

**JUST THE FACTS:
HELPING YOU TALK ABOUT MONEY**

Income Tax Basics

Your income is the total amount of money you earn in a year.

- Some sources of income include earnings from employment, interest, dividends and rental properties.
- A percentage of your total income is collected and shared by the Government of Canada and your provincial government, to help pay for public services like health care, infrastructure and education.

The more you earn, the higher percentage of income tax you pay.

- The percentage you pay depends on your tax “bracket” (level of income).
- Taxation rates vary from province to province and year to year.
- There are five federal tax brackets.
 - Income at the lower end (below \$46,000) is taxed at 15 per cent, while at the higher end (over \$205,000) is taxed at 33 per cent.
 - The federal tax brackets and rates are revised annually.

You are entitled to lessen the amount of income tax you pay, through deductions and tax credits.

- Deductions:
 - Expenses you can subtract from your total income to enter a lower tax bracket.
 - Examples include union/professional dues, child care expenses, spousal support payments and Registered Retirement Savings Plan (RRSP) contributions.
- Tax credits:
 - Allowances offered by the government to reduce tax owing.
 - Everyone is entitled to a Basic Personal Amount; other credits include Employment Insurance premiums, Canada Pension Plan contributions, tuition, student loan interest, medical expenses, charitable donations and qualified moving expenses.
 - Formulas to calculate the amount of tax credits available are set by the Department of Finance and administered by the Canada Revenue Agency (CRA).

Individual tax returns for each year must be filed by April 30th of the following year.

- Once your tax return has been completed, the final total will indicate whether you have underpaid and owe taxes, or you have overpaid and will get a refund.
- If you owe money, interest and penalties will accrue if you pay after the April 30th deadline.
- You are entitled to challenge the total if you disagree with CRA.

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*Looking to better understand money basics and how they apply to you?
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