.00	\$754.50	\$750.00	\$754.50

Weekly salary	\$730.00
Call-in pay	<u>20.00</u>
Gross earnings	\$750.00

Weekly salary	\$730.00
call-in pay	20.00
Non-cash taxable benefit	<u>4.50</u>
Pensionable earnings	\$754.50

Weekly salary	\$730.00
Call-in pay	<u>20.00</u>
Insurable earnings	\$750.00

Weekly salary	\$730.00
Call-in pay	20.00
Non-cash taxable benefit	<u>4.50</u>
Net taxable income	\$754.50

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- b. Melissa Leblanc works 80 hours per bi-weekly pay period and earns \$16.50 per hour. In this pay period, Melissa worked 7 hours of overtime and will be paid \$24.75 for each hour of overtime. Melissa is a member of the union and pays \$8.00 per pay for union dues.

GROSS EARNINGS	PENSIONABLE EARNINGS	EI PREMIUMS	NET TAXABLE INCOME
\$1,493.25	\$1,493.25	\$1,493.25	\$1,485.25

Bi-weekly salary	\$1,320.00
Overtime (7 x \$24.75)	<u>173.25</u>
Gross earnings	\$1,493.25

Weekly salary	\$1,320.00
Overtime	<u>173.25</u>
Pensionable earnings	\$1,493.25

Weekly salary	\$1,320.00
Overtime	<u>173.25</u>
Insurable earnings	\$1,493.25

Weekly salary	\$1,320.00
Overtime	173.25
Unions dues	<u>(8.00)</u>
Net taxable income	\$1,485.25

- c. Paula Girard is paid a salary of \$4,500.00 per month and receives a monthly \$450.00 taxable car allowance. The employer's pension plan allows Paula to contribute 5% of the monthly salary to the plan, which is deducted.

GROSS EARNINGS	PENSIONABLE EARNINGS	INSURABLE EARNINGS	NET TAXABLE INCOME
\$4,950.00	\$4,950.00	\$4,950.00	\$4,725.00

Monthly salary	\$4,500.00
Taxable car allowance	<u>450.00</u>
Gross earnings	\$4,950.00
Monthly salary	\$4,500.00
Taxable car allowance	<u>450.00</u>
Pensionable earnings	\$4,950.00
Monthly salary	\$4,500.00
Taxable car allowance	<u>450.00</u>
Insurable earnings	\$4,950.00
Monthly salary	\$4,500.00
Taxable car allowance	450.00
RPP contribution (\$4,500.00 x .05)	<u>(225.00)</u>
Net taxable income	\$4,725.00

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10. Franklin Stores, located in Alberta, has salaried and hourly paid employees, who are paid bi-weekly.

Linda Michaud earns \$18.00 per hour and works 80 hours per pay. Linda's claim codes on the federal and Alberta TD1 are 2.

Calculate Linda's net pay.

$$\begin{aligned}\text{Bi-weekly earnings} &= \text{Hourly rate} \times \text{hours worked} \\ &= \$18.00 \times 80 \\ &= \$1,440.00\end{aligned}$$

Step One: Determine Gross Earnings

$$\begin{aligned}\text{Gross Earnings (GE)} &= \text{Earnings} + \text{taxable allowances} + \text{non-taxable} \\ &\quad \text{allowances} + \text{cash taxable benefits} \\ &= \$1,440.00 + 0.00 + 0.00 + 0.00 \\ &= \$1,440.00\end{aligned}$$

Step Two: Determine Non-Cash or Near-Cash Taxable Benefits

$$\begin{aligned}\text{Taxable Benefits} &= \text{Non-cash taxable benefits} + \text{near-cash taxable} \\ &\quad \text{benefits} \\ &= \$0.00 + 0.00 \\ &= \$0.00\end{aligned}$$

Step Three: Determine Canada/Quebec Pension Plan (C/QPP) contribution

$$\begin{aligned}\text{Pensionable Earnings (PE)} &= \text{Earnings} + \text{taxable allowances} + \text{cash taxable} \\ &\quad \text{benefits} + \text{non-cash taxable benefits} + \text{near-cash} \\ &\quad \text{taxable benefits} \\ &= \$1,440.00 + 0.00 + 0.00 + 0.00 + 0.00 \\ &= \$1,440.00 \\ \text{C/QPP contribution} &= (\text{PE} - \text{pay period exemption}) \times \text{annual C/QPP rate} \\ &= (\$1,440.00 - 134.61) \times 0.0570 \\ &= \$74.41\end{aligned}$$

Step Four: Determine Employment Insurance (EI) premium	
Insurable Earnings (IE)	$= \text{Earnings} + \text{taxable allowances} + \text{cash taxable benefits}$ $= \$1,440.00 + 0.00 + 0.00$ $= \$1,440.00$
EI premium	$= \text{IE} \times \text{annual EI rate}$ $= \$1,440.00 \times 0.0158$ $= \$22.75$
Step Five: Determine Quebec Parental Insurance Plan (QPIP) premium	
Not applicable	Linda is an employee in Alberta
Step Six: Determine Federal Income Tax	
Net Federal Taxable Income	$= \text{Earnings} + \text{taxable allowances} + \text{cash taxable benefits} + \text{non-cash taxable benefits} + \text{near-cash taxable benefits} - \text{authorized deductions}$ <ul style="list-style-type: none"> • Employee contribution to an RPP • Contributions to an RRSP • Union dues • Deduction for living in a prescribed zone • CRA authorized deductions $= \$1,440.00 + 0.00 + 0.00 + 0.00 + 0.00 - 0.00$ $= \$1,440.00$ <p>Using manual tax tables for an Alberta employee, bi-weekly payroll, TD1 claim code 2.</p>
Federal income tax	$= \$181.40$
Step Seven: Determine Provincial Income Tax	
Net Provincial Taxable Income (Alberta)	$= \text{Earnings} + \text{taxable allowances} + \text{cash taxable benefits} + \text{non-cash taxable benefits} + \text{near-cash taxable benefits} - \text{authorized deductions}$ <ul style="list-style-type: none"> • Employee contribution to an RPP • Contributions to an RRSP • Union dues • Deduction for living in a prescribed zone • CRA authorized deductions $= \$1,440.00 + 0.00 + 0.00 + 0.00 + 0.00 - 0.00$ $= \$1,440.00$

Chapter 4

Income Tax

Using manual tax tables for an Alberta employee, bi-weekly payroll, TD1 claim code 2.	
Provincial income tax	= \$86.25
Total federal and provincial income tax	= \$181.40 + 86.25 = \$267.65
Step Eight: Total Deductions	
Total Deductions	+ C/QPP contributions + EI premiums + QPIP premiums + Federal income tax + Quebec provincial income tax + Other deductions
	\$74.41 (CPP) 22.75 (EI) <u>267.65</u> (Federal and provincial income tax) \$364.81
Step Nine: Net Pay	
Net Pay	= Gross Earnings – Total Deductions = \$1,440.00 – 364.81 = \$1,075.19