

5 reasons to submit yearly tax returns

1. To qualify for the GST/HST (sales tax) tax credit (you get money back)
2. To claim tuition tax credit (if you're a student)
3. To secure a future RRSP (registered retirement savings plan) tax shelter (when you work)
4. To get a refund if too much tax was deducted (any time)
5. It's required by law whenever you owe tax (regardless of age)

To qualify for the GST/HST tax credit

What is it?

- A refundable tax credit - you get cash back
- Meant to offset the GST/HST tax added to the price of the stuff you buy
- Currently worth almost \$300 per year

How to qualify and how does it work?

- You are eligible when your income is modest and you are at least 19 years old
- The CRA determines your income eligibility based on your tax return for the prior tax year
- Impossible to claim this credit the first year you file, so make sure you file one year before becoming eligible
- When approved, the CRA will send you a cheque/deposit every 3 months
- Some provinces offer additional credits, like the Ontario Trillium Benefit. Check the tax form to learn how to qualify

To claim tuition tax credit

What is it?

- A non-refundable tax credit - you will subtract this amount from the income tax you owe and reduce the amount you have to pay
- Worth 15% of eligible tuition fees (no maximum). In addition, several provinces also have some form of provincial tuition credit

How does it work?

- Claim it when you fill out your tax return each year when you're in college / university
- If you cannot use it fully because your tuition credit exceeds your tax payable, you can use it in the future or transfer to family to use this year
If you carry it forward, you'll have to start claiming it the first year that you pay income tax and you'll have to use it ahead of other credits

In addition... If you take government student debt, once you start paying interest on it you will be able to claim interest as a tax credit.

To secure a future RRSP tax shelter

What is it?

- An RRSP (registered retirement savings plan) is a government program that makes it easier to save money for retirement
- You are eligible at any age as long as you have some employment income
- The RRSP contribution limit is the maximum amount you can contribute to your RRSP each year
- The portion of your income you contribute to the plan is not taxed in the year you make the contribution - which means you save more

How does it work?

- After you file your income tax return this year, the CRA will officially advise what your RRSP contribution limit is for the following year
- The contribution limit does not have to be used immediately - you can accumulate it and use it in the future
- It's quite likely you should not be contributing to your RRSP now when your income is still quite low (the plan will be more valuable to you later when you make more money and pay higher taxes because your tax benefit will be bigger)
- Your cumulative contribution limit will be in your CRA account from the year you started filing tax returns

To get a refund if too much tax was deducted

What is it?

- Employers deduct federal and provincial income tax from every paycheque before depositing the money in your account
- They calculate the amount of tax you owe accounting only for your basic personal exemption (which allows you to earn up to \$12,000 tax-free)
- If you are entitled to additional tax credits your employers don't know about, they may be deducting more tax than you'll actually owe

How to qualify and how does it work?

- The only way to get your money back is to file your tax return and get a tax refund the following year
- If you think you are entitled to other credits, inquire if you should fill out a form called "Personal Tax Credits Return" (federal and provincial) and give it to each of your employers so that they deduct the correct amount of tax in the future