



Canada Revenue
Agency

Agence du revenu
du Canada

General Income Tax and Benefit Guide – 2005

What's new for 2005?

We list the major changes below, including income tax changes that have been announced but were not law at the time of printing. If they become law as proposed, they will be effective for 2005 or as of the dates indicated. For more details on these and other changes, see the areas outlined in red in this guide.

Marital status – The proposed amendments to the *Income Tax Act* regarding same-sex relationships have now become law. The CRA has made adjustments to reflect these changes.

Child Disability Benefit – The maximum amount for the supplement has increased to \$2,000. See page 9 for details.

Eligibility of new home construction or home renovations or alterations for disabled persons (lines 330 and 331) – The rules for these expenses have been clarified. See pages 40 to 42 for details.

Foreign property rule – The 30% limit in respect of foreign property that may be held by pension funds and other deferred income plans has been eliminated. See guide T4040, *RRSPs and Other Registered Plans for Retirement*, for details.

Registered retirement savings plans (RRSP) and certain deferred income plans – New investments have been added to the list of qualified investments. For more information, get guide T4040, *RRSPs and Other Registered Plans for Retirement*.

German pensions – Changes were made to the taxation of social security pensions received from Germany since January 1, 2005. For more information on these changes, contact us.

Schedule 3 – line 195 (Capital gains reduction on flow-through entities) has been removed. For more information, get guide T4037, *Capital Gains*.

Disability supports deduction (line 215) – You can now claim certain additional expenses. See page 26 for details.

Adoption expenses (line 313) – Certain expenses are now allowable as a non-refundable tax credit to individuals who adopt a child under the age of 18 years. See page 35 for details.

Disability amount (line 316) – Certain conditions for this non-refundable tax credit have changed. See page 36 for details.

Medical expenses (lines 330 and 331) – You can now claim certain additional medical expenses for you, your spouse or common-law partner and your dependent children born in 1988 or later, or other dependants. See pages 40 and 41 for details.

Allowable amount of medical expenses for other dependants (line 331) – The maximum amount has been increased to \$10,000.

Refundable medical expense supplement (line 452) – The maximum amount has increased to \$750.

Revised income tax information

On November 14, 2005, the Minister of Finance announced the following proposed income tax measures that are effective as of January 1, 2005:

Federal tax rate – The lowest personal tax rate has been reduced from 16% to 15%.

Basic personal amount (line 300) – The amount has increased to \$8,648.

Spouse or common-law partner amount (line 303) – The maximum amount has changed. See page 33 for details.

Amount for an eligible dependant (line 305) – The maximum amount has changed. See page 33 for details.

Forms affected by these measures have been revised, with changes highlighted in red. They are included in the forms book.

Are you using the tax and benefit package for the correct province or territory?

It is important to use the package for the province or territory where you resided at the end of the year so that your provincial or territorial tax and credits can be calculated properly. To make sure you are using the correct package, see "Which tax and benefit package should you use?" on page 9.

Table of Contents

Some subjects in this guide relate to a numbered line on the return. We provide information about these subjects in the same order that the lines appear on the return or schedule. To find information about other subjects, see the Index at the end.

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Visually impaired persons can get our publications in braille, large print, or etext (computer diskette), or on audio cassette by visiting our Web site at www.cra.gc.ca/alternate or by calling 1-800-267-1267 weekdays from 8:15 a.m. to 5:00 p.m. (Eastern Time).

Did You Know?

You could be eligible for a monthly Canada Child Tax Benefit – which may include the Child Disability Benefit supplement

- Complete the Canada Child Tax Benefit Application form for each child in your care.
- To receive the Child Disability Benefit, Form T2201, *Disability Tax Credit Certificate*, must be approved by the CRA.
- Both spouses or common-law partners each have to file their own tax return for the year.
- To avoid any interruptions in receiving your payments, make sure we have your current address.
- For more information, see page 9 in this guide.

You could be eligible for a GST/HST credit

- Apply when you file a tax return.
- To avoid any interruptions in receiving your payments, make sure we have your current address.
- For more information, see page 13 in this guide.



Please check the “Yes” box on page 1 of your return if you are a Canadian citizen and you want to authorize the Canada Revenue Agency (CRA) to provide your name, address, and date of birth to Elections Canada. Elections Canada will use this information to make sure that the National Register of Electors is kept up to date. **Your authorization is needed every year, whether your information has changed or not.**

Please check the “No” box on page 1 of your return if you do NOT authorize the Canada Revenue Agency (CRA) to provide your name, address and date of birth to Elections Canada.

National Register of Electors

The National Register of Electors is an automated data base maintained by Elections Canada, containing the name, address, and date of birth of **eligible electors** (Canadian citizens who are 18 years of age or older). The National Register of Electors is used to produce electoral lists without having to conduct door-to-door enumerations, saving approximately \$30 million for each federal general election or referendum.

If you check “Yes”

- You authorize the CRA to give **only** your name, address, and date of birth to Elections Canada, to ensure that your information on the National Register of Electors is up to date.
- If you are an eligible elector who is not already on the National Register of Electors, Elections Canada will accept this as your request to have your information **added** to it.

Notes

The CRA updates the information provided to Elections Canada several times throughout the year. Your authorization remains in effect for a period of 12 months. Therefore, if you move during this period, and you advise the CRA of your new address, the CRA will advise Elections Canada the next time information is provided.

If, during the year, you change your mind about the CRA sending your information to Elections Canada, please contact the CRA at 1-800-959-8281 to have your consent removed. However, your information will remain on the National Register of Electors. To remove your information from the Register, see “Confidentiality”, below.

If you check “No” (or do not make a choice)

- The CRA will not give any of your information to Elections Canada.
- **You will not lose your right to vote.**
- Elections Canada will **not remove** your information from the National Register of Electors if it is already there.
- If there is an election or referendum, your information may not be up to date on electoral lists produced from the National Register of Electors. In that case, you will have to take the necessary steps to correct your information.

Confidentiality

Information on the National Register of Electors will be used **only** for electoral purposes as permitted under the *Canada Elections Act*. You can write to Elections Canada requesting not to be included on the National Register of Electors, or that your information not be shared with provinces, territories, municipalities, and school boards that use the National Register of Electors to produce their electoral lists.

Contacting Elections Canada

Telephone: (613) 993-2975 or 1-800-463-6868 toll free in Canada and the United States

Teletypewriter: 1-800-361-8935 (for individuals with a hearing or speech impairment) toll free in Canada and the United States

Internet: www.elections.ca

At your service

What if you need help?

In this guide, we use plain language to explain the most common tax situations. If you need more help after reading this guide, you can contact us (see page 6) or use our other services.

Internet services

Visit our Web site at www.cra.gc.ca. General information, forms, and publications are accessible by topic and by client group. Below is a list of the most popular sites:

| | Topic | Web site |
|----|---|--|
| 1 | Accessing our secure online services | www.cra.gc.ca/access |
| 2 | Change of address | www.cra.gc.ca/myaccount |
| 3 | Charities | www.cra.gc.ca/charities |
| 4 | Child and family benefits calculator | www.cra.gc.ca/benefits-calculator |
| 5 | Common adjustments | www.cra.gc.ca/commonadjustments |
| 6 | EFILE | www.cra.gc.ca/efile-individuals |
| 7 | Electronic payments | www.cra.gc.ca/electronicpayments |
| 8 | Forms and publications | www.cra.gc.ca/forms |
| 9 | Important dates | www.cra.gc.ca/duedates |
| 10 | International and non-resident taxes | www.cra.gc.ca/international |
| 11 | My Account | www.cra.gc.ca/myaccount |
| 12 | NETFILE | www.netfile.gc.ca |
| 13 | People with disabilities | www.cra.gc.ca/disability |
| 14 | Registered retirement savings plan (RRSP) | www.cra.gc.ca/rrsp |
| 15 | Review of your tax return by CRA | www.cra.gc.ca/reviews |
| 16 | Tax Information Phone Service (T.I.P.S.) | www.cra.gc.ca/tips |
| 17 | Tax services offices and tax centres | www.cra.gc.ca/tso |
| 18 | Tax treaties | www.cra.gc.ca/treaties |
| 19 | TELEFILE | www.cra.gc.ca/telefile |
| 20 | Travel expenses | www.cra.gc.ca/travelcosts |

Filing electronically

A four-digit access code that may allow you to NETFILE or TELEFILE your 2005 return is printed on the label sheet in the tax package you received in the mail. You can also get an access code online for our NETFILE service (see above).



Your EFILE service provider can complete and file your return for you.



If you complete your return using computer software, this fast, secure system lets you file it over the Internet.

My Account

My Account (see the above chart) is a secure online service that gives you the convenience and flexibility of viewing and managing your personalized information, such as:

- your identification;
- refund and/or balance owing;
- instalment account;
- Registered retirement savings plan (RRSP);
- Home Buyers' Plan (HBP);
- Lifelong Learning Plan (LLP);
- direct deposit information;
- Canada Child Tax Benefit (CCTB); and

- GST/HST credit and related provincial and territorial programs.

My Account also offers you different services such as:

- filing an objection online;
- changing your address; and
- changing your return.

Register for My Account

To use the services under My Account, you have to register for a Government of Canada epass that will give you a User ID and password. We will mail you a CRA Activation Code, which will take approximately five business days to receive. For more information, refer to My Account on our Web site (see page 5).

Services offered by telephone

Transmitting your return



You may be able to file your return by telephone for free. Use the four-digit access code that is printed on the label sheet in your

2005 tax package that you received in the mail. If you do not have an access code, call **1-800-714-7257** to get one. Once you have your access code, call our toll-free number **1-800-959-1110** to file your return.

Note

If a disability prevents you from using a touch-tone phone pad for TELEFILE, please call **1-800-714-7257**, and we will help you.

Getting personal tax information

The personal information that you provide on your income tax forms is collected under the authority of the federal, provincial, and territorial income tax acts and will be used to administer and enforce these acts and their regulations. For more information, refer to Personal Information Bank Number CRA/P-PU-005 at <http://infosource.gc.ca> or in the Infosource book, or call us at one of the telephone numbers listed under "Contacting us" later on this page.

Your personal information is confidential. However, you can authorize someone (such as your spouse or common-law partner) to represent you to discuss your file. See "Representatives" in the next section. In certain cases, we give some of your information to other government bodies to administer the law. In all cases, we follow strict procedures before giving your information to anyone.

If you call us and ask for personal tax information, we will ask you to identify yourself and give information about the contents of your return to protect this information. If you call before May 1, use your return for 2004. After April 30, use your return for 2005.

Representatives

You can authorize a representative (such as your spouse or common law partner, tax preparer, or accountant) to get information on your tax matters. However, we will give information to your representative only after we are satisfied that you have authorized us in writing to do so. **Your authorization will stay in effect until it is cancelled by you, it reaches the expiry date you choose, or on notification of your death.**

Authorizations received between mid-March and mid-July will be processed within four weeks, and any authorizations received between mid-July and mid-March will be processed within one week.

Note

Authorizing a new representative does **not** cancel your existing authorizations. You can now cancel any authorization by telephone.

If your representative calls us and asks for your personal tax information, we will give this information only if we have received a **completed Form T1013, Authorizing or Cancelling a Representative**, or a letter signed by you that contains the same information. After we confirm that we have your written permission, we also will ask your representative for information about the contents of your return. A representative who calls before May 1 should use your return for 2004. A representative who calls after April 30 should use your return for 2005.

If you were the legal representative of a deceased person, get guide T4011, *Preparing Returns for Deceased Persons*, to know what documents are required.

T.I.P.S.

For personal and general tax information by telephone, you can use T.I.P.S. (see page 53).

Contacting us

Our telephone and fax numbers are listed on our Web site (to find the address see line 17 in the chart on page 5) and in the government section of your telephone book.

Our goal is to respond to your call within two minutes in the official language of your choice. However, you may have difficulty reaching us during peak periods.

By phone (individuals) – You can call **1-800-959-8281**. Our automated service is available 24 hours a day, 7 days a week. Agents are available Monday to Friday (except holidays) from 8:15 a.m. to 5:00 p.m. (local time). However, from mid-February to April 30, these hours are extended to 10:00 p.m. weekdays, and from 9:00 a.m. to 1:00 p.m. on weekends.

By phone (businesses) – You can call **1-800-959-5525**. Our automated service is available 24 hours a day, 7 days a week. Agents are available Monday to Friday (except holidays) from 8:15 a.m. to 8:00 p.m. (local time).

By fax – You can send us correspondence by fax. However, because of the nature of fax services, we are not responsible for misdirected, incomplete, or illegible documents.

Teletypewriter (TTY) users – If you use a TTY because you have a hearing or speech impairment, an agent at our bilingual enquiry service (**1-800-665-0354**) can assist you during the hours shown under “By phone (individuals)” on the previous page.

Publications

Throughout this guide, we mention forms, pamphlets, interpretation bulletins, information circulars, and other guides that give more details on specific tax topics.

You can get most of our publications, including the General guide and forms book, by visiting Forms and publications on our Web site (see page 5) or by calling **1-800-959-2221** from 8:15 a.m. to 5:00 p.m. (local time).

Community Volunteer Income Tax Program

If you need help to complete your tax return and your income is low and your tax situation is simple, our volunteers are specially trained to help you. For more information about this free program, or if you want to become a volunteer, call us at **1-800-959-8281**.

Your opinion counts!

We review our publications every year. If you have any comments or suggestions that would help us improve them, we would like to hear from you. Please send your comments on our publications to:



Client Services Directorate
Canada Revenue Agency
750 Heron Road
Ottawa ON K1A 0L5

General information

Before you start

Do you have to file a return?

You have to file a return for 2005 if **any** of the following situations apply:

- You have to pay tax for 2005.
- We sent you a request to file a return.
- You disposed of property in 2005 (for example, if you sold real estate or shares) or you realized a taxable capital gain (for example, if a mutual fund or trust attributed amounts to you, or you are reporting a capital gains reserve you claimed on your 2004 return).
- You have to repay any of your Old Age Security or Employment Insurance benefits. See line 235 for details.
- You have not repaid all of the amounts you withdrew from your registered retirement savings plan (RRSP) under the Home Buyers' Plan or the Lifelong Learning Plan. For details, see guide RC4135, *Home Buyers' Plan (HBP)*, or guide RC4112, *Lifelong Learning Plan (LLP)*.
- You have to contribute to the Canada Pension Plan (CPP). This can apply if, for 2005, the total of your net self-employment income and pensionable employment income is more than \$3,500. See line 222 for details.

Even if none of these requirements applies, you still may want to file a return if **any** of the following situations apply:

- You want to claim a refund.
- You want to apply for the GST/HST credit (see page 13). For example, you may be eligible if you turn 19 before April 2007.
- You or your spouse or common-law partner wants to begin or continue receiving Canada Child Tax Benefit payments (see page 9).
- You have incurred a non-capital loss (see line 236) in 2005 that you want to be able to apply in other years.
- You want to carry forward the unused portion of your tuition and education amounts (see line 323).
- You want to report income for which you could contribute to an RRSP, in order to keep your RRSP deduction limit for future years up to date.

What date is your return for 2005 due?

Generally, your return for 2005 has to be filed **on or before April 30, 2006**.

Note

If you file your return after April 30, 2006, your GST/HST credit, Canada Child Tax Benefit (including those payments from certain related provincial or territorial programs), and Old Age Security benefit payments may be delayed.

Self-employed persons – If you or your spouse or common-law partner carried on a business in 2005 (other than a business whose expenditures are primarily in connection with a tax shelter), your return for 2005 has to be filed **on or before June 15, 2006**. However, if you have a balance owing for 2005, you still have to pay it **on or before April 30, 2006**. For details of how to make your payment, see line 485.

Deceased persons

If you are the legal representative (the executor, administrator, or liquidator) of the estate of an individual who died in 2005, you may have to file a return for 2005 for that individual. Get guide T4011, *Preparing Returns for Deceased Persons*, for details about your filing requirements and options.

Note

If you received income in 2005 for a person who died in 2004 or earlier, do not file an individual return for 2005 for that income on behalf of that person. However, you may have to file a *T3 Trust Income Tax and Information Return* for the estate.

Exception to due date of your return

When a due date falls on a Saturday, Sunday, or a holiday recognized by the CRA, we consider your return to be filed on time or your payment to be paid on time if we receive it or it is postmarked on the next business day.

What penalties and interest do we charge?

Penalties

If you owe tax for 2005 and do not file your return for 2005 **within the dates** we specify under "What date is your return for 2005 due?" in the previous section, we will charge you a late-filing penalty. The penalty is 5% of your 2005 balance owing, plus 1% of your balance owing for each full month that your return is late, to a maximum of 12 months. Your late-filing penalty may be higher if we charged you a late-filing penalty on a return for any of the three previous years.

Tax Tip

Even if you cannot pay the full amount you owe on or before April 30, 2006, you can avoid the late-filing penalty by filing your return on time.

We may waive this penalty (as well as any interest that may apply; see the next section) if you file your return late because of circumstances beyond your control. If this happens, send a letter to us separately giving the reasons why you filed your return late. Only requests relating to tax years ending in any of the 10 calendar years before the year you make the request will be considered. For example, a request made in 2006 must relate to the 1996 or a subsequent tax year to be considered. For details, get Information Circular 92-2, *Guidelines for the Cancellation and Waiver of Interest and Penalties*.

You may have to pay a penalty for any amounts you fail to report on your return for 2005. If you also failed to report an amount on your return for 2002, 2003, or 2004, you may

have to pay another penalty. However, if you tell us about an amount you failed to report, we may waive these penalties. See "What is a voluntary disclosure?" on page 12.

Interest

If you have a balance owing for 2005, we charge compound daily interest starting May 1, 2006, on **any unpaid amounts owing** for 2005. This includes any balance owing if we reassess your return. In addition, we will charge you interest on the penalties indicated in the previous section, starting the day after your return is due.

Social insurance number (SIN)

Your social insurance number is the authorized number for income tax purposes under section 237 of the *Income Tax Act* and is used under certain federal programs. You have to give it to anyone who prepares an information slip (such as a T3, T4, or T5 slip) for you. Each time you do not give it when you are supposed to, you may have to pay a \$100 penalty. You also have to give it to us when you ask us for personal tax information. Check your slips. If your SIN is missing or is incorrect, advise the slip preparer.

Your SIN card is **not** a piece of identification, and it should be kept in a safe place. For more information, or to get an application for a SIN, contact Social Development Canada or visit their Web site at www.sdc.gc.ca. You can also contact Human Resources and Skills Development Canada or visit their Web site at www.hrsdc.gc.ca. You will find the addresses and telephone numbers of their offices on the Web pages mentioned above or in the government section of your telephone book.

Canada Child Tax Benefit (CCTB) and Child Disability Benefit (CDB)

If you are responsible for the care of a child who is under 18, you can apply for the CCTB for that child. To do so, submit a completed Form RC66, *Canada Child Tax Benefit Application*, along with any other documents required, as soon as possible after the child is born or begins to live with you. This information is also used to apply for payments from related provincial or territorial programs. If you are a permanent resident, temporary resident, or protected person (refugee) as defined in the *Immigration and Refugee Protection Act*, you should apply as soon as possible after you and your child arrive in Canada.

In addition to the CCTB, you can also receive a CDB if your child meets the criteria for the disability amount and we have approved Form T2201, *Disability Tax Credit Certificate*, for the child.

Effective July 2005, the maximum annual Child Disability Benefit increased to \$2,000 for each child who is eligible for the Disability Tax Credit. Under proposed legislation, certain conditions concerning the Disability Tax Credit will change. See line 316 on page 36 for details.

The CCTB and CDB are based on the net income (line 236) shown on your return and, if applicable, your spouse or common-law partner's return. Therefore, to qualify for these benefits, **you both have to file a return every year**, even if there is no income to report.

Once you have applied for these benefits, you have to advise us immediately of **any** of the following changes (as well as the date it happened or will happen):

- the child is no longer in your care, stops living with you, or dies;
- you move (if we do not have your new address, your payments may stop, whether you receive them by direct deposit or by cheque);
- your marital status changes (but if you separate due to a breakdown in your relationship, wait until you are separated for at least 90 days before submitting Form RC65, *Marital Status Change*);
- you receive your payments by direct deposit (see page 48) and your banking information changes; or
- your or your spouse or common-law partner's immigration or residency status changes.

Certain changes could create a balance owing if you wait to notify us of any of these changes.

For more information, get pamphlet T4114, *Your Canada Child Tax Benefit*, or call us at 1-800-387-1193.

Which tax and benefit package should you use?

Generally, you have to use the package for the province or territory where you resided on December 31, 2005. However, there are exceptions (see next section) such as if you had **residential ties** (see below) in another place. You should have received the package you need based on our records.

If you resided in Quebec on December 31, 2005, use the package for residents of Quebec to calculate your federal tax only. You will also need to file a Quebec provincial return.

Residential ties – These ties include where your home and personal property are, and where your spouse or common-law partner or dependants reside. Other ties that may be relevant include social ties, a driver's licence, bank accounts or credit cards, and provincial or territorial hospitalization insurance. For more details, see Interpretation Bulletin IT-221, *Determination of an Individual's Residence Status*.

Exceptions

In the following situations, you should use the package indicated:

- A. If, on December 31, 2005, you had **residential ties** (see previous section) in more than one province or territory, use the package for the province or territory where you have your most important residential ties. For example, if you usually reside in Ontario, but you were going to school in Alberta or staying in a ski chalet in Quebec, you would use the package for Ontario.
- B. If you are filing a return for a person who died in 2005, use the package for the province or territory where that person resided at the time of death.
- C. If you emigrated from Canada in 2005, use the package for the province or territory in which you resided on the date you left. Mail your tax return to the International Tax Services Office, 2204 Walkley Road, Ottawa ON K1A 1A8.

- D. If you lived outside Canada on December 31, 2005, but maintained significant **residential ties** (see previous section) with Canada, you may be considered a **factual resident** of Canada. Use the package for the province or territory where you kept your residential ties. You also have to complete Form T1248, *Information about your residency status*, and attach it to your return. Mail your tax return to the International Tax Services Office, 2204 Walkley Road, Ottawa ON K1A 1A8. If, under a tax treaty, you are considered to be a resident of another country, this may not apply. For more information, contact us.
- E. Generally, if you did not maintain significant **residential ties** (see previous section) with Canada, and on December 31, 2005, you lived outside Canada and were a government employee, a member of the Canadian Forces or their overseas school staff, or working under a Canadian International Development Agency program, you may be considered a **deemed resident** of Canada. Use the package for **non-residents and deemed residents of Canada**. This also may apply to your dependent children and other family members.
- F. If you stayed in Canada for 183 days or more in 2005, you did not establish significant **residential ties** (see previous section) with Canada, and, under a tax treaty, you were not considered a resident of another country, you will be considered a **deemed resident** of Canada. Use the package for **non-residents and deemed residents of Canada**.
- G. If, throughout 2005, you did not have significant **residential ties** (see previous section) with Canada and neither E nor F applies, you may be considered a **non-resident** of Canada for tax purposes. Use the package for **non-residents and deemed residents of Canada**.

However, if you earned income from employment in a province or territory, or earned income from a business with a permanent establishment in a province or territory, use the package for that province or territory. Also, complete Form T1248, *Information about your residency status*, and attach it to your return.

How can you get the tax and benefit package you need?

To find out how to get a General forms book and guide for a particular province or territory, see "Publications" on page 7. In addition, you can get the package for **non-residents and deemed residents of Canada** from us or any Canadian embassy, high commission, or consulate.

Other publications you may need

Unless you resided in Canada all year, you also need one or more of the following publications:

- If you were a non-resident and you earned income from employment or a business with a permanent establishment in Canada, get guide T4058, *Non-Residents and Income Tax*.
- If you were a non-resident and you received rental income from real property in Canada, get guide T4144, *Income Tax Guide for Electing Under Section 216*.

- If you were a non-resident and you received certain other kinds of income from Canada (including pensions and annuities), get pamphlet T4145, *Electing Under Section 217 of the Income Tax Act*.
- If you were a newcomer to Canada in 2005, get pamphlet T4055, *Newcomers to Canada*.
- If you emigrated from Canada during 2005, get guide T4056, *Emigrants and Income Tax*.
- If you will be outside Canada for an extended period, get pamphlet T4131, *Canadian Residents Abroad*.

For more information, please contact the International Tax Services Office at 1-800-267-5177. If you are calling from outside Canada and the United States, call (613) 952-3741.

Getting started

Gather all the documents needed to complete your return. This includes your information slips (such as T3, T4, T4A, and T5 slips) and receipts for any deductions or credits you plan to claim. As you complete your return, when you come to a line that applies to you, you can look it up in this guide, or see the back of your information slips for more instructions. You can file electronically, or you can file a paper return (see the next sections). No matter how you file your return, see "What do you include with your return and what records do you keep?" below.

Filing electronically

You can file your return by Internet (EFILE or NETFILE) or telephone (TELEFILE). See "Filing electronically" on page 5 and "Services offered by telephone" on page 6 for more information on these services.

Filing a paper return

Mail or deliver your return in the envelope contained in the forms book. Use your mail-in label if you have one, and make note of the address for future reference. If you are preparing other people's returns, mail or deliver each person's return in a separate envelope. However, if you are filing returns for more than one year for the same person, put them all in one envelope.

Note

If you have a farming business and you are participating in the Canadian Agricultural Income Stabilization Program (CAIS Program), use the envelope contained in guide RC4060, *Farming Income and CAIS Program*, or guide RC4408, *Farming Income and the CAIS Program Harmonized Guide*.

What do you include with your return and what records do you keep?

If you are filing a paper return, include one copy of each of your information slips. **Make sure you attach to your return your Schedule 1 and your provincial or territorial Form 428 (unless you are a resident of Quebec on December 31, 2005).** The explanations in the guide and the return, schedules, or forms will tell you when to attach

other supporting documents, such as certificates, forms, schedules, or official receipts.

If a tax professional will be preparing or sending us your return, show him or her your label sheet and all of your supporting documents, such as your information slips, receipts, *Notice of Assessment* from last year, and instalment payments summary (on Form INNS1 or Form INNS2).

If you make a claim without the required receipt, certificate, schedule, or form, we may disallow your claim. It could also delay the processing of your return.

Even if you do not have to attach certain supporting documents to your return, or if you are filing your return electronically, keep them in case we select your return for review. You should **keep** your supporting documents for **six years**.

You should also keep a copy of your return for 2005, the related *Notice of Assessment*, and any *Notice of Reassessment*. These can help you complete your return for 2006. For example, your notice for 2005 will tell you:

- your RRSP deduction limit for 2006;
- your unused RRSP contributions for 2006;
- your capital and non-capital loss balances; and
- your tuition and education amounts carry-forward balance (see line 323).

What if you are missing information?

If you have to file a return for 2005, as explained on page 8, make sure you file it **on time** (see page 8) even if some slips or receipts are missing. If you know that you will not be able to get a slip by the due date, attach to your paper return a note stating the payer's name and address, the type of income involved, and what you are doing to get the slip. To calculate the income to report, and any related deductions and credits you can claim, use any stubs you may have, and attach them to your paper return. If you are filing electronically, keep all of your documents in case we ask to see them.

After you file

What happens to your return after we receive it?

Each year we conduct a number of review activities that promote awareness of and compliance with the laws we administer. These reviews are an important part of the compliance activities we undertake to maintain the integrity of, and Canadians' confidence in, the Canadian tax system.

Our various examination programs take place at different periods during the year. Therefore, if you move, it is very important to make your change of address with us as soon as possible to allow us to communicate with you. If you plan to be away temporarily, you should complete Form T1013, *Authorizing or Cancelling a Representative*, to authorize a representative to act on your behalf.

When we receive your return, we usually review it based on the information you provided and send you a *Notice of Assessment* based on that review. However, we may select your return for a more detailed review **before** we assess it. If so, and we ask you to give us documents to verify the deductions or credits you claimed, your assessment may be delayed. We can also carry out a more detailed review **after** your return has been assessed to verify the income reported and the deductions or credits claimed.

When can you expect your refund?

We usually process paper returns in **four to six weeks**. However, we start to process returns in mid-February, so do not call before mid-March, even if you filed your return in January. If you filed your return on or before April 15, wait four weeks before you call. If you filed your return after April 15, wait six weeks before you call. We can process returns filed electronically in as little as eight business days, but wait at least four weeks before you call.

To find out about your 2005 refund, visit **My Account** on our Web site (see page 5) or use **Telerefund**, one of our **T.I.P.S.** services (see page 53).

When will we pay interest?

We will pay you compound daily interest on your tax refund for 2005. The calculation will start on whichever of the following three dates is **latest**:

- May 31, 2006;
- the 31st day after you file your return; or
- the day after you overpaid your taxes.

Income tax problems?

Our Enquiries staff is committed to resolving your tax-related problems by giving you accurate, timely, courteous, fair, and confidential answers to your questions. However, if a problem cannot be resolved, you can contact the Problem Resolution Program of your tax services office.

Our goal under this program is to resolve the problem within 15 working days. If we cannot do so (for example, if your situation is complex), a representative will contact you to confirm that we are working on the problem, to discuss it further (if necessary), and let you know when we expect to resolve it.

What should you do if you disagree?

If you disagree with your assessment or reassessment, contact us for more information. If you still disagree, you can make a formal objection by visiting **My Account** on our Web site (see page 5), or by sending a completed Form T400A, *Objection – Income Tax Act*, or a signed letter to the Chief of Appeals at your tax services office or tax centre on or before whichever of the following two dates is **later**:

- one year after the due date for the return; or
- 90 days after the date of the *Notice of Assessment* or *Notice of Reassessment*.

How do you change a return?

If you need to make a change to any return you have sent us, **do not file another return for that year**. You should wait until you receive your *Notice of Assessment* before requesting any change to a return that has not been processed. Make your request by visiting **My Account** on our Web site (see page 5) or send **both** of the following to your tax centre:

- a completed Form T1-ADJ, *T1 Adjustment Request*, or a signed letter providing the details of your request (including the years of the returns you want us to change), your social insurance number, your address, and a telephone number where we can reach you during the day; and
- supporting documents for the changes you want to make and, if you have not sent them to us before, supporting documents for your original claim.

Note

Send your Form T1-ADJ or letter **separately** from your return for 2005.

Only requests relating to tax years ending in any of the 10 calendar years before the year you make the request will be considered. For example, a request made in 2006 must relate to the 1996 or a subsequent tax year to be considered.

It usually takes eight weeks before we complete the adjustment and mail you a *Notice of Reassessment*.

Can you file a return to claim a refund for a previous year?

We will only consider a request relating to a refund for a previous tax year return that you are filing late if the return is for a tax year ending in any of the 10 calendar years before the year you make the request. For example, a request made in 2006 must relate to the 1996 or a subsequent tax year to be considered.

If you are filing a return for a year before 2005, make sure you attach receipts for all the deductions or credits you are claiming.

What is a voluntary disclosure?

Maybe you should have filed a return for a previous year (see "Do you have to file a return?" on page 8) but you did not, or you sent us an incorrect return. If so, you can voluntarily file or correct that return under the Voluntary Disclosures Program, and pay only the taxes owing (plus interest) without penalty.

Note

This program does not apply to any return for which we have started a review.

For more details, and to see if your disclosure qualifies for this program, get Information Circular 00-1, *Voluntary Disclosures Program (Income Tax)*, or call the Voluntary Disclosures Program officer in the Appeals Division of your tax services office. If you wish, you can discuss your situation first on a no-name basis.

Be sure to indicate clearly, on any disclosure you make, that you are submitting information under the Voluntary Disclosures Program.

What should you do if you move?

If you move, let us know your new address as soon as possible. If you use direct deposit (see page 48), you also have to advise us if you change your account at your financial institution.

Keeping us informed will ensure that you keep getting any GST/HST credit and Canada Child Tax Benefit payments to which you may be entitled (including those from certain related provincial or territorial programs). Otherwise, your payments may stop, whether you receive them by cheque or by direct deposit. We also need to know your new address to mail you your return package for next year.

If you have a User ID and password to access the My Account online services, you can change your address by visiting **My Account** on our Web site (see page 5). If you do not have a User ID and password, you have to tell us your new address by phone, or in writing. If you are writing, send your letter to your tax centre. Make sure you sign it, and include your social insurance number, your new address, and the date of your move. If you are writing for other people, **including your spouse or common-law partner**, include their social insurance numbers, and have each of them **sign** the letter authorizing the change to his or her records.

Note

Because an individual's personal information is confidential, generally we will not provide a change of address to other government departments or Crown corporations, such as Canada Post. Similarly, they do not provide such information to us.

Should you be paying your taxes by instalments?

You may have to pay your taxes by instalments if not enough income tax is withheld from your income. To find out if you have to pay your taxes for 2006 by instalments, estimate your taxes and credits for 2006 using your return for 2005. Enter those amounts in the chart on the *Federal Worksheet* in the forms book. The chart contains the most common factors to consider.

If our records show that you may have to pay your taxes by instalments, we will send you an *Instalment Reminder* in advance, showing the amount we suggest you pay and the date the payment is due.

For more information about instalment payments or instalment interest charges, get pamphlet P110, *Paying Your Income Tax by Instalments*.

Identification, income, and deductions

Identification

Follow the instructions on the return to complete this area. Incomplete or incorrect information may delay the processing of your return and any refund, credit, or benefit, such as any GST/HST credit and Canada Child Tax Benefit payments you may be entitled to receive.

Personal label

If you have a personal label, attach it to your return. If your name, address, or social insurance number (SIN), or your spouse or common-law partner's SIN, is incorrect, put a line through the wrong information, and print your changes clearly on the label.

We may modify part of your address to meet Canada Post's requirements. Therefore, the address on your package, your *Notice of Assessment*, or other correspondence we send you may be different from the one you indicate on your return.

Information about your residence

On the first line, enter the province or territory where you lived or of which you were considered to be a factual resident on December 31, 2005. We need to know this to calculate your taxes and credits correctly. For details, see "Which tax and benefit package should you use?" on page 9.

On the second line, enter the province or territory where you live now, if it is different from your mailing address. We need to know this to calculate certain provincial or territorial credits and benefits you may be entitled to receive.

On the third line, if you were **self-employed** in 2005, enter the province or territory where you had a permanent business establishment.

On the last line, if you **became** or **ceased** to be a resident of Canada during 2005, indicate your date of entry or departure, whichever applies.

Marital status

Check the box that applied to your status on December 31, 2005. Check "Married" if you had a spouse (see below), or "Living common law" if you had a common-law partner (see later in this section). You still have a spouse or common-law partner if you were living apart for reasons other than a breakdown in your relationship. Check one of the other boxes only if **neither** of the first two applied.

Spouse

This applies only to a person to whom you are legally married.

Common-law partner

This applies to a person who is **not your spouse** (see above), with whom you are living in a conjugal

relationship, and to whom at least **one** of the following situations applies. He or she:

- a) has been living with you in a conjugal relationship for at least 12 continuous months;
- b) is the parent of your child by birth or adoption; or
- c) has custody and control of your child (or had custody and control immediately before the child turned 19 years of age) and your child is wholly dependent on that person for support.

In addition, an individual immediately becomes your common-law partner if you previously lived together in a conjugal relationship for at least twelve continuous months and you have resumed living together in such a relationship. **Under proposed changes**, this condition will no longer exist. The effect of this proposed change is that a person (other than a person described in b) or c) above) will be your common-law partner only after your current relationship with that person has lasted at least 12 continuous months. This proposed change will apply to 2001 and later years.

Reference to "12 continuous months" in this definition includes any period that you were separated for less than 90 days because of a breakdown in the relationship.

Your spouse or common-law partner's net income

This is the amount on line 236 of your spouse or common-law partner's return, or the amount that it would be if he or she filed a return. Enter this amount **even if it is zero**. We use this information to calculate the GST/HST credit and certain other credits.

Note

Even though you show this amount on your return, your spouse or common-law partner still may have to file a return for 2005. See page 8 for more information.

Goods and services tax/harmonized sales tax (GST/HST) credit application

To receive this credit, you have to apply for it, even if you received it last year. **Complete the application area on page 1 of your return for 2005.** Your credit is based on your net income added to the net income of your spouse or common-law partner, if you have one, as well as the number of children you have. This information is also used to calculate any payments from certain related provincial programs. Net income is the amount on line 236 of a person's return, or the amount that it would be if the person filed a return.

Make sure you enter, in the Identification area on page 1 of your return, your marital status and, if it applies, the information concerning your spouse or common-law partner (including his or her net income, **even if it is zero**). Otherwise, your application may be delayed. Either you or your spouse or common-law partner can receive the credit, but not both. **No matter which one of you applies, the credit will be the same.**

If you apply for this credit, we will let you know in July 2006 how much you will receive, if any, and how we calculated it. Generally, we will make payments in **July** and **October** 2006, and in **January** and **April** 2007.

Note

We may apply your credit against certain amounts you owe the Government of Canada or a province or territory. We list these amounts under line 484.

Are you eligible for the GST/HST credit?

You are eligible for this credit if, at the beginning of the month in which we make a payment, you are **resident in Canada** and at least **one** of the following applies. You:

- are 19 years of age or older;
- have (or previously had) a spouse or common-law partner; or
- are (or previously were) a parent and live (or previously lived) with your child.

Note

If you will turn 19 before April 1, 2007, you can apply for this credit on your return for 2005. That way, you can receive it starting with the first payment after the month of your 19th birthday.

You are not eligible for this credit if, at the beginning of the month in which we make a payment, you **either**:

- are confined to a prison or a similar institution for a period of 90 days or more; or
- do not have to pay tax in Canada because you are an officer or servant of another country, such as a diplomat, or a family member or employee of such a person.

Note

You cannot receive the credit for your spouse or common-law partner or your child who, at the beginning of the month in which we make a payment, meets either of these conditions or is not resident in Canada.

Receiving the credit for your children

We will base the GST/HST credit you receive for your children on Canada Child Tax Benefit (CCTB) information. If your children are not registered for the CCTB, call **1-800-387-1193** for more information. If you chose not to receive the CCTB, or you do not yet qualify, you still may be able to receive the GST/HST credit for your children. For details, call **1-800-959-1953**.

Do you need to contact us?

Once you have applied for this credit, you have to advise us immediately of **any** of the following changes (as well as the date it happened or will happen):

- you move (if we do not have your new address, your payments may stop, whether you receive them by **direct deposit** or by **cheque**);
- your marital status changes (if you separate due to a breakdown in your relationship, wait until you are separated for at least 90 days before submitting Form RC65, *Marital Status Change*);
- you have a child or a child starts to live with you;
- a child for whom you were receiving the credit is no longer in your care, stops living with you, becomes a spouse or common-law partner or a parent, or dies;
- you receive your payments by direct deposit (see page 48) and your banking information changes;
- you or your spouse or common-law partner become a resident of Canada; or
- you or your spouse or common-law partner is no longer resident in Canada.

Certain changes could create a balance owing if you wait to notify us of any of these changes.

For more information, get pamphlet RC4210, *GST/HST Credit*, or call **1-800-959-1953**.

Foreign income

As a Canadian resident, you have to report your income from all sources, both inside and outside Canada.

How do you report foreign income and other amounts?

Report foreign income and other amounts (such as expenses and taxes paid) in Canadian dollars. Use the exchange rate that was in effect on the day you received the income or paid the expense. If the amount was paid at various times throughout the year, you can visit the Bank of Canada Web site at www.bankofcanada.ca, or contact us to get an average annual rate.

Tax Tip

If you paid foreign taxes on foreign income you received, do not reduce the amount you report by the amount of tax the foreign country withheld. However, you may be able to claim a foreign tax credit when you calculate your federal and provincial or territorial taxes (see lines 431 and 433 on page 45).

Foreign property

On page 2 of your return, there is a question for you to answer about owning or holding foreign property at any time in 2005. This refers to:

- foreign property you owned; and

- your share of foreign property in which you had an interest.

Check “Yes” if the total cost of all these properties was more than CAN\$100,000 in 2005. Attach a completed copy of Form T1135, *Foreign Income Verification Statement*, to your paper return. If you are filing your return electronically, send the form to the address in the instructions on the form.

Note

Foreign property does not include:

- property in your registered retirement savings plan (RRSP), registered retirement income fund (RRIF), or registered pension plan (RPP);
- mutual funds registered in Canada that contain foreign investments;
- property you used or held exclusively in the course of carrying on your active business; or
- your personal-use property.

Form T1135 contains more information about filing and a complete list of the different kinds of foreign property.

Shares of a non-resident corporation

If you (either alone or with related persons) held 10% or more of the shares of a non-resident corporation, you may have to file an additional return. For more details, get Form T1135, *Foreign Income Verification Statement*, or contact us.

Loans and transfers to non-resident trusts

In 2005 or a previous year, you may have loaned or transferred funds or property to a non-resident trust. If so, you may have to complete and file Form T1141, *Information Return in Respect of Transfers or Loans to a Non-Resident Trust*. For more information, get Form T1141.

Beneficiaries of non-resident trusts

In 2005, you may have received funds or property from, or been indebted to, a non-resident trust under which you were a beneficiary. If so, you may have to complete and file Form T1142, *Information Return in Respect of Distributions from and Indebtedness to a Non-Resident Trust*. For more information, get Form T1142.

Total income

You have to include in income most amounts you received in 2005.

Amounts that are not taxed

You do not have to include certain amounts in your income, including the following:

- any GST/HST credit or Canada Child Tax Benefit payments, as well as those from related provincial or territorial programs;

- child assistance payments and the supplement for handicapped children paid by the province of Quebec;
- compensation received from a province or territory if you were a victim of a criminal act or a motor vehicle accident;
- lottery winnings;
- most gifts and inheritances;
- amounts paid by Canada or an ally (if the amount is not taxable in that country) for disability or death due to war service;
- most amounts received from a life insurance policy following someone’s death; and
- most payments of the type commonly referred to as strike pay you received from your union, even if you perform picketing duties as a requirement of membership.

Note

Income earned on any of the above amounts (such as interest you earn when you invest lottery winnings) is **taxable**.

Retroactive lump-sum payments

If you received a lump-sum payment of eligible income in 2005, parts of which were for previous years after 1977, you have to include the whole payment on the appropriate line of your return for 2005.

We will **not reassess** the returns for the previous years to include this income. However, you can ask us to tax the parts for the previous years as if you received them in those years. We can apply this calculation to the parts that relate to years throughout which you were resident in Canada, if the total of those parts is \$3,000 or more (not including interest) and the result is better for you. Eligible income includes:

- employment income and damages for loss of employment received by order or judgment of a competent tribunal, as an arbitration award, or under a lawsuit settlement agreement;
- periodic pension benefits, which do not include Canada or Quebec Pension Plan benefits (see line 114) or the final payment received when leaving a plan;
- wage-loss replacement plan benefits;
- support payments for a spouse, common-law partner, or child; and
- Employment or Unemployment Insurance benefits.

To ask us to apply this calculation, attach to your paper return all completed copies of Form T1198, *Statement of Qualifying Retroactive Lump-Sum Payment*, that payers have given you. We will tell you the results on your *Notice of Assessment* or *Notice of Reassessment*.

Loans and transfers of property

You may have to report income, such as dividends (see line 120) or interest (see line 121) from property (including money and any replacement property) you loaned or transferred to your spouse or common-law partner, child, or other relative. You also may have to report capital gains

(see line 127) or losses from property you loaned or transferred to your spouse or common-law partner.

For details, get Interpretation Bulletin IT-510, *Transfers and loans of property made after May 22, 1985, to a related minor*, or IT-511, *Interspousal and Certain Other Transfers and Loans of Property*.

Split income of a child under 18

Certain income of a child who was born in 1988 or later is treated differently. This income is not subject to the rules discussed under “Loans and transfers of property” in the previous section. It is subject to a special tax, but also qualifies for a deduction. This applies to the following amounts received either directly or through a trust (other than a mutual fund trust) or partnership:

- dividends from shares (not including those in a mutual fund corporation or listed on a prescribed stock exchange); and
- shareholder benefits that relate to shares that are not listed on a prescribed stock exchange.

The above also applies to income from a trust (other than a mutual fund trust) or partnership for providing goods or services to (or in support of) a business operated by:

- someone related to the child at any time in the year;
- a corporation that has a specified shareholder who is related to the child at any time in the year; or
- a professional corporation that has a shareholder who is related to the child at any time in the year.

The special tax and deduction do not apply if:

- the income is from property inherited by the child and, during the year, he or she either is enrolled full-time in a post-secondary institution or qualifies for the disability amount (line 316 on Schedule 1);
- the income is from property the child inherits from a parent;
- the child was a non-resident of Canada at any time in the year; or
- neither of the child’s parents were residents of Canada at any time in the year.

How to report

The child still reports the income on the appropriate lines of his or her return. However, he or she can claim a deduction on line 232 for this income. The special tax is included in the calculation of his or her federal and provincial or territorial taxes. To calculate it, get Form T1206, *Tax on Split Income*. Attach a completed copy to the child’s paper return.

Tax shelters

To claim deductions, losses, or credits from tax shelter investments, attach to your paper return any applicable T5003 and T5013 slips, and a completed Form T5004, *Claim for Tax Shelter Loss or Deduction*. Make sure your form shows the tax shelter identification number.

Line 101 – Employment income

Enter the total of amounts shown in box 14 of all your T4 slips. If you have not received your slip by early April, or if you have any questions about an amount on a slip, contact your employer. For more information see “What if you are missing information?” on page 11.

If you have employment expenses, see line 229 for details.

Notes

If you received a housing allowance as a member of the clergy, the allowance may be included in box 14 of your T4 slip. If so, subtract the amount of the allowance from the amount in box 14, and include the difference on line 101. Include the allowance on line 104.

If you have employment income from another country, report it on line 104 of your return.

If tips you received through employment are not included on your T4 slip, report them on line 104.

You may be able to make CPP contributions on certain employment income for which no contribution was made (for example, tips that were not included on your T4 slip) or extra contributions on T4 income if you had more than one employer in the year. For more information, see “Making additional CPP contributions” at line 308.

Tax Tip

Your contributions to the Canada or Quebec Pension Plan (box 16 or 17 of your T4 slips and any amount on line 421) determine the amount of benefits you will receive under either of these plans. If there are no contributions in box 16 or 17 of your T4 slips, or if you have any questions about the amount of your contributions, contact your employer.

Emergency volunteers

In 2005, you may have received a payment from a government, municipality, or other public authority for your work as a volunteer ambulance technician, firefighter, or search, rescue, or other emergency worker. If so, the T4 slip issued by such an authority generally will show only the taxable part of the payment, which is the part that is more than \$1,000. However, if that authority employed you (other than as a volunteer) for the same or similar duties, the whole payment will be taxable.

Security option benefits

You may have to report taxable benefits you received in (or carried forward to) 2005 on certain security options you exercised. If you report any taxable benefits, see line 249 for details. However, you may be able to choose to defer reporting these benefits if you have not yet disposed of those securities.

For this to apply, you have to confirm certain information in writing with your employer and file Form T1212, *Statement of Deferred Security Options Benefits*, with your paper return each year. For details, get guide T4037, *Capital Gains*, or contact us. Your *Notice of Assessment* or *Notice of Reassessment* will show the remaining balance of your deferred amounts.

Commissions (box 42)

Enter on line 102 the total commissions shown in box 42 on all your T4 slips you received as an employee. This amount is already included in your income on line 101, so **do not add it again** when you calculate your total income on line 150. If you have commission expenses, see line 229 for details.

If you are a self-employed commission salesperson, get guide T4002, *Business and Professional Income*, to determine how to report your commission income and claim your expenses.

Line 104 – Other employment income

Report on this line the **total** of the following amounts:

- **Employment income not reported on a T4 slip** – Include amounts such as tips and occasional earnings.
- **Net research grants** – Subtract your expenses from the grant you received and include the net amount on this line. Your expenses cannot be more than your grant. Attach to your paper return a list of your expenses. For details, get Interpretation Bulletin IT-75, *Scholarships, Fellowships, Bursaries, Prizes, Research Grants and Financial Assistance*.
- **Cleric's housing allowance** – Include the amount shown on your T4 slip. You may be entitled to claim a deduction on line 231.
- **Foreign employment income** – Report your earnings in Canadian dollars (see "How do you report foreign income and other amounts?" on page 14). The amount on your United States W-2 slip may have been reduced by such contributions to a "401(k), 457 or 403(b) plan, *US Medicare and Federal Insurance Contributions Act (FICA)*." These contributions are not deductible on your Canadian return. Therefore, you have to add these amounts into your income as well.
- **Income-maintenance insurance plans (wage-loss replacement plans)** – Box 28 of your T4A slip includes the payments you received from such a plan. There also should be a note on the slip identifying the amount. You may not have to report the full amount on your return. Report the amount you received, minus contributions you made to the plan after 1967, if you did not use them on a previous year's return to calculate the amount to report. For more information, get Interpretation Bulletin IT-428, *Wage loss replacement plans*.
- **Certain GST/HST and QST (Quebec sales tax) rebates** – If you are an employee who paid and deducted employment expenses in 2004 or earlier, you may have received a GST/HST or QST rebate in 2005 for those expenses. If so, include on line 104 the rebate you received. However, a rebate for a vehicle or musical instrument you bought, for which you can claim capital cost allowance, is treated differently. Guide T4044, *Employment Expenses*, contains instructions on how to report such rebates and information about capital cost allowance.
- **Royalties** – Include these amounts on this line if you received them for a work or invention of yours. Report other royalties (other than those included at line 135) on line 121.

- **Amounts you received under a supplementary unemployment benefit plan (a guaranteed annual wage plan).**
- **Taxable benefit for premiums paid to cover you under a group term life-insurance plan** – Include the amount in box 28 of your T4A slip.
- **Employee profit-sharing plan** – Include the amount in box 35 of your T4PS slip.

Line 113 – Old Age Security pension (OAS)

Enter the amount in box 18 of your T4A(OAS) slip. For details on how to report the amount in box 21, see line 146. If you do not have your T4A(OAS) slip, visit the Social Development Canada Web site at www.sdc.gc.ca (E-Services), or contact 1-800-277-9914.

Notes

If your net income before adjustments (line 234) is more than \$60,806, see line 235 for information about repaying OAS benefits.

If, at any time in 2005, you were a non-resident of Canada receiving OAS pension, you also may have to complete Form T1136, *Old Age Security Return of Income*. For more details, and to get this form and the related guide, contact the International Tax Services Office.

Line 114 – CPP or QPP benefits

Enter the total Canada Pension Plan (CPP) or Quebec Pension Plan (QPP) benefits shown in box 20 of your T4A(P) slip. This amount is the total of the amounts in boxes 14 to 18. If your T4A(P) slip has an amount in box 16, 17, or 18, read whichever of the following sections apply to you. If you do not have your T4A(P) slip, visit the Social Development Canada Web site at www.sdc.gc.ca (E-Services), or contact 1-800-277-9914.

Lump-sum benefits – If you received a lump-sum CPP or QPP payment in 2005, parts of which were for previous years, you have to include the whole payment on line 114 of your return for 2005. We will **not** reassess the returns for the previous years to include this income. However, if the total of the parts that relate to previous years is \$300 or more, we will tax those parts as if you received them in those years if the result is better for you. Attach to your paper return the letter you received from Social Development Canada, and we will tell you the results on your *Notice of Assessment* or *Notice of Reassessment*.

CPP or QPP disability benefit (box 16)

Enter on **line 152**, located below and to the left of line 114, the amount of your CPP or QPP disability benefits from box 16. This amount is already included in your income on line 114, so **do not add it again** when you calculate your total income on line 150.

CPP or QPP child benefit (box 17)

Include a child benefit only if you received it because you were the child of a deceased or disabled contributor. Any benefits paid for your children are **their** income, even if you received the payment.

CPP or QPP death benefit (box 18)

If you received this amount and you are a beneficiary of the deceased person's estate, you can choose to include it either on line 114 of your own return, or on a *T3 Trust Income Tax and Information Return* for the **estate**. Do not report it on the deceased person's individual return. The taxes payable may be different, depending on which return you use. For more information, get guide T4013, *T3 Trust Guide*.

Line 115 – Other pensions or superannuation

Include on this line any other pensions or superannuation you received, such as amounts shown in box 16 of your T4A slips and box 31 of your T3 slips. Report on line 130 any amount in box 18 of your T4A slip or box 22 of your T3 slip.

You may also have to report on this line other amounts that you received. Read whichever of the following sections apply to you.

Tax Tip

If you have to report your pension or annuity payments on line 115, you may be able to claim the pension income amount (see line 314).

Annuity and registered retirement income fund (including life income fund) payments

Report the amount from box 24 of your T4A slip, box 16 or 20 of your T4RIF slip, or box 19 of your T5 slip as follows:

- If you were 65 or older on December 31, 2005, include it on line 115.
- Regardless of your age, if you received it because your spouse or common-law partner died, include it on line 115.
- Otherwise, report on line 130 the amount in box 24 of your T4A slip, or box 16 or 20 of your T4RIF slip. Report on line 121 the amount in box 19 of your T5 slip.

Note

If there is an amount in box 18 or 22 of your T4RIF slip, see the instructions on the back of the slip.

Pensions from a foreign country

Report in Canadian dollars the **gross amount** of your foreign pension income for 2005. See "How do you report foreign income and other amounts?" on page 14. Attach a note to your paper return identifying the type of pension you received and the country it came from. In some cases, amounts you receive may not be considered pension income, and you may have to report them elsewhere on your return.

United States individual retirement account (IRA) – If, during 2005, you received amounts from an IRA or converted the IRA to a "Roth" IRA, contact us.

Tax Tip

You can claim a deduction on line 256 for the part of your foreign pension income that is tax-free in Canada because of a tax treaty. If you do not know whether any part of your foreign pension is tax-free, contact us.

United States social security – Include on line 115 the full amount, in Canadian dollars, of your U.S. social security benefits. You can claim a deduction for part of this income. See line 256 for details.

Benefits paid for your children are **their** income, even if you received the payments.

Line 119 – Employment Insurance and other benefits

Enter the amount in box 14 of your T4E slip, **minus** any amount in box 18. If you already repaid excess benefits you received, directly to Human Resources and Skills Development Canada, you may be able to claim a deduction. See line 232 for details.

Note

If your net income before adjustments (line 234) is more than \$48,750, you may have to repay some of the benefits you received. See line 235 for details.

Line 120 – Taxable amount of dividends from taxable Canadian corporations

Enter on line 120 the taxable amount of all dividends from taxable Canadian corporations, as shown in box 11 on T5 slips, box 31 on T4PS slips, box 32 on T3 slips, and in the "Details" area on T5013 slips. Report on line 121 any foreign dividends you received.

How to report

Enter the taxable amount of your dividends from taxable Canadian corporations in Part I of Schedule 4. You have to report your dividends even if you did not receive an information slip. If you did not receive one, you can calculate the taxable amount of dividends you received by multiplying the dividends you actually received by 125%.

These dividends qualify for the dividend tax credit, which can reduce the amount of tax you pay. You can claim this credit when you calculate your federal and provincial or territorial taxes. Read the instructions at line 425 on page 44.

Notes

Special rules apply for income from property (including shares) one family member lends or transfers to another. See "Loans and transfers of property" on page 15 for more information.

If a child who was born in 1988 or later is reporting certain dividends, see "Split income of a child under 18" on page 16.

Tax Tip

In some cases, it may be better for you to report **all** the taxable dividends your spouse or common-law partner received from taxable Canadian corporations. You can do this only if, by including the dividends in your income, you will be able to claim or increase your claim for the spouse or common-law partner amount (line 303 on Schedule 1).

If you use this option, you may be able to take better advantage of the dividend tax credit. Do not include these dividends in your spouse or common-law partner's income when you calculate claims such as the spouse or common-law partner amount on line 303 or amounts transferred from your spouse or common-law partner on Schedule 2.

Line 121 – Interest and other investment income

The amounts you report for the year depend on the type of investment and when you made it. Include on this line amounts you received **minus** any part of those amounts that you reported in previous years. Also include amounts that were credited to you but that you did not receive, such as amounts that were reinvested.

The amounts to report include those shown in boxes 13, 14, and 15 on T5 slips, box 25 on T3 slips, and boxes 26 and 27 on T5013 slips. You also have to report the interest on any tax refund you received in 2005, which is shown on your *Notice of Assessment* or *Notice of Reassessment*.

If you received foreign interest or dividend income, make sure you report it in Canadian dollars. For more information, see “How do you report foreign income and other amounts?” on page 14.

If, as a shareholder in a foreign corporation, you received certain shares in another foreign corporation, you may not have to include any amount in income for receiving those shares. For more details, get Form T1135, *Foreign Income Verification Statement*, or contact us.

Notes

Special rules apply for income from most property (including money) one family member lends or transfers to another. See “Loans and transfers of property” on page 15 for more information.

Generally, when you invest your money in your child’s name, you have to report the income from those investments. However, if you deposited Canada Child Tax Benefit payments into a bank account or trust in your child’s name, the interest earned on those payments is your child’s income.

If a child who was born in 1988 or later is reporting certain investment income, see “Split income of a child under 18” on page 16.

How to report

Enter a list of your investments in Part II of Schedule 4. Generally, you report your share of interest from a **joint investment** based on how much you contributed to it.

Example

Sally and Roger received a T5 slip from their joint bank account showing the \$400 interest they earned in 2005. Sally had deposited \$4,000 and Roger had deposited \$1,000 into the account.

Sally reports \$320 interest, calculated as follows:

$$\frac{\$4,000 \text{ (her share)}}{\$5,000 \text{ (total)}} \times \$400 \text{ (total interest)} = \$320$$

Roger reports \$80 interest, calculated as follows:

$$\frac{\$1,000 \text{ (his share)}}{\$5,000 \text{ (total)}} \times \$400 \text{ (total interest)} = \$80$$

Bank accounts

Report interest paid or credited to you in 2005, even if you did not receive an information slip. You may not receive a T5 slip for amounts under \$50.

Term deposits, guaranteed investment certificates (GICs), and other similar investments

On these investments, interest builds up over a period of time, usually longer than one year. Generally, you do not receive the interest until the investment matures or you cash it in. For information on Canada Savings Bonds, see the next section.

The amount of income you report is based on the interest you earned during each complete investment year. For example, if you made a long-term investment on July 1, 2004, report on your return for 2005 the interest that accumulated to the end of June 2005, even if you do not receive a T5 slip. Report the interest from July 2005 to June 2006 on your 2006 return.

Note

Your investment agreement may specify a different interest rate each year. If so, report the amount shown on your T5 slip, even if it is different from what the agreement specifies or what you received. The issuer of your investment can tell you how this amount was calculated.

For most investments you made **in 1990 or later**, you have to report the interest each year, as you earn it. For information about reporting methods for investments made **in 1989 or earlier**, use **Info-Tax**, one of our **T.I.P.S.** services (see page 53), or see Interpretation Bulletin IT-396, *Interest Income*.

Canada Savings Bonds (CSBs)

Interest on a regular interest (“R”) bond is paid annually until the bond matures or you cash it in. Interest on a compound interest (“C”) bond is not paid until you cash it in. For both kinds of bonds, report the amount shown on the T5 slip.

Treasury bills (T-bills)

If you disposed of a T-bill at maturity in 2005, you have to report as interest the difference between the price you paid and the proceeds of disposition shown on your T5008 slip or account statement.

If you disposed of a T-bill before maturity in 2005, you may also have to report a capital gain or loss. For details, get guide T4037, *Capital Gains*.

Earnings on life insurance policies

Report the earnings that have accumulated on certain life insurance policies in the same way as you do for other investments. In all cases, your insurance company will send you a T5 slip. For policies bought before 1990, you can choose to report accumulated earnings annually by telling your insurer in writing that you choose to do so.

Line 122 – Net partnership income: limited or non-active partners only

Enter on line 122 your share of the net income or loss from a partnership if the partnership did not include a rental or farming operation and you were **either**:

- a limited partner; or
- not actively involved in the partnership and not otherwise involved in a business or profession similar to that carried on by the partnership.

Report your net rental income or loss from a partnership on line 126. Report your net farming income or loss from a partnership on line 141.

If none of the above applies to you, enter your share of the partnership's net income or loss on the applicable self-employment line of your return (see lines 135 to 143).

Notes

If the partnership has a loss, the amount you can claim could be limited. For details, contact us.

If a child who was born in 1988 or later is reporting certain limited or non-active partnership income, see "Split income of a child under 18" on page 16.

If you have a tax shelter, see "Tax shelters" on page 16.

How to report

- Complete Part III of Schedule 4.
- Attach to your paper return a T5013 slip. If you did not receive one, attach a copy of the partnership's financial statement. See lines 135 to 143 for more details.

Note

You may have to make Canada Pension Plan contributions on the net income you report on line 122. See line 222 for details.

Canadian certified feature films and productions

You may have invested in such a film or production for reasons other than to earn income from a business. If so, you can claim a deduction for capital cost allowance. For more information, including how to calculate your claim, see the back of slip T1-CP, *Statement of Certified Productions*, which the producer issues. File the form with your paper return.

Line 126 – Rental income

Enter your gross rental income on line 160 and your net rental income or loss on line 126. If you have a loss, show the amount in brackets. If you were a member of a partnership, you should also include any amount in box 20 of your T5013 slip, or any amount the partnership allocated to you in its financial statements.

You have to include with your paper return a statement (you can use Form T776, *Statement of Real Estate Rentals*) showing your rental income and expenses for the year. If it applies, also include either your T5013 slip or a copy of the partnership's financial statement.

Guide T4036, *Rental Income*, contains Form T776 and more information about rental activities.

If you have a tax shelter, see "Tax shelters" on page 16.

Line 127 – Taxable capital gains

You may have a capital gain or loss when property is disposed of, such as when real estate or shares (including those in mutual funds) are sold. Generally, if the total of your gains for the year is more than the total of your losses, you have to include 50% of the difference in your income. However, if the total of your losses for the year is more than the total of your gains, you cannot deduct the difference on your return for the year. See the next section called "How to report."

If you have a capital gain or loss from redeeming your mutual fund units or shares, get information sheet RC4169, *Tax Treatment of Mutual Funds for Individuals*, for more details.

If you realized a capital gain as a result of a mortgage foreclosure or conditional sales repossession, do **not** include the capital gain in income when calculating your GST/HST credit, Canada Child Tax Benefit payments, Child Disability Benefit payments, social benefits repayment (line 235), age amount (line 301), refundable medical expenses supplement (line 452), British Columbia sales tax credit, or Prince Edward Island, Nova Scotia, New Brunswick or Newfoundland and Labrador tax reductions. If this applies to you, contact us for more details.

When you donate capital property to a charity, we consider you to have disposed of the property at its fair market value. As a result, you may have to report a capital gain or loss for that property. There are special rules for donations of certain property. For details, get guide T4037, *Capital Gains*, and pamphlet P113, *Gifts and Income Tax*.

How to report

Complete Schedule 3, and attach it to your paper return. Generally, if all of your gains or losses are shown on T4PS, T5, or T5013 slips, or on a financial statement from a partnership, enter the amounts on line 174 on Schedule 3, and if they are shown on T3 slips, enter them on line 176. Also attach these documents to your paper return. If your securities transactions are shown on an account statement or a T5008 slip, use the information on these documents to help you complete Schedule 3. For more information about these and other capital dispositions, get guide T4037, *Capital Gains*.

If the result on line 199 on Schedule 3 is positive (a gain), enter the amount on line 127 of your return. If it is negative (a loss), do **not** claim the amount on line 127 of your return. We will register it in our system. Keep track of this loss, which you can use to reduce your taxable capital gains of other years. The following "Notes" explain how to do this.

Notes

You may have incurred a net capital loss in 2005 that you want to apply against taxable capital gains you reported on your 2002, 2003, or 2004 return. For more information and to carry back the loss, get Form T1A, *Request for Loss Carryback*, and guide T4037, *Capital Gains*. Attach a completed Form T1A to your paper return

(or send one to us separately). Do not file an amended return for the year or years to which you want to apply the loss.

If you are completing a return for a person who died in 2005, get guide T4011, *Preparing Returns for Deceased Persons*, for details about special rules that apply to claiming these losses.

Tax Tip

You may be able to claim a deduction for your capital gains. See line 254 for details.

Line 128 – Support payments received

Enter on line 156 the total of **all** support payments for yourself and/or for a child that you received (or, if you are the payer, the payments that were repaid to you under a court order) in 2005. Enter on line 128 only the **taxable** amount. For more details, get guide P102, *Support Payments*.

Tax Tips

You may be able to claim a deduction on line 256 for the part of the payments you received from a resident of another country that is tax-free in Canada because of a tax treaty. If you do not know whether any part of the payments is tax-free, contact us.

You may be able to claim a deduction on line 220 for support income you repaid under a court order. For details, get guide P102, *Support Payments*.

Line 129 – RRSP income

Enter on line 129 the total of amounts shown in boxes 16, 18, 28, and 34 of all your T4RSP slips. Also include amounts in boxes 20, 22, and 26, unless your spouse or common-law partner made a contribution to your RRSP. See “RRSPs for spouse or common-law partner” in the next section for more details.

Tax Tips

Annuity payments shown in box 16 of your T4RSP slip may qualify for the pension income amount (see line 314).

If unused RRSP contributions you made after 1990 were refunded to you or your spouse or common-law partner in 2005, you may be able to claim a deduction on line 232. See line 232 for details.

RRSPs for spouse or common-law partner

Your spouse or common-law partner may have to report some or all of the RRSP income shown in box 20, 22, or 26 of your T4RSP slips if he or she contributed to **any** of your RRSPs in 2003, 2004, or 2005. In that case, your T4RSP slip should have “Yes” checked in box 24, and your spouse or common-law partner’s social insurance number in box 36.

To calculate the amount from an RRSP for spouse or common-law partner that each of you has to report, **complete Form T2205, Amounts From a Spousal or Common-law Partner RRSP or RRIF to Include in Income**. Both you and your spouse or common-law partner should include this form with your paper returns. However, only the person shown as the annuitant on the T4RSP slip can

claim the income tax deducted (box 30) and should attach the slip to his or her paper return.

Note

If you and your spouse or common-law partner were living apart because of a breakdown in the relationship when you withdrew funds from your RRSP, you have to report the whole amount shown on your T4RSP slips.

For more details on RRSP income, get guide T4040, *RRSPs and Other Registered Plans for Retirement*.

Repayments under the Home Buyers’ Plan (HBP) and Lifelong Learning Plan (LLP)

If, in previous years, you withdrew funds from your RRSP under the HBP or LLP, you may have to make a repayment for 2005. The minimum repayment is shown on your *Notice of Assessment* or *Notice of Reassessment* for 2004. To make a repayment, you have to contribute to your RRSP **from January 1, 2005, to March 1, 2006**, and designate your contribution as a repayment on line 6 or 7 of Schedule 7 (see page 25). **Do not make your repayment to us.**

If you repay less than the minimum amount for 2005, you have to include the difference on line 129 of your return.

Example

Kevin withdrew funds under the HBP in 2000. His required repayment for 2005 was \$800. The only RRSP contribution he made from January 1, 2005, to March 1, 2006, was for \$500 on June 18, 2005. He designated it on line 6 of Schedule 7 as a repayment under the HBP, and he includes \$300 in his income on line 129 (\$800 required repayment minus \$500 repaid and designated).

For more information, including the rules that apply when the person who made the withdrawal dies, turns 69, or becomes a non-resident, get guide RC4135, *Home Buyers’ Plan (HBP)*, or guide RC4112, *Lifelong Learning Plan (LLP)*.

To view your HBP or LLP information, visit **My Account** on our Web site (see page 5).

Line 130 – Other income

Use this line to report taxable income that is not reported anywhere else on the return. To find out if an amount is taxable, contact us. **Make sure you have read the instructions for lines 101 to 129 first.** In the space to the left of line 130, specify the type of income you are reporting. If you have more than one type of income, attach a note to your paper return giving the details.

Note

Special rules apply for income from property one family member lends or transfers to another. See “Loans and transfers of property” on page 15 for more information.

Scholarships, fellowships, bursaries, (study grants), and artists’ project grants

Total all the amounts you received in 2005 (box 28 of your T4A slips). If you received any amounts (other than an artist’s project grant) for a program for which you can claim the education amount for 2005 (see line 323), report only

the part of the total of all amounts that is more than \$3,000. If you are not eligible for the education amount, report on line 130 only the amount that is more than \$500.

Note

If you received an artists' project grant, get Interpretation Bulletin IT-75, *Scholarships, Fellowships, Bursaries, Prizes, Research Grants and Financial Assistance*, for more information.

Report prizes and awards you received as a benefit from your employment or in connection with a business. However, these are not eligible for the \$500 tax-free amount. If you received a research grant, see line 104.

For more information, get Interpretation Bulletin IT-75.

Lump-sum payments

Include lump-sum payments from pensions and deferred profit-sharing plans (box 18 of your T4A slips and box 22 of your T3 slips) received when leaving a plan.

If, in 2005, you received a lump-sum payment that included amounts you earned in previous years, you have to include the whole payment on line 130 of your return for 2005. However, you can ask us to apply a reduced tax rate to the part that relates to amounts you earned before 1972. To ask us to apply this special rate, attach a note to your paper return. We will tell you the results on your *Notice of Assessment* or *Notice of Reassessment*.

Retiring allowances (severance pay)

A retiring allowance includes an amount paid as severance pay. Include the amount in boxes 26 and 27 of your T4A slips.

Also, report any retiring allowance included in box 26 of your T3 slips.

Note

You may be able to deduct legal fees you paid to get a retiring allowance. See line 232 for details.

Tax Tip

You may be able to transfer part or all of your retiring allowances to your RRSP. See "Line 11 – Transfers" on page 25.

Death benefits (other than Canada or Quebec Pension Plan death benefits)

A death benefit is an amount you receive after a person's death for that person's employment service. It is shown in box 28 of your T4A slips or box 35 of your T3 slips.

You may not have to pay tax on up to \$10,000 of the benefit you received. If you are the only one to receive a death benefit, report the amount you receive that is more than \$10,000. Even if you do not receive all of the death benefit in one year, the total tax-free amount for all years cannot be more than \$10,000. To find out what to report if anyone else also received a death benefit for the same person, use **Info-Tax**, one of our **T.I.P.S.** services (see page 53), or see Interpretation Bulletin IT-508, *Death Benefits*.

Attach to your paper return a note stating the amount of death benefits you received but did not include in your income.

Other kinds of income

Also include the following amounts on line 130:

- amounts distributed from a retirement compensation arrangement;
- training allowances, Saskatchewan Pension Plan payments, or any other amount in box 28 of your T4A slips (other than amounts already mentioned for this line and line 104);
- payments from a trust shown in box 26 of your T3 slips;
- payments from a registered education savings plan shown in box 40 (see also line 418) or 42 of your T4A slips; and
- certain annuity payments (see line 115).

Lines 135 to 143 – Self-employment income

Enter on the appropriate line your gross and net income or loss from self-employment. If you have a loss, show it in brackets. Include with your paper return a statement showing your income and expenses.

You have to file Form T1139, *Reconciliation of 2005 Business Income for Tax Purposes*, with your return for 2005 if you want to keep a year-end that does not finish on December 31, 2005. However, if you filed Form T1139 with your return for 2004, you may have to complete the version of this form for 2005. See guide RC4015, *Reconciliation of Business Income for Tax Purposes*.

Notes

You may have to make Canada Pension Plan contributions on your self-employment earnings (see line 222).

If a child who was born in 1988 or later is reporting certain self-employment income, see "Split income of a child under 18" on page 16.

The following guides contain more information and forms you may need to help you calculate your self-employment income:

- T4002, *Business and Professional Income* (Form T2124, *Statement of Business Activities*, and Form T2032, *Statement of Professional Activities*);
- T4004, *Fishing Income* (Form T2121, *Statement of Fishing Activities*); and
- T4003, *Farming Income* (Form T2042, *Statement of Farming Activities*), RC4060, *Farming Income and CAIS Program* (Form T1163, *Statement A – CAIS Program Information and Statement of Farming Activities for Individuals*, and Form T1164, *Statement B – CAIS Program Information and Statement of Farming Activities for Additional Farming Operations*) or RC4408, *Farming Income and the CAIS Program Harmonized Guide* (Form T1273, *Statement A – CAIS Program Information and Statement of Farming Activities for Individuals Harmonized*, and Form T1274, *Statement B – CAIS Program Information and Statement of Farming Activities for Additional Farming Operations Harmonized*).

Notes

If you are participating in the Canadian Agricultural Income Stabilization Program (CAIS Program), and you are filing a paper return, use the envelope contained in your guide.

If you use your home for day care, see pamphlet P134, *Using Your Home for Day Care*, for more information.

Generally, if you were a limited or non-active partner, you enter your net income or loss on line 122. However, if your net income or loss is from a rental operation, enter the amount on line 126. If it is from a farming operation, enter it on line 141.

If you were an active partner and received a T5013 slip, report the amount from box 18 on the line of your return shown in box 05. This is your share of the partnership's net income or loss. Also report the partnership's gross income as shown in box 51. Attach the T5013 slip to your paper return. If you did not receive this slip, you should attach the applicable self-employment form indicated above, or a copy of the partnership's financial statement.

For more information, contact our **Business Enquiries** service. See "Contacting us" on page 6.

If you have a tax shelter, see "Tax shelters" on page 16.

Line 144 – Workers' compensation benefits

Enter the amount in box 10 of your T5007 slip. Claim a deduction on line 250 for the benefits you entered on line 144.

Note

In 2005, you may have repaid salary or wages originally paid to you by your employer in a previous year, in anticipation of workers' compensation benefits you would receive. This amount should be shown in box 77 of your T4 slip. In that case, you may be able to claim a deduction on line 229. Contact us for more information.

Line 145 – Social assistance payments

Generally, you enter the amount in box 11 of your T5007 slip or the federal part of your Quebec *Relevé 5* slip. However, if you lived with your spouse or common-law partner when the payments were made, the one of you who has the higher net income on line 236 (not including these payments or the deductions on lines 214 or 235) has to report all of the payments, no matter whose name is on the slip. If this amount is the same for both of you, the person whose name is on the T5007 slip (or the *prestataire* on the federal part of the *Relevé 5* slip) has to report them.

Notes

You do not have to include certain social assistance payments you or your spouse or common-law partner received for being a foster parent or for caring for a disabled adult who lived with you. For more information, contact us. However, if the payments are for caring for your spouse or common-law partner or an individual related to either of you, whoever has the higher net income will have to include those payments in income.

If you repay an amount that was reported on a T5007 slip or a *Relevé 5* in a prior year, the return for that year may be adjusted based on the amended slip provided. See "How do you change a return" on page 12 for information.

Claim a deduction on line 250 for the social assistance payments you entered on line 145.

Line 146 – Net federal supplements

Enter the amount in box 21 of your T4A(OAS) slip.

If your net income before adjustments (line 234) is \$60,806 or less, claim a deduction on line 250 for the net federal supplements you entered on line 146. If the amount on line 234 of your return is more than \$60,806, contact us to find out how much you can deduct on line 250.

Net income

Line 206 – Pension adjustment

Enter on line 206 the total of all amounts in box 52 of your T4 slips, or box 34 of your T4A slips. Generally, this total represents the value of the benefits you earned in 2005 under a registered pension plan (RPP) or a deferred profit-sharing plan (DPSP).

Do not include the pension adjustment (PA) amount in your income, and do not deduct it on your return. Simply enter this amount on line 206. We will use it to calculate your registered retirement savings plan (RRSP) deduction limit for 2006, which we will show on your *Notice of Assessment* or *Notice of Reassessment* for 2005. See line 208 for details.

If you have any questions about how your PA was calculated, ask your employer.

Note

If you live in Canada and you participated in a foreign pension plan in 2005, you may have to enter an amount on this line. For details, contact us.

Line 207 – Registered pension plan (RPP) deduction

Generally, you can deduct the total of all amounts shown in box 20 of your T4 slips, in box 32 of your T4A slips, or on your union or RPP receipts. Contact us or see guide T4040, *RRSPs and Other Registered Plans for Retirement*, to find out how much you can deduct if **any** of the following applies:

- the total is more than \$3,500 **and** your information slip shows a past-service amount for service before 1990;
- you contributed in a previous year and could not deduct part of the contributions; or
- you made contributions to a pension plan in a foreign country.

Receipts – If you are filing a paper return, do not include your receipts (**other than your T4 and T4A slips**), but keep them in case we ask to see them. If you are filing electronically, keep all of your documents.

Line 208 – RRSP deduction

This section gives general information on registered retirement savings plans. If you need more information after reading this section, get guide T4040, *RRSPs and Other Registered Plans for Retirement*. See “Schedule 7” later on this page for details about completing Schedule 7. To view your RRSP information, visit **My Account** on our Web site (see page 5).

Receipts – If you are filing a paper return, include your official receipts for all amounts you contributed from March 2, 2005, to March 1, 2006, including those you are not deducting on your return for 2005 and those you are designating as Home Buyers’ Plan (HBP) or Lifelong Learning Plan (LLP) repayments. See “Lines 6 and 7 – Repayments under the HBP and LLP” on the next page for details about HBP and LLP repayments. If you contributed to your spouse or common-law partner’s plan, the receipt has to show your name as the contributor and your spouse or common-law partner’s name as the annuitant. Also attach Schedule 7 if you have to complete it. If you are filing electronically, keep your documents in case we ask to see them.

Maximum contributions you can deduct

The maximum you can deduct on line 208 is whichever of the following amounts is **less**:

- the unused RRSP contributions shown on your *Notice of Assessment* or *Notice of Reassessment* for 2004 **plus** the total of your RRSP contributions made from March 2, 2005, to March 1, 2006 (not including amounts you designate as HBP or LLP repayments, see “Lines 6 and 7 – Repayments under the HBP and LLP” on the next page); or
- your RRSP deduction limit for 2005 (see “Line 10 – Contributions based on your RRSP deduction limit for 2005” on the next page) **plus** amounts you transfer (see “Line 11 – Transfers” on the next page) to your RRSP on or before March 1, 2006.

Notes

After the end of the year you turn 69, you cannot contribute to your RRSP, and neither can your spouse or common-law partner. However, you still can contribute to your spouse or common-law partner’s RRSP until the end of the year he or she turns 69, and you can deduct those contributions as long as you still have an unused RRSP deduction limit.

If you contribute more to an RRSP than you can deduct, you may have to pay a tax of 1% per month. To pay this tax you must file a T1-OVP, *Individual Tax Return for RRSP Excess Contributions*, for each applicable tax year. For more details, see the section called “Tax on RRSP excess contributions” in guide T4040, *RRSPs and Other Registered Plans for Retirement*.

Schedule 7

You may not have to complete Schedule 7. To find out, read the information at the top of the schedule. If you do have to complete it, you will find information below about lines 1, 2, 3, 6, 7, 10, 11, and 15 to 18.

Line 1 – Unused RRSP contributions

These are amounts you contributed to your own RRSP or to an RRSP for your spouse or common-law partner after 1990, but did not deduct on line 208 of any previous return or designate as an HBP or LLP repayment. The total of these amounts is shown on your *Notice of Assessment* or *Notice of Reassessment* for 2004 if you showed them on a previous year’s Schedule 7.

If you do not have your notice, you can find out if you have unused RRSP contributions by using **RRSP deduction limit**, one of our **T.I.P.S.** services (see page 53).

Notes

If you have unused RRSP contributions that you made from March 2, 2004, to March 1, 2005, you should have filed a completed Schedule 7 with your 2004 paper return. If you did not, you should submit your receipts and a completed copy of a 2004 Schedule 7 to your tax centre, **but not with your return for 2005**. See “How do you change a return?” on page 12 for details.

If you have unused contributions that you made from January 1, 1991, to March 1, 2004, but did not show on a Schedule 7 for 2003 or earlier, contact us.

Lines 2 and 3 – Total RRSP contributions

This total includes amounts you:

- contributed to your own RRSP or an RRSP for your spouse or common-law partner from March 2, 2005, to March 1, 2006;
- transferred to your own RRSP (see “Line 11 – Transfers” later in this section); and
- designated as Home Buyers’ Plan (HBP) or Lifelong Learning Plan (LLP) repayments (see “Lines 6 and 7 – Repayments under the HBP and LLP” in the next section).

Make sure you include on these lines **all** contributions you made from January 1, 2006, to March 1, 2006, even if you are **not** deducting or designating them on your return for 2005. Otherwise, we may reduce or disallow your claim for these contributions on your return for a future year.

Tax Tip

If you have made deductible RRSP contributions for 2005 (other than transfers) from March 2, 2005, to March 1, 2006, you do not have to claim the full amount on line 208 of your 2005 return. Depending on your federal and provincial or territorial rates of tax for 2005, and your expected rates of tax for future years, it may be more beneficial for you to claim, if applicable, only part of your contributions on line 10 of Schedule 7 and on line 208 of your 2005 return. The contributions you do not claim for 2005 will then be available for you to carry forward and claim for future years when your federal and provincial or territorial rates of tax are higher.

Remember, in either case, you **must** record the total contributions you made from March 2, 2005, to March 1, 2006, on either line 2 or 3 and line 245 of your 2005 Schedule 7.

Do not include the following amounts:

- Any unused RRSP contributions you made after March 1, 2005, that were refunded to you or your spouse

or common-law partner in 2005. Report the refund on line 129 of your return for 2005. You may be able to claim a deduction on line 232.

- Part or all of the contributions you made to your RRSP or an RRSP for your spouse or common-law partner less than 90 days before either of you withdrew funds from that RRSP under the HBP or LLP. For more details, get guide RC4135, *Home Buyers' Plan (HBP)*, or guide RC4112, *Lifelong Learning Plan (LLP)*.
- Any payment directly transferred to your RRSP if you did not receive an information slip for it or if it is shown in box 35 of your T4RSP or T4RIF slip.
- The part of an RRSP withdrawal that you recontributed to your RRSP and deducted on line 232. This would have happened if, in error, you withdrew more RRSP funds than necessary to obtain past-service benefits under a registered pension plan (RPP).
- The excess part of a direct transfer of a lump-sum payment from your RPP to an RRSP or registered retirement income fund (RRIF) that you withdrew and are including on line 129 or 130 of your return for 2005, and deducting on line 232.

Lines 6 and 7 – Repayments under the HBP and LLP

If you withdrew funds from your RRSP under the Home Buyers' Plan (HBP) before 2004, you have to make a repayment for 2005. If you withdrew funds from your RRSP under the Lifelong Learning Plan (LLP) before 2004, you may have to make a repayment for 2005. In either case, the minimum amount you have to repay for the year is indicated on your *Notice of Assessment* or *Notice of Reassessment* for 2004.

To make a repayment for 2005, contribute to your **own** RRSP from January 1, 2005, to March 1, 2006, and designate your contribution as a repayment on line 6 or 7 of Schedule 7. Do not include an amount you deducted or designated as a repayment on your 2004 return, or that was refunded to you. **Do not make your repayment to us.** You **cannot deduct** any RRSP contribution you **designate as an HBP or LLP repayment** on Schedule 7.

Note

If you repay less than the minimum amount for 2005, you have to include the difference on line 129 of your return.

Line 10 – RRSP contributions you are deducting for 2005

Your RRSP deduction limit for 2005 is shown on your *Notice of Assessment* or *Notice of Reassessment* for 2004, or, if we sent you one, on Form T1028, *Your RRSP Information for 2005*. You can carry forward indefinitely any part of your RRSP deduction limit accumulated after 1990 that you do not use.

If you do not have your notice or Form T1028, you can find out your limit for 2005 by using **RRSP deduction limit**, one of our **T.I.P.S.** services (see page 53), or by contacting us.

If you would like to calculate your RRSP deduction limit for 2005, get guide T4040, *RRSPs and Other Registered Plans for Retirement*.

Note

In a previous year, you may have received income for which you could contribute to an RRSP, but you may not have filed a return for that year. If you want to keep your RRSP deduction limit up to date, you have to file a return for that year.

Line 11 – Transfers

You may have reported income on line 115, 129, or 130 of your return for 2005. If you contributed certain types of this income to your own RRSP on or before March 1, 2006, you can deduct this contribution, called a **transfer**, in addition to any RRSP contribution you make based on your "RRSP deduction limit for 2005."

For example, if you received a retiring allowance in 2005, you would report it on line 130 of your return. You can contribute to your RRSP up to the eligible part of that income (box 26 of your T4A slip) and deduct it as a transfer. Include the amounts you transfer on lines 2 or 3 and 11 of Schedule 7.

For more information about amounts you can transfer, get guide T4040, *RRSPs and Other Registered Plans for Retirement*.

Lines 15 to 18 – 2005 withdrawals under the HBP and the LLP

On line 15, enter the total of your HBP withdrawals for 2005 from box 27 of your T4RSP slips. In addition, check the box at line 16 if the address of the home you acquired with these withdrawals is the same as the address on page 1 of your return.

On line 17, enter the total of your LLP withdrawals for 2005 from box 25 of your T4RSP slips. In addition, you can check the box at line 18 to designate that your spouse or common-law partner was the student for whom the funds were withdrawn. If you do not check the box, you will be considered to be the student for LLP purposes. You can change the person you designate as the student only on the return for the year you make your first withdrawal.

The guides RC4135, *Home Buyers' Plan (HBP)*, and RC4112, *Lifelong Learning Plan (LLP)*, include more information about:

- when you have to make your repayments; and
- the rules that apply when the person who made the withdrawal dies, turns 69, or becomes a non-resident.

Line 209 – Saskatchewan Pension Plan (SPP) deduction

You can deduct contributions to the SPP for 2005, up to whichever of the following three amounts is **least**:

- \$600;
- your 2005 RRSP deduction limit minus your RRSP deduction from line 208 (not including transfers to your RRSP); or
- the total amount you contributed to the SPP for yourself or your spouse or common-law partner from January 1, 2005, to March 1, 2006, not including any contributions that you deducted on your 2004 return.

Receipts – If you are filing a paper return, include your receipts. If you are filing electronically, keep them in case we ask to see them.

Line 212 – Annual union, professional, or like dues

Enter the total of the following amounts **related to your employment** that you paid (or that were paid for you and included in your income) in the year:

- annual dues for membership in a trade union or an association of public servants;
- professions board dues required under provincial or territorial law;
- professional or malpractice liability insurance premiums or professional membership dues required to keep a professional status recognized by law; and
- parity or advisory committee (or similar body) dues required under provincial or territorial law.

Annual membership dues do not include initiation fees, licences, special assessments, or charges for anything other than the organization's ordinary operating costs. You cannot claim charges for pension plans as membership dues, even if your receipts show them as dues. For more information, get Interpretation Bulletins IT-103, *Dues paid to a union or to a parity or advisory committee*, and IT-158, *Employees' professional membership dues*.

The amount shown in box 44 of your T4 slip, or on your receipts, includes any GST/HST you paid.

Tax Tip

You may be eligible for a rebate of any GST/HST you paid as part of your dues (see line 457).

Receipts – If you are filing a paper return, do not include your receipts (**other than your T4 slips**) but keep them in case we ask to see them. If you are filing electronically, keep all of your documents.

Line 214 – Child care expenses

You or your spouse or common-law partner may have paid for someone to look after your child so one of you could earn income, go to school, or conduct research in 2005. The expenses are deductible only if, at some time in 2005, the child was under 16 or had a mental or physical infirmity. Generally, only the spouse or common-law partner with the lower net income (**even if it is zero**) can claim these expenses.

For more information, and to make your claim, get Form T778, *Child Care Expenses Deduction for 2005*. However, if you claimed child care expenses on your 2004 return, the package we mailed to you should include this form.

Tax Tips

You may be able to claim payments you made to a boarding school, sports school, or camp. For details, get Form T778.

If your child needs special attendant care or care in an establishment, see guide RC4064, *Information Concerning People With Disabilities*, for details about different amounts you may be able to claim.

Receipts – If you are filing a paper return, include a **completed Form T778 but not your receipts**. Keep them in case we ask to see them. If you are filing electronically, keep all of your documents.

Line 215 – Disability supports deduction

You can claim expenses you paid for personal attendant care and other disability supports expenses that allowed you to go to school or to earn certain income. This includes income from employment or self-employment and a grant you received for conducting research.

Under proposed legislation, the list of eligible expenses for this deduction will include amounts paid for:

- Deaf-blind intervening services used by an individual who is both blind and profoundly deaf when paid to persons engaged in the business of providing such services.
- Job coaching services (other than job placement or career counselling services) provided to an individual with a severe and prolonged impairment when paid to persons engaged in the business of providing such services. The need for these services will have to be certified in writing by a medical practitioner.
- Reading services provided to an individual who is blind or has a severe learning disability when paid to persons engaged in the business of providing such services. The need for these services will have to be certified in writing by a medical practitioner.
- A device that is a Bliss symbol board used by an individual who has a speech impairment to help the individual communicate by motioning at the symbols or spelling out words. The need for the device will have to be certified in writing by a medical practitioner.
- A device that is a Braille note-taker used by a blind individual to allow that individual to take notes (that can be read back to them or printed or displayed in Braille) with the help of a keyboard. The need for the device will have to be certified in writing by a medical practitioner.
- A device that is a page-turner used by an individual with a severe and prolonged impairment that markedly restricts the individual's ability to use their arms or hands to turn the pages of a book or other bound document. The need for the device will have to be certified in writing by a medical practitioner.
- A device and/or software designed to be used by a blind individual or an individual with a severe learning disability to enable the individual to read print. The need for the device and/or software will have to be certified in writing by a medical practitioner.

For a complete list of allowable expenses, see Form T929, *Disability Supports Deduction*.

You cannot claim these expenses on this line if you or someone else will be claiming them as medical expenses on line 330 or 331.

To calculate your claim, complete Form T929. For more information, see Form T929 or use **Info-Tax**, one of our **T.I.P.S.** services (see page 53).

Receipts – If you are filing a paper return, **do not include** your receipts or **Form T929**, but keep them in case we ask to see them. If you are filing electronically, keep all of your documents.

Line 217 – Business investment loss

A business investment loss is a special type of capital loss. Such a loss can occur, for example, when you dispose of shares or certain debts of a small business corporation. For more information, and to find out how to complete lines 217 and 228 (to the left of line 217), get guide T4037, *Capital Gains*.

If you have a tax shelter, see “Tax shelters” on page 16.

Line 219 – Moving expenses

Generally, you can deduct moving expenses you paid in 2005 if **both** of the following apply:

- You moved to work or run a business, or to study full-time at an educational institution that offers post-secondary courses.
- You moved at least 40 kilometres closer to your new work or school.

Notes

If you moved before 2005 but could not claim all your expenses on your return for that year or later, you may be able to claim the remaining expenses on your return for 2005.

In addition, if you pay expenses after the year of your move, you may be able to claim them on your return for the year you pay them. You may carry forward unused amounts until you have enough income to claim them.

Your deduction is limited to the amount of eligible income you earned at the new location. For more information, and to calculate how much you can deduct, get Form T1-M, *Moving Expenses Deduction*. Make sure you tell us your new address.

Receipts – If you are filing a paper return, **do not include** your receipts or **Form T1-M**, but keep them in case we ask to see them. If you are filing electronically, keep all of your documents.

Line 220 – Support payments made

Enter on line 230 the **total** of all deductible **and** non-deductible support payments for a spouse or common-law partner, or for a child, that you made (or, if you are the payee, that you repaid under a court order) in 2005. Claim on line 220 only the **deductible** amount. Most child support payments paid according to a written agreement or court order dated after April 1997 are not deductible. For more details, get guide P102, *Support Payments*.

Generally, to be allowed your claim, you should register your written agreement or court order (including any amendments) with us. For more information, get Form T1158, *Registration of Family Support Payments*.

Receipts – If you are filing a paper return, **do not include** your receipts or cancelled cheques, or your court order or written agreement. Keep them in case we ask to see them. If you are filing electronically, keep all of your documents.

Line 221 – Carrying charges and interest expenses

You can claim the following carrying charges and interest you paid to earn income from investments:

- fees to manage or take care of your investments (other than administration fees you paid for your registered retirement savings plan or registered retirement income fund), including safety deposit box charges;
- fees for certain investment advice (see Interpretation Bulletin IT-238, *Fees Paid to Investment Counsel*) or for recording investment income;
- fees to have someone complete your return, but only if you have income from a business or property, accounting is a usual part of the operations of your business or property, and you did not use the amounts claimed to reduce the business or property income you reported (see Interpretation Bulletin IT-99, *Legal and Accounting Fees*); and
- most interest you pay on money you borrow for investment purposes, but generally only as long as you use it to try to earn investment income, including interest and dividends. However, if the only earnings your investment can produce are capital gains, you cannot claim the interest you paid. For details, contact us.

You **cannot** deduct on line 221 any of the following amounts:

- the interest you paid on money you borrowed to contribute to a registered retirement savings plan or a registered education savings plan;
- the interest portion of your student loan repayments (although you may be able to claim a credit on line 319 on Schedule 1 for this amount);
- subscription fees paid for financial newspapers, magazines, or newsletters; and
- brokerage fees or commissions you paid when you bought or sold securities. Instead, you use these costs when you calculate your capital gain or capital loss. For more information, get guide T4037, *Capital Gains*, and Interpretation Bulletin IT-238, *Fees Paid to Investment Counsel*.

Policy loan interest – To claim interest you paid during 2005 on a policy loan made to earn income, have your insurer complete Form T2210, *Verification of Policy Loan Interest by the Insurer*, on or before April 30, 2006.

Refund interest – If we paid you interest on an income tax refund, you have to report the interest in the year you receive it, as we explain at line 121 in this guide. If we then reassessed your return and you repaid any of the refund interest in 2005, you can deduct the amount you repaid, up to the amount you had included in your income.

Carrying charges for foreign income – If you have carrying charges for Canadian and foreign investment income, identify them separately on Schedule 4, according to the percentage that applies to each investment.

Receipts – To make your claim, complete Part IV of Schedule 4. If you are filing a paper return, **do not include** your receipts or **Form T2210**, but keep them in case we ask

to see them. If you are filing electronically, keep all of your documents.

If you have a tax shelter, see "Tax shelters" on page 16.

Line 222 – Deduction for CPP or QPP contributions on self-employment and other earnings

You can claim, on this line, **half** of the total of your Canada Pension Plan (CPP) or Quebec Pension Plan (QPP) contributions, if any, **from Schedule 8**. You also can claim, on line 310 on Schedule 1, an amount **for the other half**. You can claim contributions you:

- have to make on self-employment and limited or non-active partnership income;
- choose to make on certain employment income (see "Making additional CPP contributions" at line 308); and
- choose to make on your provincial income tax return for Quebec on certain employment income (see your Quebec provincial guide).

The amount of CPP or QPP contributions that you have to make, or choose to make, will depend on how much you have already contributed to the CPP or QPP as an employee, as shown in boxes 16 and 17 of your T4 slips.

Making additional CPP contributions

You may be able to make CPP contributions on certain employment income for which no contribution was made (for example, tips that were not included on a T4 slip) or additional contributions on T4 income if you had more than one employer in the year and the total CPP contributions on all T4 slips is less than the required amount. For more information, see "Making additional CPP contributions" at line 308.

How to calculate your contributions

Complete Schedule 8 to calculate your CPP or QPP contributions, and attach it to your paper return. If you were a member of a partnership, make sure you include on line 1 of Schedule 8 only **your share** of the net profit or loss. You cannot use self-employment or partnership losses to reduce the CPP or QPP contributions that you paid on your employment earnings.

If you **were not** a resident of **Quebec on December 31, 2005**, enter on lines 222 and 310, in dollars and cents, the amount from line 11 of Schedule 8. Enter on line 421 the amount from line 10 of Schedule 8.

If you **were** a resident of **Quebec on December 31, 2005**, enter on lines 222 and 310, in dollars and cents, the amount from line 10 of Schedule 8. Line 421 does not apply to you.

Note

We will prorate your CPP or QPP contribution and show the correct amount on your *Notice of Assessment* in certain situations, such as if, in 2005, you:

- were a CPP participant and either turned 18 or 70, or received a CPP retirement or disability pension; or
- were a QPP participant and either turned 18 or received a QPP disability pension.

Request for refund of CPP contributions

Under the *Canada Pension Plan Act* all requests for a refund of CPP over-contributions must be made within four years after the end of the year for which the request is being made.

Line 224 – Exploration and development expenses

If you invested in a petroleum, natural gas, or mining venture in 2005, but did not participate actively, you can deduct your expenses on this line. If you participated actively, follow the instructions at line 135.

How to claim

Complete Form T1229, *Statement of Exploration and Development Expenses and Depletion Allowance*, using the information that the principals of the venture give you, such as T5, T101, or T5013 slips. Make sure you read the instructions on the back of these slips.

Claim your **exploration and development expenses** (including renounced resource expenses) and your **resource allowances** on line 224. Claim your **depletion allowances** on line 232.

Attach Form T1229 and your T5, T101, and T5013 slips to your paper return. If you do not have these slips, attach a statement that identifies you as a participant in the venture. The statement has to show your allocation (the number of units you own, the percentage assigned to you, or the ratio of your units to those of the whole partnership) and give the name and address of the fund.

If you have any questions about these expenses, contact our **Business Enquiries** service. See "Contacting us" on page 6.

If you have a tax shelter, see "Tax shelters" on page 16.

Line 229 – Other employment expenses

You can deduct certain expenses (including any GST/HST) you paid to earn employment income. You can claim the expenses only if your employment contract required you to pay them, **and** either you did not receive an allowance for the expenses, or the allowance you received is included in your income.

Note

Most employees **cannot** claim employment expenses. You cannot deduct the cost of travel to and from work, or other expenses, such as most tools and clothing.

Attach to your paper return a completed Form T777, *Statement of Employment Expenses*, to give us details of your expenses and to calculate how much you can deduct. Guide T4044, *Employment Expenses*, contains Form T777 and other forms you may need. The guide also explains the limits and conditions that apply when you claim these expenses.

Repayment of salary or wages – You can deduct salary or wages you included in income for 2005 or a previous year, if you repaid them in 2005. This includes amounts you repaid for a period when you were entitled to receive wage-loss replacement benefits or workers' compensation benefits. However, you cannot deduct more than the income you received when you did not perform the duties of your employment.

Legal fees – You can deduct legal fees you paid to collect or establish a right to salary or wages. It is not necessary for you to be successful; however, the amount sought must be for salary or wages owed. You must reduce your claim by any amount awarded to you in respect of those fees, or any reimbursement you received for your legal expenses.

Under proposed changes you can deduct legal fees you paid to collect or establish a right to collect other amounts, such as wage loss replacement plan benefits, which are included as employment income.

Receipts – If you are filing a paper return, **include Form T777** but **not** your receipts or other forms. Keep them in case we ask to see them. If you are filing electronically, keep all of your documents.

Tax Tip

You may be eligible for a rebate of any GST/HST you paid as part of your expenses (see line 457).

Line 231 – Clergy residence deduction

If you are a cleric, use this line to claim a deduction for your residence. Your employer has to certify that you qualify for this deduction. Complete Form T1223, *Clergy Residence Deduction*, to find out what you can deduct.

Receipts – If you are filing a paper return, **do not** include Form T1223, but keep it in case we ask to see it. If you are filing electronically, keep all of your documents.

Line 232 – Other deductions

Use this line to claim allowable amounts not deducted anywhere else on this return. For clarification of your request, specify the deduction you are claiming in the space to the left of line 232. If you have more than one amount, or you want to explain your deduction more fully, attach a note to your paper return.

Receipts – If you are filing electronically, keep all supporting documents for amounts you claim on this line in case we ask to see them.

Note

A child who was born in 1988 or later can claim a deduction for certain income he or she reports. For more details, see “Split income of a child under 18” on page 16.

If you have a tax shelter, see “Tax shelters” on page 16.

Income amounts paid back

In 2005, you may have paid back amounts that you received and included in income (other than salary or wages) for 2005 or a previous year. If this applies to you, you can deduct most of these amounts on line 232 of your return for 2005. However, if you repaid, under a court order, support payments that you included on line 128, deduct the repayment on line 220.

Attach to your paper return receipts or other documents showing the amounts you paid back, such as a T4A (OAS) slip that shows in box 20 any Old Age Security benefits you repaid.

Notes

If you had an OAS repayment for 2004, tax may have been withheld from your OAS benefits for 2005. The amount deducted is included in box 22 of your T4A(OAS) slip for 2005. Do not deduct it on line 232. Claim it on line 437. To make sure the correct amount has been withheld, see line 235 and complete the chart for line 235 on the *Federal Worksheet* you will find in the forms book.

If you paid back employment income, see “Repayment of salary or wages” under line 229. If you paid back income tax refund interest, see “Refund interest” under line 221.

EI benefits – You may have received more benefits than you should have and already paid them back to Human Resources and Skills Development Canada (HRSDC). For example:

- HRSDC may have reduced your EI benefits after discovering the mistake. In this case, your T4E slip will show only the net amount you received, so you cannot claim a deduction.
- You may have repaid HRSDC. If so, box 30 of your T4E slip will show the amount you paid back. Include this amount on line 232. This is not the same as repaying a social benefit as explained at line 235.

Legal fees

You can deduct your expenses in any of the following situations:

- You paid fees (including any related accounting fees) for advice or assistance in responding to us when we reviewed your income, deductions, or credits for a year, or in objecting to or appealing an assessment or decision under the *Income Tax Act*, the *Unemployment Insurance Act*, the *Employment Insurance Act*, the *Canada Pension Plan Act*, or the *Quebec Pension Plan*.
- You paid fees to collect (or establish a right to) a retiring allowance or pension benefit. However, you can only claim up to the amount of retiring allowance or pension income you received in the year, **minus** any part of these amounts transferred to a registered retirement savings plan or registered pension plan. You can carry forward, for up to seven years, legal fees that you cannot claim in the year.
- You paid fees to collect (or establish a right to) salary or wages. It is not necessary for you to be successful; however, the amount sought must be for salary or wages owed. You must reduce your claim by any amount awarded to you in respect of those fees, or any reimbursement you received for your legal expenses. (These fees **must** be deducted on line 229.)

Under proposed legislation you can deduct legal fees you paid to collect or establish a right to collect other amounts, such as wage loss replacement plan benefits, which are included as employment income. (These fees **must** be deducted on line 229.)

- You incurred certain fees relating to support payments that your current or former spouse or common-law partner, or the natural parent of your child, will have to pay. You **cannot** claim legal fees you incurred to get a separation or divorce or to establish custody or visitation arrangements of a child. For more information, get guide P102, *Support Payments*.

You have to **reduce** your claim by any award or reimbursements you received for these expenses. If you are awarded the cost of your deductible legal fees in a future year, you will have to include that amount in your income for that year.

For details of other legal fees you may be able to deduct, get Interpretation Bulletin IT-99, *Legal and Accounting Fees*.

Other deductible amounts

Here are some examples of other amounts that can be deducted at line 232:

- depletion allowances (attach to your paper return a completed Form T1229, *Statement of Exploration and Development Expenses and Depletion Allowance*);
- certain unused RRSP contributions you made after 1990 that were refunded to you or your spouse or common-law partner in 2005 (attach to your paper return an approved Form T3012A, *Tax Deduction Waiver on the Refund of Your Unused RRSP Contributions*, or Form T746, *Calculating Your Deduction for Refund of Unused RRSP Contributions*);
- the excess part of a direct transfer of a lump-sum payment from your RPP to an RRSP or registered retirement income fund (RRIF) that you withdrew and are including on line 129 or 130 of your return for 2005 (you can use Form T1043, *Deduction for Excess Registered Pension Plan transfers you withdrew from an RRSP or RRIF*, to calculate the deductible amount); and
- capital cost allowance on a Canadian certified feature film or production. You have to file with your paper return information slip T1-CP, *Statement of Certified Productions*, which the producer issues. Otherwise, we may disallow your claim. Use the back of the T1-CP slip to calculate your allowable claim. If you are a limited partner of a partnership, make your claim on line 122.

Line 235 – Social benefits repayment Employment Insurance (EI) benefits

You have to repay part of the EI benefits (line 119) you received in 2005 if there is an amount in box 15 of your T4E slip, the rate in box 7 is 30%, and your net income before adjustments (line 234) is more than \$48,750.

Complete the chart on your T4E slip to calculate how much of your EI benefits you have to repay. If you also have to repay Old Age Security (OAS) benefits you received (see next section), enter the EI benefits that you have to repay on lines 7 and 13 of the chart for line 235 on the *Federal Worksheet* in the forms book.

Old Age Security (OAS) benefits

You may have to repay all or a part of your OAS pension (line 113) or net federal supplements (line 146) if your net income before adjustments (line 234) is more than \$60,806. Complete the chart for line 235 on the *Federal Worksheet* in the forms book to calculate how much you have to repay, even if tax was withheld by Social Development Canada.

Note

If you had an OAS repayment for 2004, tax may have been withheld from your monthly OAS pension for 2005. The amount deducted is included in box 22 of your T4A(OAS) slip for 2005. Claim it on line 437. Similarly, if you have an OAS repayment for 2005, tax may be withheld starting with your July 2006 OAS payment. For more details, contact us.

Line 236 – Net income

We use this information to calculate amounts such as the Canada Child Tax Benefit, the GST/HST credit, the social benefits repayment, and certain non-refundable tax credits.

Notes

Make sure you enter, if it applies, your spouse or common-law partner's net income in the "Information about your spouse or common-law partner" area on page 1 of your return. Enter this amount **even if it is zero**.

If the amount you calculate for line 236 is negative, you may have a non-capital loss. To find out, use Form T1A, *Request for Loss Carryback*. If you have a loss for 2005, you may want to carry it back to your 2002, 2003, or 2004 return. To do this, attach a completed Form T1A to your paper return (or send one to us separately). Do not file an amended return for the year or years to which you want to apply the loss.

Taxable income

Line 244 – Canadian Forces personnel and police deduction

Enter the total of the amounts shown in box 43 of all your T4 slips.

Line 248 – Employee home relocation loan deduction

Enter the total of the amounts shown in box 37 of your T4 slips.

Line 249 – Security options deductions

Enter the total of the amounts shown in boxes 39 and 41 of your T4 slips. In addition, if you disposed of securities for which you had previously deferred the taxable benefit (see "Security option benefits" on page 16), claim 50% of the amount from line 4 of Form T1212, *Statement of Deferred Security Options Benefits*.

You may be able to claim a deduction for donating securities you acquired through your employer's security options plan. For details, see "Gifts of securities acquired under a security option plan" in pamphlet P113, *Gifts and Income Tax*.

Line 250 – Other payments deduction

Generally, you can deduct the amount from line 147 of your return. This is the total of the workers' compensation

payments, social assistance payments, and net federal supplements you entered on lines 144, 145, and 146.

Note

If your net income before adjustments (line 234) is more than \$60,806 **and** you reported net federal supplements on line 146, you **may not** be entitled to claim the whole amount from line 147. Contact us to determine how much you can deduct.

Line 251 – Limited partnership losses of other years

If you had limited partnership losses in previous years that you have not already deducted, you may be able to claim part of these losses this year. For details, contact us.

You can carry forward limited partnership losses indefinitely. If you claim these losses, attach to your paper return a statement showing a breakdown of your total losses, the year of each loss, and the amounts deducted in previous years. You cannot use the amount in box 31 of your T5013 slip for 2005 on your return for 2005.

Line 252 – Non-capital losses of other years

In 2005, enter the amount of the unapplied non-capital losses you reported on your 1998 to 2004 returns that you want to apply in 2005. For tax years ending after March 22, 2004, the loss carry-forward period for non-capital losses has been extended to 10 years.

Also, enter any unapplied farming and fishing losses you reported on your 1995 to 2004 returns that you want to apply in 2005. Your available losses are shown on your *Notice of Assessment* or *Notice of Reassessment* for 2004.

There are restrictions on the amount of certain farm losses that you can deduct each year. If you have a farming or fishing business, get either guide T4003, *Farming Income*, RC4060, *Farming Income and CAIS Program*, RC4408, *Farming Income and the CAIS Program Harmonized Guide*, or T4004, *Fishing Income*, for details.

If you need more information on losses, get Interpretation Bulletin IT-232, *Losses – Their Deductibility in the Loss Year or in Other Years*.

Line 253 – Net capital losses of other years

Within certain limits, you can deduct your net capital losses of previous years that you have not already claimed. Your available losses are shown on your *Notice of Assessment* or *Notice of Reassessment* for 2004. You probably will have to adjust any losses you incurred after 1987 and before 2001. For details, get guide T4037, *Capital Gains*.

Line 254 – Capital gains deduction

You may be able to claim a capital gains deduction for gains realized on qualified small business corporation

shares and qualified farm property. For more details on this deduction, get guide T4037, *Capital Gains*.

Line 255 – Northern residents deductions

To make your claim, use Form T2222, *Northern Residents Deductions*. Residents of the Northwest Territories, Nunavut, and Yukon will find this form in their forms book. You also can get a copy from us. For a list of the areas that qualify, get publication T4039, *Northern Residents Deductions – Places in Prescribed Zones*.

Receipts – If you are filing a paper return, **include a completed Form T2222**, but not your receipts. Keep them in case we ask to see them. If you are filing electronically, keep all of your documents.

Line 256 – Additional deductions

In the space to the left of line 256, specify the deduction you are claiming. If you have more than one amount, or you want to explain your deduction more fully, attach a note to your paper return.

Income exempt under a tax treaty

If you included foreign income on your return (such as support payments you received from a resident of another country and reported on line 128) that is tax-free in Canada because of a tax treaty, you can claim a deduction for it. If you do not know whether any part of the foreign income is tax-free, contact us.

Note

Under the Canada-U.S. tax treaty, you can claim a deduction equal to 15% of the U.S. social security benefits included in your income on line 115.

Vow of perpetual poverty

If you have taken a vow of perpetual poverty as a member of a religious order, you can deduct the amount of earned income and pension benefits that you have given to the order. Attach to your paper return a letter from your order or your employer stating that you have taken a vow of perpetual poverty. For more information, see Interpretation Bulletin IT-86, *Vow of perpetual poverty*.

Adult basic education tuition assistance

You may have received (and included in your income) assistance to cover all or part of the tuition fees you paid for primary or secondary school courses. If so, you can claim a deduction for the amount of qualifying assistance shown in box 21 of your T4E slip.

Employees of prescribed international organizations

If, in 2005, you were employed by a prescribed international organization, such as the United Nations, you can claim a deduction for net employment income you report from that organization. Net employment income is your employment income **minus** the related employment expenses that you are claiming.

Federal tax and credits (Schedule 1)

If you are filing a paper return, attach a completed Schedule 1.

Minimum tax

Minimum tax limits the tax advantage you can receive in a year from certain incentives. You have to pay minimum tax if it is more than the federal tax you calculate in the usual manner. When calculating your taxable income for this tax, which does not apply to a person who died in 2005, you are allowed a basic exempt amount of \$40,000.

Generally, to find out if you have to pay this tax, add the amounts in section B below and 60% of the amount on line 127 of your return. If the total is \$40,000 or less, you probably do not have to pay minimum tax. If the total is more than \$40,000, you may have to pay it.

To **calculate** if you have to pay it, use Form T691, *Alternative Minimum Tax*. You also have to calculate your additional provincial or territorial tax for minimum tax purposes by completing Form 428.

Below are the most common reasons why you may have to pay minimum tax:

- A. You reported a taxable capital gain on line 127.
- B. You claimed **any** of the following:
 - a loss (including your share of a partnership loss) resulting from, or increased by, claiming capital cost allowance on rental properties or certified feature films or productions;
 - a loss from a limited partnership;
 - most carrying charges (line 221) on certain investments;
 - a loss from resource properties resulting from, or increased by, claiming a depletion allowance, exploration expenses, development expenses, or Canadian oil and gas property expenses;
 - a deduction on line 248 for an employee home relocation loan; or
 - a deduction on line 249 for security options.
- C. You claimed **any** of the following tax credits on Schedule 1:
 - a federal political contribution tax credit on lines 409 and 410;
 - an investment tax credit on line 412;
 - a labour-sponsored funds tax credit on line 414; or
 - an overseas employment tax credit on line 426.

Example

Blair claimed a \$50,000 deduction in 2005 for carrying charges. Because this deduction is more than \$40,000, Blair may have to pay minimum tax. To find out, he should complete Form T691, *Alternative Minimum Tax*.

Tax Tip

You may be able to claim a credit against your taxes for 2005 if you paid minimum tax on any of your returns for 1998 to 2004 (see line 427).

Federal non-refundable tax credits

These credits reduce your federal tax. However, if the total of these credits is more than your federal tax, you will not get a refund for the difference. If, after you have read the information in this guide, you need more details about claiming the amounts on lines 300 to 306, get Interpretation Bulletin IT-513, *Personal Tax Credits*.

Newcomers to Canada and emigrants

If you immigrated to or emigrated from Canada in 2005, make sure you enter the date of your move in the "Information about your residence" area on page 1 of your return. You may have to reduce your claim for the amounts on lines 300 to 306, 315 to 318, 324, and 326. For more details, get either pamphlet T4055, *Newcomers to Canada*, or T4056, *Emigrants and Income Tax*, whichever applies.

Amounts for non-resident dependants

You may be able to claim an amount for certain dependants who live outside Canada if they depended on you for support.

If the above dependants already have enough income or assistance for a reasonable standard of living in the country in which they live, we do not consider them to depend on you for support. Also, we do not consider gifts you send them to be support.

If you are filing a paper return, include proof of your payment of support. If you are filing electronically, keep these documents in case we ask to see them. The proof of payment has to show your name, the amount, the date of the payment, and the dependant's name and address. If you sent the funds to a guardian, the guardian's name and address also have to appear on the proof of payment.

Line 300 – Basic personal amount

Claim \$8,648.

Line 301 – Age amount

If you were 65 or older on December 31, 2005, and your net income (line 236 of your return) was:

- \$29,619 or less, enter \$3,979 on line 301;
- more than \$29,619, but less than \$56,146, complete the chart for line 301 on the *Federal Worksheet* in the forms book to calculate your claim; or
- \$56,146 or more, you cannot claim the age amount.

Make sure you enter your date of birth in the “Information about you” area on page 1 of your return.

Tax Tip

You may be able to transfer all or part of your age amount to your spouse or common-law partner or to claim all or part of his or her age amount. See line 326 for details.

Line 303 – Spouse or common-law partner amount

If, **at any time in the year**, you supported your spouse or common-law partner (see the definition on page 13) and his or her net income (see next section) was:

- \$735 or less, claim \$7,344 on line 303;
- more than \$735, but less than \$8,079, calculate your claim at line 303; or
- \$8,079 or more, you cannot claim a spouse or common-law partner amount.

Make sure you enter the information concerning your spouse or common-law partner in the Identification area on page 1 of your return if you were married or living common-law on December 31, 2005. In certain situations, the net income of your spouse or common-law partner **must** be indicated even if your marital status has changed. See “Net income of spouse or common-law partner” in the next section. Both of you cannot claim this amount for each other for the same year.

If you were required to make support payments to your current or former spouse or common-law partner, and you were separated for only **part of 2005** because of a breakdown in your relationship, you have a choice. You can claim either the deductible support amounts paid in the year to your spouse or common-law partner on line 220 or an amount on line 303 for your spouse or common-law partner, whichever is better for you. If you reconciled with your spouse or common-law partner before the end of 2005, you could claim an amount on line 303, and any allowable amounts on line 326.

Net income of spouse or common-law partner

This is the amount on line 236 of your spouse or common-law partner’s return, or the amount that it would be if he or she filed a return.

If you were living with your spouse or common-law partner on December 31, 2005, use his or her net income for the whole year. This applies even if you got married or back together with your spouse in 2005, or you became a common-law partner or started to live with your common-law partner again (see definition on page 13). If you separated in 2005 because of a breakdown in your relationship, and were not back together on December 31, 2005, reduce your claim only by your spouse or common-law partner’s net income before the separation. In either case, enter, in the “Information about your spouse or common-law partner” area on page 1 of your return, the amount you use to calculate your claim, **even if it is zero**.

Tax Tip

If you cannot claim the amount on line 303 (or you have to reduce your claim) because of dividends your spouse or common-law partner received from taxable Canadian corporations, you may be able to reduce your tax if you report all of your spouse or common-law partner’s dividends. See line 120 for details.

Line 305 – Amount for an eligible dependant

You may be able to claim this amount if, **at any time in the year**, you met **all** of the following conditions at once:

- you did not have a spouse or common-law partner or, if you did, you were not living with, supporting, or being supported by that person;
- you supported a dependant in 2005; and
- you lived with the dependant (in most cases in Canada) in a home that you maintained. You cannot claim this amount for a person who was only visiting you.

In addition, at the time you met the above conditions, the dependant also must have been either:

- your parent or grandparent by blood, marriage, common-law partnership, or adoption; or
- your child, grandchild, brother, or sister by blood, marriage, common-law partnership, or adoption **and** either under 18, or mentally or physically infirm.

Notes

Your dependant may live away from home while attending school. If the dependant ordinarily lived with you when not in school, we consider that dependant to live with you for the purposes of this credit.

For the purposes of this claim, your child is not required to have lived in Canada, but still must have lived with you. This would be possible, for example, if you were a **deemed resident** (as defined under E and F on page 10) living in another country with your child.

Even if all of the preceding conditions have been met, you cannot claim this amount if **any** of the following applies:

- You are claiming a spouse or common-law partner amount (line 303).
- The person for whom you want to claim this amount is your common-law partner. However, you may be able to claim the amount on line 303.
- Someone else in your household is making this claim. Each household is allowed only one claim for this amount, even if there is more than one dependant in the household.
- The claim is for a child for whom you were required to make support payments for 2005. However, if you were separated from your spouse or common-law partner for only **part of 2005** due to a breakdown in your relationship, you can still claim an amount for that child on line 305 (plus any allowable amounts on lines 306, 315, and 318) as long as you do not claim any support amounts paid to your spouse or common-law partner on line 220. You may claim whichever is better for you.

How to claim

If your dependant's net income (line 236 of his or her return, or the amount that it would be if he or she filed a return) was:

- \$735 or less, claim \$7,344 on line 305;
- more than \$735, but less than \$8,079, complete the chart for line 305 on the *Federal Worksheet* in the forms book to calculate your claim; or
- \$8,079 or more, you cannot claim this amount.

Complete the appropriate part of **Schedule 5**, and attach it to your paper return.

Notes

You cannot split this amount with another person. Once you claim this amount for a dependant, no one else can claim this amount or an amount on line 306 for that dependant.

If you and another person both can claim this amount for the same dependant (such as shared custody of a child) but cannot agree who will claim the amount, neither of you is allowed to claim it.

Tax Tip

If the dependant is infirm, see guide RC4064, *Information Concerning People With Disabilities*, for details about different amounts you may be able to claim.

Line 306 – Amount for infirm dependants age 18 or older

You can claim an amount up to a maximum of \$3,848 for each of your or your spouse or common-law partner's dependent child or grandchild only if that child or grandchild was **mentally or physically infirm** and was **born in 1987 or earlier**.

You also can claim an amount for more than one person as long as each one meets **all** of the following conditions. The person must have been:

- your or your spouse or common-law partner's parent, grandparent, brother, sister, aunt, uncle, niece, or nephew;
- born in 1987 or earlier;
- mentally or physically infirm;
- dependent on you, **or** on you and others, for support; and
- a resident of Canada at any time in the year. You cannot claim this amount for a person who was only visiting you.

Notes

A parent includes someone on whom you were completely dependent and who had custody and control of you when you were under 19 years of age.

A child can include someone older than you who has become dependent on you.

If, for a particular dependant, **anyone other than you** is claiming an amount on line 305, or **anyone (including you)** can claim an amount on line 315, you cannot claim an

amount on line 306 for that dependant. If you are claiming an amount on line 305 for a dependant who is infirm and age 18 or older, you also may be able to claim a part of the amount on line 306 for that dependant.

You can claim an amount only if the dependant's net income (line 236 of his or her return, or the amount that it would be if he or she filed a return) is less than \$9,308.

If you were required to make support payments for that child, you cannot claim an amount on line 306 for that child. However, if you were separated from your spouse or common-law partner for only **part of 2005** due to a breakdown in your relationship, you can still claim an amount for that child on line 306 (plus any allowable amounts on lines 305 and 318) as long as you do not claim any support amounts paid to your spouse or common-law partner on line 220. You may claim whichever is better for you.

How to claim

- For each of your dependants, calculate his or her net income (line 236 of his or her return, or the amount that it would be if he or she filed a return). Complete the chart for line 306 on the *Federal Worksheet* in the forms book to calculate your claim.
- Complete the appropriate part of Schedule 5, and attach it to your paper return. You also should have a signed statement from a medical doctor that gives the nature, commencement, and duration of the dependant's infirmity. Keep the statement in case we ask to see it.

Claims made by more than one person – If you and another person support the same dependant, you can split the claim for that dependant. However, the total of your claim and the other person's claim cannot be more than the maximum amount allowed for that dependant.

Tax Tip

See guide RC4064, *Information Concerning People With Disabilities*, for details about different amounts you may be able to claim.

Line 308 – CPP or QPP contributions through employment

Claim, in dollars and cents, the total of the Canada Pension Plan (CPP) or Quebec Pension Plan (QPP) contributions shown in boxes 16 and 17 of your T4 slips. Do **not** enter more than \$1,861.20.

If you contributed to the QPP in 2005 but lived **outside Quebec on December 31, 2005**, treat those contributions as if you made them to the CPP. Attach to your paper return the RL-1 slip your employer sent you.

If you contributed more than \$1,861.20, enter the excess amount on line 448 of your return. We will refund this overpayment to you, or use it to reduce your balance owing. However, if you were a resident of **Quebec on December 31, 2005**, and contributed more than \$1,861.20, claim the overpayment on your provincial income tax return for Quebec.

You may have an overpayment, even if you contributed \$1,861.20 or less. For example:

- In 2005, you may have been a CPP participant and either turned 18 or 70, or received a CPP retirement or disability pension.
- In 2005, you may have been a QPP participant and either turned 18 or received a QPP disability pension.
- From all your T4 slips for 2005, the total of amounts in box 14 may be more than the total of amounts in box 26. If box 26 of one of the slips is blank, use the amount in box 14.

You can calculate your overpayment, if any, using Form T2204, *Employee Overpayment of 2005 Canada Pension Plan Contributions and 2005 Employment Insurance Premiums*.

Request for refund of CPP contributions

Under the *Canada Pension Plan Act*, a request for a refund of CPP over-contributions must be made within four years after the end of the year for which the request is being made.

Making additional CPP contributions

You may not have contributed to the CPP for certain income you earned through employment, or you may have contributed less than you were required. This can happen if any of the following applies:

- You had more than one employer in 2005.
- You had income, such as tips, from which your employer did not have to withhold contributions.
- You were in a type of employment that was not covered under CPP rules, such as casual employment.

Generally, if the total of your CPP and QPP contributions through employment, as shown in boxes 16 and 17 of your T4 slips, is less than \$1,861.20, you can contribute 9.9% on any part of the income on which you have not already made contributions. The maximum income for 2005 for which you can contribute to the CPP is \$41,100. Making additional contributions may increase the pension you receive later.

To make additional CPP contributions for 2005, complete Schedule 8 to calculate the amount of the additional contributions and claim the appropriate amounts at lines 222 and 310. Also, complete Form CPT20, *Election to Pay Canada Pension Plan Contributions*, and attach a copy of Schedule 8 and form CPT20 to your paper return, or send it to us separately on or before June 15, 2007. This form lists the eligible employment income on which you can make additional CPP contributions.

Tax-exempt employment income earned by a registered Indian – If you are a registered Indian with tax-exempt employment income, and there is no amount in box 16 of your T4 slip, you may also be able to contribute to the CPP on this income.

Line 310 – CPP or QPP contributions on self-employment and other earnings

Claim, in dollars and cents, the same amount you claimed on line 222 of your return.

Line 312 – Employment Insurance premiums

Claim, in dollars and cents, the total of the amounts shown in box 18 of all your T4 and T4F slips. Do not enter more than \$760.50.

If you contributed more than \$760.50, enter the excess amount on line 450 of your return. We will refund this overpayment to you, or use it to reduce your balance owing.

Insurable earnings

This is the total of all earnings on which you pay Employment Insurance premiums. These amounts are shown in box 24 of your T4 slips and box 16 of your T4F slips for 2005 (or box 14 if either of these boxes is blank).

You may have an overpayment of your premiums even if the total is \$760.50 or less. This can happen when your insurable earnings are less than the total of all amounts in box 14 of all your T4 and T4F slips. You can calculate your overpayment, if any, using Form T2204, *Employee Overpayment of 2005 Canada Pension Plan Contributions and 2005 Employment Insurance Premiums*.

If your insurable earnings are \$2,000 or less, we will refund all of your premiums to you or use them to reduce your balance owing. In this case, do not enter any premiums on this line. Instead, enter the total on line 450.

Request for refund of EI contributions

You may have an overpayment if your insurable earnings are more than \$2,000 and less than \$2,039. You can calculate your overpayment, if any, using Form T2204. Under the *Employment Insurance Act*, a request for a refund of EI over-contributions must be made within three years after the end of the year for which the request is being made.

Line 313 – Adoption expenses

Under proposed legislation, you will be allowed to claim a credit for certain adoption expenses. The **maximum eligible expenses** related to the adoption of any child under the age of 18 years are \$10,000.

These expenses may be split between two adoptive parents, but the combined total expenses cannot exceed the \$10,000 maximum limit for **each** child.

Parents can claim these incurred expenses in the tax year that includes the end of the adoption period in respect of the child. The adoption period:

- begins at the earlier of the time that the eligible child's adoption file is opened with a provincial or territorial ministry responsible for adoption (or with an adoption agency licensed by a provincial or territorial government) and the time, if any, that an application related to the adoption is made to a Canadian court; and
- ends at the later of the time an adoption order is issued by, or recognized by, a government in Canada in respect of that child, and the time that the child first begins to reside permanently with the individual.

Eligible adoption expenses:

Eligible adoption expenses that you can claim are:

- fees paid to an adoption agency licensed by a provincial or territorial government (an “adoption agency”)
- expenses related to the finalization of an adoption order in respect of that child;
- reasonable and necessary travel and living expenses of the child and the adoptive parents;
- document translation fees;
- mandatory fees paid to a foreign institution; and
- any other reasonable expenses required by a provincial or territorial government or an adoption agency.

Reimbursement of an eligible expense – You can only claim the part of an expense for which you have not been or will not be reimbursed.

Receipts – If you are filing a paper return, do not include your receipts, but keep them in case we ask to see them. If you are filing electronically, keep all of your documents.

Line 314 – Pension income amount

You may be able to claim up to \$1,000 if you reported pension or annuity income on line 115 or line 129 of your return. Therefore, make sure you have reported your pension or annuity income correctly. Complete the chart for line 314 on the *Federal Worksheet* in the forms book to calculate your claim.

Note

Only pension or annuity income you report on line 115 or 129 qualifies for the pension income amount. Therefore, amounts such as Old Age Security benefits, Canada Pension Plan benefits, Quebec Pension Plan benefits, Saskatchewan Pension Plan payments, death benefits, retiring allowances, and amounts in boxes 18, 20, 22, 26, 28, and 34 of your T4RSP slip do **not** qualify.

Tax Tip

You may be able to transfer all or part of your pension income amount to your spouse or common-law partner or to claim all or part of his or her pension income amount. See line 326 for details.

Line 315 – Caregiver amount

If, at any time in 2005, you (either alone or with another person) maintained a dwelling where you and a dependant lived, you may be able to claim a maximum amount of \$3,848. The dependant must have been one of the following individuals:

- your or your spouse or common-law partner’s child or grandchild; or
- your or your spouse or common-law partner’s brother, sister, niece, nephew, aunt, uncle, parent, or grandparent who was resident in Canada. You cannot claim this amount for a person who was only visiting you.

In addition, the dependant must have met **all** of the following conditions. The person must have:

- been 18 or over at the time he or she lived with you;

- had a net income (line 236 of his or her return, or what line 236 would be if he or she filed a return) of less than \$16,989; and
- been dependent on you due to mental or physical infirmity or, if he or she is your or your spouse or common-law partner’s parent or grandparent, born in 1940 or earlier.

If you were required to make support payments for a child, you cannot claim an amount on line 315 for that child. However, if you were separated from your spouse or common-law partner for only **part of 2005** due to a breakdown in your relationship, you can still claim an amount for that child on line 315 (plus any allowable amounts on lines 305 and 318) as long as you do not claim any support amounts paid to your spouse or common-law partner on line 220. You may claim whichever is better for you.

Complete the chart for line 315 on the *Federal Worksheet* in the forms book to calculate your claim. Complete the appropriate part of Schedule 5, and attach it to your paper return.

Claims made by more than one person – If you and another person support the same dependant, you can split the claim for that dependant. However, the total of your claim and the other person’s claim cannot be more than the maximum amount allowed for that dependant.

If **anyone (including you)** can claim this amount for a dependant, no one can claim an amount on line 306 for that dependant. If **anyone other than you** claims an amount on line 305 for a dependant, you cannot claim an amount on line 315 for that dependant. See guide RC4064, *Information Concerning People With Disabilities*, for details about different amounts you may be able to claim.

Line 316 – Disability amount

You can claim \$6,596 if **one** of the following conditions applies:

- A. A medical doctor or optometrist certifies that you are blind all or almost all the time, even with the use of corrective lenses or medication, and the impairment is **prolonged**.
- B. A qualified person certifies that **all or almost all the time** you were unable, or it took you an extremely long time, to do at least one of the following, even with therapy (other than life-sustaining therapy, see condition C), the use of appropriate devices, or medication:
 - **walk**, as certified by a medical doctor or an occupational therapist;
 - **speak**, as certified by a medical doctor or a speech-language pathologist;
 - **perceive, think, and remember**, as certified by a medical doctor or a psychologist;
 - **hear**, as certified by a medical doctor or an audiologist;
 - **feed yourself** (which does not include preparing food due to dietary restrictions, or obtaining food), as certified by a medical doctor or an occupational therapist;
 - **dress yourself** (which does not include obtaining clothing), as certified by a medical doctor or an occupational therapist; or

- **eliminate (bowel or bladder functions)**, as certified by a medical doctor.

Under proposed legislation, after February 22, 2005, physiotherapists will be allowed to certify a marked restriction in walking.

The wording “perceive, think, and remember” will be replaced with “mental functions necessary for everyday life.” This will include:

- memory;
- problem-solving, goal-setting, and judgement; and
- adaptive functioning.

C. A medical doctor certifies that you had to receive **life-sustaining therapy** to support a vital function, such as clapping therapy to help in breathing or kidney dialysis to filter your blood. This therapy must have been required (or be expected to be required) at least 3 times per week at an average of at least 14 total hours per week. Qualifying therapy does not include implanted devices, such as a pacemaker, or special programs of diet, exercise, hygiene, or medication.

Under proposed legislation, where the therapy has been determined to require a regular dosage of medication that needs to be adjusted on a daily basis, the activities directly involved in determining the appropriate dosage will be considered part of the therapy.

The time it takes to administer the therapy must be time dedicated to the therapy. In the case of a child who is unable to perform the activities related to the therapy as a result of his or her age, the time spent by the child’s primary caregivers performing and supervising these activities can be time dedicated to the therapy.

To qualify under A, B, or C, you **must** have been (or be expected to be) in this situation for a continuous period of at least 12 months that included any part of 2005.

Under proposed legislation, the eligibility for this amount will be extended to include individuals with severe and prolonged impairments in mental or physical functions who have significant restrictions in more than one basic activity of daily living (not including C above). The cumulative effect of their restrictions must be equivalent to having a single marked restriction in one basic activity of daily living. This must be certified in writing by a medical doctor unless the restrictions pertain only to walking, feeding, or dressing, in which case it may be certified by an occupational therapist.

Note

If you receive a disability benefit (such as CPP or QPP disability benefits), it does **not necessarily** mean that you are eligible to claim this amount.

Supplement for persons under 18

If you qualify for the disability amount and you were under 18 at the end of the year, you can claim up to an additional \$3,848. However, this supplement may be reduced if, in 2005, someone claimed child care expenses (at line 214) or attendant care expenses (as a medical expense on line 330 or 331) for you. It will also be reduced

if you claimed attendant care expenses on line 215 or 330 for yourself.

How to claim

- If this is a new application for this amount, you have to submit a completed (**including Part A**) and certified Form T2201, *Disability Tax Credit Certificate*, or your claim will be delayed. We will review your claim **before** we assess your return to determine if you qualify.
- If you qualified for this amount for 2004 and you still meet the eligibility requirements in 2005, you can claim this amount without sending us a new Form T2201. However, you have to send us one if your previous period of approval ended before 2005 or we ask you to do so.
- If you were **18 or over** at the end of the year, claim **\$6,596**. Otherwise, complete the chart for line 316 on the *Federal Worksheet* in the forms book to calculate your claim.

For more information, including details about different amounts you may be able to claim, get guide RC4064, *Information Concerning People With Disabilities*. This guide also contains Form T2201.

Tax Tips

You may be able to transfer all or part of your disability amount (and, if it applies, the supplement) to your spouse or common-law partner (who would claim it on line 326) or to another supporting person (who would claim it on line 318).

You may be able to claim all or part of the disability amount (and, if it applies, the supplement) transferred from your spouse or common-law partner on line 326 or from another dependant on line 318.

Line 318 – Disability amount transferred from a dependant

You may be able to claim all or part of your dependant’s disability amount (line 316) if he or she was resident in Canada at any time in 2005 and was dependent on you for all or some of the basic necessities of life (food, shelter, or clothing).

In addition, **one** of the following situations has to apply:

- You claimed an amount on line 305 for that dependant, or you could have if you did not have a spouse or common-law partner and if the dependant did not have any income.
- The dependant was your or your spouse or common-law partner’s parent, grandparent, child, grandchild, brother, sister, aunt, uncle, niece, or nephew, and you claimed an amount on line 306 or 315 for that dependant, or you could have if he or she had no income and had been 18 years of age or older in 2005.

If you are required to make support payments for your child, you **cannot** claim a transfer of that child’s disability amount. However, if you were separated from your spouse or common-law partner for only **part of 2005** due to a breakdown in your relationship, you can still claim an amount for that child on line 318 (plus any allowable amounts on lines 305, 306, and 315) as long as you do not claim any support amounts paid to your spouse or common-law partner on line 220. You may claim whichever is better for you.

Notes

You **cannot** claim this credit if the spouse or common-law partner of the person with a disability is already claiming the disability amount or any other non-refundable tax credit (other than medical expenses) for the person with a disability.

If you are splitting this claim with another individual, attach a note to your paper return including the name and social insurance number of the other individual who is making this claim. The total claimed for that dependant cannot be more than the maximum amount allowed for that dependant.

How to claim

- If this is a new application for the disability amount, you have to submit a completed and certified Form T2201, *Disability Tax Credit Certificate*. We will review your claim **before** we assess your return to determine if your dependant qualifies.
- If your dependant qualified for the disability amount for 2004 and still met the eligibility requirements in 2005, you can claim this amount without sending us a new Form T2201. However, you have to send us one if the previous period of approval ended before 2005 or we ask you to do so. If you are not attaching a Form T2201 for a dependant, attach to your paper return a note stating the dependant's name, social insurance number, and relationship to you.
- If your dependant was under 18 at the end of the year, first complete the chart for line 316 on the *Federal Worksheet* in the forms book to calculate the supplement that dependant may be able to claim.
- Complete the chart for line 318 on the *Federal Worksheet* in the forms book to calculate your claim for each dependant.

Tax Tip

If you can claim this amount, you also may be able to claim an amount on line 315 for the same dependant. See guide RC4064, *Information Concerning People With Disabilities*, for details about different amounts you may be able to claim.

Line 319 – Interest paid on your student loans

A loan may have been made to **you** under the *Canada Student Loans Act*, the *Canada Student Financial Assistance Act*, or similar provincial or territorial government laws for post-secondary education. If so, **only** you can claim an amount for most of the interest you, or a person related to you, paid on that loan in 2005 and/or the preceding five years.

You can claim an amount only for interest you have not previously claimed. If you have no tax payable for the year the interest is paid, it is to your advantage **not** to claim it on your tax return. You can carry the interest forward and apply it on your return for any of the next five years.

Note

You **cannot** claim interest paid on any other kind of loan, or on a student loan that has been combined with another kind of loan. In addition, you cannot claim interest paid in respect of a judgment obtained after you failed to pay back a student loan.

Receipts – If you are filing a paper return, include receipts for the amounts you claim in 2005. If you are filing electronically, keep them in case we ask to see them.

Line 323 – Tuition and education amounts

Complete Schedule 11 to report your eligible tuition and education amounts for 2005, and any unused amounts carried forward from previous years that are shown on your *Notice of Assessment* or *Notice of Reassessment* for 2004. See “Transferring and carrying forward amounts” on page 39 for more information. For more details, get pamphlet P105, *Students and Income Tax*.

Tax Tips

Even if you have no tax to pay and you are transferring part of your tuition and education amounts, you should file your return and attach a completed Schedule 11 so we can update our records with your unused tuition and education amounts available for carry forward to other years.

If you are transferring an amount to another person, do not transfer more than the person can use. That way, you can carry forward as much as possible to use in a future year.

You may be able to claim all or part of your spouse or common-law partner's tuition and education amounts on line 326, and/or your child or grandchild's tuition and education amounts on line 324.

Eligible tuition fees

Generally, a course qualifies if it was taken at the post-secondary level or (for individuals aged 16 or over at the end of the year) it develops or improves skills in an occupation and the educational institution has been certified by Human Resources and Skills Development Canada. In addition, you must have taken the course in 2005.

Not all fees can be claimed. **More than \$100** for the year must have been paid to each educational institution whose fees you claim. In addition, you cannot claim other expenses, such as books, board and lodging, or students' association fees.

If the fees were paid or reimbursed by your employer, or an employer of one of your parents, you can claim them only if the payment or reimbursement was included in your or your parent's income.

Forms

- For you to claim tuition fees paid to an educational institution in Canada, your institution has to give you either an official tax receipt or a completed Form T2202A, *Tuition and Education Amounts Certificate*.
- For you to claim tuition fees paid to an educational institution outside Canada, your institution has to complete and give you either Form TL11A, *Tuition and Education Amounts Certificate – University Outside Canada*, or Form TL11C, *Tuition and Education Amounts Certificate – Commuter to the United States*, whichever applies.
- For you to claim tuition fees paid to a flying school or club in Canada, your school or club has to give you a completed Form TL11B, *Tuition Fees Certificate – Flying School or Club*.

You can get these forms from us. You also can get Form TL11B from your flying school or club.

Education amount

You can claim this amount for each whole or part month in 2005 in which you were enrolled in a qualifying program. If you were under 16 at the end of the year, you can claim this amount only for courses you took at the post-secondary level.

Generally, you **cannot** claim this amount for a program for which you received a benefit, a grant, an allowance, or a reimbursement of your tuition fees.

However, you can claim this amount if you received salary or wages from a job that is related to your program of study, certain other kinds of payments, such as scholarships and student loans, or if you received and included in your income any financial assistance provided under **either**:

- Part II of the *Employment Insurance Act* (and shown in box 20 of your T4E slip) or a labour-market development agreement as part of a similar provincial or territorial program; or
- a program developed under the authority of the *Department of Human Resources Development Act*.

Your educational institution has to complete and give you Form T2202, *Education Amount Certificate*, Form T2202A, *Tuition and Education Amounts Certificate*, Form TL11A, *Tuition and Education Amounts Certificate – University Outside Canada*, or Form TL11C, *Tuition and Education Amounts Certificate – Commuter to the United States*, whichever applies, to confirm the period in which you were enrolled in a qualifying program. The following amounts apply for each month in which you were enrolled:

- If you were enrolled full-time, you can claim \$400 per month.
If you attended only part-time and you can claim the disability amount on line 316, you can claim \$400 per month.
If you could attend only part-time because you had an impairment that restricted you in one of the activities listed at line 316, but your condition was not **severe** and **prolonged**, you can claim \$400 per month. In that case, have an authorized person either complete Part 3 of Form T2202 or give you a signed letter certifying your impairment.
- If you were enrolled part-time, you can claim \$120 per month.

You cannot claim more than one education amount for a particular month.

Transferring and carrying forward amounts

You have to claim your tuition and education amounts first on your own return, even if someone else paid your fees. However, you may be able to **transfer** the unused part of these amounts to your spouse or common-law partner (who would claim it on line 326 of his or her Schedule 1) or to your or your spouse or common-law partner's parent or grandparent (who would claim it on line 324 of his or her Schedule 1).

Complete Schedule 11 (**particularly** line 327) to calculate this transfer, as well as Form T2202, T2202A, TL11A, or

TL11C to designate it. Attach Schedule 11 to your return even if you are transferring your total tuition and education amounts.

You can **carry forward** and claim in a future year the part of your tuition and education amounts you cannot use (and do not transfer) for the year. However, if you carry forward an amount, you will not be able to transfer it to anyone. You have to claim your carry-forward amount in the first year that you have to pay federal tax. Calculate the carry-forward amount on Schedule 11.

Receipts – If you are filing a paper return, **attach a completed Schedule 11**, but not your receipts or other forms. Keep them in case we ask to see them. If you are filing electronically, keep all of your documents.

Line 324 – Tuition and education amounts transferred from a child

You may be the parent or grandparent of a student or his or her spouse or common-law partner. If so, the student may be able to transfer to you all or part of his or her tuition and education amounts for 2005. The maximum tuition and education amount transferred from a child (or from each child) is \$5,000 minus the amounts that he or she uses even if there is still an unclaimed part.

Note

The student cannot transfer to you any tuition and education amounts carried forward from a previous year.

How to claim

The student has to complete Schedule 11 (**particularly** line 327) and attach it to his or her return to calculate the transfer amount, and either Form T2202, *Education Amount Certificate*, Form T2202A, *Tuition and Education Amounts Certificate*, Form TL11A, *Tuition and Education Amounts Certificate – University Outside Canada*, or Form TL11C, *Tuition and Education Amounts Certificate – Commuter to the United States*, whichever applies, to designate you as the person who can claim it. If the tuition fees being transferred to you are not shown on the student's Form T2202A, you should have a copy of the student's official tuition fees receipt.

Amounts claimed by student's spouse or common-law partner – If a student's spouse or common-law partner claims an amount on line 303 or 326 for the student, you cannot claim an amount on line 324 for that student. However, the student's spouse or common-law partner can include the transfer on line 326.

No amounts claimed by student's spouse or common-law partner – If the student's spouse or common-law partner does not claim an amount on line 303 or 326 for the student, or if the student does not have a spouse or common-law partner, the student can choose which parent or grandparent will claim an amount on line 324.

Only one person can claim this transfer from the student. However, it does not have to be the same parent or grandparent that claims an amount on line 305 or 306 for the student.

Receipts – If you are filing a paper return, **do not include the student's Schedule 11**, forms, or official tuition fees receipts, but keep them in case we ask to see them. If you are filing electronically, keep all of your documents.

Line 326 – Amounts transferred from your spouse or common-law partner

You may be able to claim all or part of the following amounts for which your spouse or common-law partner qualifies:

- the **age amount** (line 301) if your spouse or common-law partner was 65 or older;
- the **pension income amount** (line 314);
- the **disability amount** (line 316); and
- **tuition and education amounts** (line 323) for 2005 that your spouse or common-law partner designates. The maximum amount that your spouse or common-law partner can transfer is \$5,000 minus the amounts that he or she uses even if there is still an unused part.

Note

Your spouse or common-law partner cannot transfer to you any tuition or education amounts carried forward from a previous year. In addition, he or she cannot transfer any unused amounts to you if you were separated because of a breakdown in your relationship for a period of 90 days or more that included December 31, 2005.

Complete Schedule 2 to calculate your claim. Make sure you enter your marital status and the information concerning your spouse or common-law partner (including his or her net income **even if it is zero**) in the Identification area on page 1 of your return.

If the amount on this line includes a new application for the disability amount, also attach a completed and certified Form T2201, *Disability Tax Credit Certificate*. We will review your claim **before** we assess your return to determine if your spouse or common-law partner qualifies. If he or she qualified for the disability amount for 2004 and still met the eligibility requirements in 2005, you can claim this amount without sending us a new Form T2201. However, you have to send us one if the previous period of approval ended before 2005 or we ask you to do so.

Receipts – If you are filing a paper return, include the completed Schedule 2. If your spouse or common-law partner is not filing a return, also attach the information slips that show his or her income.

Do not include any receipts or forms (**other than** your own Schedule 2) for your spouse or common-law partner's tuition or education amounts, but keep them in case we ask to see them. If you are filing electronically, keep all of your documents.

Line 330 – Medical expenses for self, spouse or common-law partner, and your dependent children born in 1988 or later

You can claim on line 330 the total eligible medical expenses you or your spouse or common-law partner paid for:

- yourself;
- your spouse or common-law partner; or
- your or your spouse or common-law partner's child born in 1988 or later and who depended on you for support.

Medical expenses for other dependants must be claimed on line 331.

You can claim medical expenses paid in any 12-month period ending in 2005 and not claimed for 2004. Generally, you can claim all amounts paid, even if they were not paid in Canada. Your total expenses have to be more than either 3% of your net income (line 236) or \$1,844, whichever is less.

On the return for a person who dies in 2005, a claim can be made for expenses paid in any 24-month period that includes the date of death, if they were not claimed for any other year.

If you are claiming expenses paid for a person who died in the year, these amounts can be claimed for any 24-month period that includes the date of death, if they were not claimed for any other year.

Tax Tip

There is a refundable tax credit for working individuals with low incomes and high medical expenses (see line 452).

Eligible medical expenses

Some eligible medical expenses that you can claim are:

- payments to a medical doctor, dentist, nurse, or certain other medical professionals, or to a public or licensed private hospital;
- premiums paid to **private** health services plans (other than those paid by an employer, such as the amount in box J of your Quebec *Relevé 1* slip);
- premiums paid under a provincial or territorial prescription drug plan **may** be eligible (for example, the Quebec Prescription Drug Insurance Plan and the Nova Scotia Seniors' Pharmacare Program are eligible), but provincial or territorial government medical or hospitalization plans **are not eligible**;
- payments for artificial limbs, wheelchairs, crutches, hearing aids, prescription eyeglasses or contact lenses, dentures, pacemakers, prescription drugs, and certain prescription medical devices;

Under proposed legislation new eligible medical expenses will include amounts paid:

- to purchase, operate, and maintain phototherapy equipment for the treatment of psoriasis or other skin disorders;
- to operate and maintain an oxygen concentrator (including the cost of electricity);
- for drugs or medical devices obtained under Health Canada's *Special Access Programme*;
- for medical marijuana or marijuana seeds purchased from Health Canada, or for medical marijuana purchased from an individual who possesses a Designated-person Production Licence under the Marijuana Medical Access Regulations (MMAR).

You can also claim amounts paid for the following services and devices if you or another person does **not** claim the amount on line 215:

- deaf-blind intervening services used by an individual who is both blind and profoundly deaf, when paid to persons engaged in the business of providing such services;
- reading services provided to an individual who is blind or who has a severe learning disability (if paid to persons engaged in the business of providing such services). The need for these services will have to be certified in writing by a medical practitioner;
- a device that is a Bliss symbol board for use by an individual who has a speech impairment to help the individual communicate by motioning at the symbols or spelling out words. The need for the device will have to be certified in writing by a medical practitioner;
- a device that is a Braille note-taker for use by a blind individual to allow that individual to take notes (that can be read back to them or printed or displayed in Braille) with the help of a keyboard. The need for the device will have to be certified in writing by a medical practitioner;
- a device that is a page turner used by an individual with a severe and prolonged impairment that markedly restricts the individual's ability to use their arms or hands to turn pages of a book or other bound document. The need for the device will have to be certified in writing by a medical practitioner; and
- a device and/or software, designed to be used by a blind individual or an individual with a severe learning disability, to enable the individual to read print. The need for the device and/or software will have to be certified in writing by a medical practitioner.

Expenses incurred after February 22, 2005, relating to new home construction or renovations or alterations to an existing dwelling of a patient who lacks normal physical development or has a severe and prolonged impairment to enable the patient to gain access to, or to be mobile or functional within, the dwelling:

- a) must be of a type that would not typically be incurred by persons who have normal physical development or who do not have a severe and prolonged mobility impairment; and
- b) must not be of a type that would typically be expected to increase the value of the dwelling.

Reimbursement of an eligible expense – You can only claim the part of an expense for which you have not been or will not be reimbursed. However, you can claim all of the expense if the reimbursement is included in your income, such as a benefit shown on a T4 slip, and you did not deduct the reimbursement anywhere else on your return.

Example

Barry was in the hospital while on a business trip to Mexico. He paid \$2,800 in Canadian dollars for allowable medical expenses, which are generally not limited to those paid in Canada. He was reimbursed for \$1,500 of these expenses by his employer's health care plan. This was included on his T4 slip. Therefore, Barry can claim the full \$2,800.

Travel expenses – If medical treatment is not available to you within 40 kilometres of your home, you may be able to claim the cost of travelling to get the treatment somewhere else. You can choose to simplify the way you calculate this amount. For more information, use **Info-Tax**, one of our **T.I.P.S.** services (see page 53). If you use the simplified method, you can find the rate per kilometre for each province or territory by visiting travel expenses on our Web site (see page 5).

If you had to travel at least 80 kilometres from your home, you can deduct accommodation and meal expenses in addition to your travelling expenses.

For more information on medical expenses, use **Info-Tax**, one of our **T.I.P.S.** services (see page 53). You can also get guide RC4064, *Information Concerning People With Disabilities and Interpretation Bulletin IT-519, Medical Expense and Disability Tax Credits and Attendant Care Expense Deduction*.

Tax Tip

Compare the result with the amount your spouse or common-law partner would be allowed. It may be better for the one of you with the lower net income (line 236) to claim the allowable medical expenses. You can make whichever claim you prefer.

The following example shows how to calculate your claim.

Example

Rick and his wife Paula have reviewed their medical bills and decided that the 12-month period ending in 2005 for which they will calculate their claim is July 1, 2004, through June 30, 2005. They incurred the following expenses:

| | |
|------------------------------------|---------|
| Rick | \$1,500 |
| Paula | \$1,000 |
| Jenny (their 16 year old daughter) | \$1,800 |
| Kyle (their 19 year old son) | \$1,000 |
| Total medical expenses | \$5,300 |

The total allowable expenses for 2005 are \$4,300, which will be entered on line 330. As Kyle is over 18, his expenses will be reported on line 331.

Paula's net income on line 236 of her return is \$32,000. She calculates 3% of that amount as \$960. Because the result is less than \$1,844, she enters \$960 on the line below line 330 on Schedule 1 and subtracts it from \$4,300. The difference is \$3,340, which is the amount (A) above line 331.

Rick's net income on line 236 of his return is \$48,000. He calculates 3% of that amount as \$1,440. Because the result is less than \$1,844, he enters \$1,440 on the line below line 330, and subtracts it from \$4,300. The difference is \$2,860.

In this case, Paula and Rick have found it better for her to claim the expenses for them and their daughter Jenny.

Receipts – If you are filing a paper return, include your receipts and any receipts for the person that you are claiming (**other than** for premiums paid to a health services plan, which you should keep in case we ask to see them) and other documents. Receipts must show the name of the company or individual to whom the expense was paid.

Receipts for attendant care or therapy paid to an individual also should show the individual's social insurance number.

You may be claiming expenses that would be allowable only for a patient who qualified for the disability amount (line 316). In that case, if we do not have a valid Form T2201, *Disability Tax Credit Certificate*, for that person, you also have to attach a properly completed and certified copy of that application.

If you are filing electronically, keep all of your documents in case we ask to see them.

Line 331 – Allowable amount of medical expenses for other dependants

Claim the portion of eligible medical expenses you or your spouse or common-law partner paid for the following persons who depended on you for support on line 331:

- your or your spouse or common-law partner's child who was born in 1987 or earlier, or grandchild; or
- your or your spouse or common-law partner's parent, grandparent, brother, sister, aunt, uncle, niece, or nephew who was a resident of Canada at any time in the year.

The expenses must meet the criteria in the section called "Eligible medical expenses" at line 330. Also, the claim must be for the **same** 12-month period that was determined at line 330.

Under proposed legislation, the list of "Eligible medical expenses" will be expanded. See page 40 for additional information.

You have to calculate, for **each** dependant, the medical expenses that you are claiming on this line. The total of these expenses must exceed the lesser of \$1,844 and 3% of the dependant's net income for the year (line 236), up to a maximum of \$5,000.

Under proposed legislation, the maximum amount that can be claimed will be \$10,000.

Use the chart below for each dependant:

| | |
|---|---|
| Other dependant's medical expenses | |
| Less: \$1,844 or 3% of line 236 of that dependant (whichever is less) | - |
| Sub total | = |
| Total allowable medical expenses (maximum \$10,000) | |

Enter at line 331 the total of all allowable amounts in respect of each dependant.

Complete the appropriate part of **Schedule 5** for each dependant and attach it to your paper return.

Example

Dan has two dependent children, Marc, who, is 19 years old and has a net income of \$6,000, and Ross who is 21 years old and has a net income of \$8,000. Dan has paid \$2,000 in medical expenses for Marc and \$11,000 in medical expenses for Ross. Dan's calculations are:

| | |
|--|----------------|
| Other dependant's medical expenses (Marc) | \$2,000 |
| Less: \$1,844 or 3% of line 236 for Marc (whichever is less) | - \$ 180 |
| Sub total | = \$1,820 |
| Total allowable medical expenses for Marc (maximum \$10,000) | \$1,820 |

| | |
|--|-----------------|
| Other dependant's medical expenses (Ross) | \$11,000 |
| Less: \$1,844 or 3% of line 236 for Ross (whichever is less) | - \$ 240 |
| Sub total | = \$10,760 |
| Total allowable medical expenses for Ross (maximum \$10,000) | \$10,000 |

Dan has to complete Schedule 5 and claim \$11,820 (\$1,820 for Marc and \$10,000 for Ross) on line 331.

Line 349 – Donations and gifts

You can claim donations either you or your spouse or common-law partner made. Enter your claim from the calculation on Schedule 9. See pamphlet P113, *Gifts and Income Tax*, for more information about donations and gifts, or if you donated any of the following:

- gifts of property other than cash;
- gifts to organizations outside Canada; or
- gifts to Canada, a province, or a territory made after 1997 and agreed to in writing before February 19, 1997.

Notes

These gifts do not include contributions to political parties. If you contributed to a federal political party, see lines 409 and 410 to find out about claiming a credit. If you contributed to a provincial or territorial political party, see the provincial or territorial forms in the forms book to find out about claiming a credit. If you are a resident of Quebec, refer to your provincial guide.

Gifts to Canada include **monetary** gifts made directly to the federal Debt Servicing and Reduction Account. If you made such a gift, which will be used only to service the public debt, you should have received a tax receipt. To make a gift to this account, which should be made payable to the Receiver General, send it, along with a note asking that we apply it to this account, to: Place du Portage, Phase III, 11 Laurier Street, Gatineau QC K1A 0S5.

Receipts – If you are filing a paper return, include your Schedule 9, as well as your official receipts showing either your or your spouse or common-law partner's name. You do not have to attach receipts for amounts shown in box 46 of your T4 or T4A slips, in box 48 of your T3 slips, in box 34 of your T5013 slips, or on financial statements showing an amount a partnership allocated to you. You may have included with a previous return a receipt for a donation

you are claiming for 2005. If so, attach a note indicating the return with which you submitted the receipt.

If you are filing electronically, keep all of your documents in case we ask to see them.

We will **not** accept as proof of payment cancelled cheques, credit card slips, pledge forms, or stubs. If you need more details, get Interpretation Bulletin IT-110, *Gifts and Official Donation Receipts*.

Allowable charitable donations and government gifts (line 340 of Schedule 9)

Add up all of the **eligible amounts** of your donations made in 2005 **plus** any donations made in any of the previous five years that have not been claimed before (this does not include any donations that were made to the tsunami relief effort from January 1, 2005, to January 11, 2005, and were claimed on your 2004 tax return). This includes unclaimed gifts to Canada, a province, or a territory made after 1999. However, if the gift was agreed to in writing before February 19, 1997, include it on line 342 of Schedule 9.

Under proposed legislation, the **eligible amount** is the amount of your donation or gift in excess of any advantage that you received or will receive for making the donation or gift. An advantage includes the value of certain property, service, compensation, or other benefit. This proposed change applies to any donations or gifts made after December 20, 2002. For details, see pamphlet P113, *Gifts and Income Tax*.

Generally, you can claim on line 340 all or part of this amount, up to the limit of 75% of your net income (line 236). For the year a person dies and the year before that, this limit is 100% of the person's net income.

Note

If you have taken a vow of perpetual poverty as a member of a religious order, this limit does not apply. Claim your donations on line 256.

Tax Tip

You do not have to claim, on your return for 2005, the donations you made in 2005. It may be more beneficial for you not to claim them for 2005, but to carry them forward and claim them on your return for any of the next five years. No matter how you claim them, you can claim them only once.

Qualified donees

Generally, you can claim only amounts you gave to registered charities and other qualified donees. For a list of the types of donees that qualify, get pamphlet P113, *Gifts and Income Tax*, or use **Info-Tax**, one of our **T.I.P.S.** services (see page 53).

Cultural and ecological gifts (line 342 of Schedule 9)

Unlike other donations, your total **eligible amount** claimed for these types of gifts is not limited to a percentage of net income. You can choose the part you want to claim in 2005 and carry forward any unused part for up to five years. For information about the kinds of property to claim, see pamphlet P113, *Gifts and Income Tax*.

Net federal tax

There are no lines on the return for the recapture of investment tax credit or for the federal logging tax credit. If these amounts apply, use them to calculate your net federal tax on Schedule 1. If the result of these adjustments is negative, and you do not have to pay minimum tax (see page 32), enter "0" on line 17 of Schedule 1.

Recapture of investment tax credit

If you have to repay an investment tax credit you received previously for scientific research and experimental development, calculate on Form T2038(IND), *Investment Tax Credit (Individuals)*, the amount you have to repay. Write "recapture of investment tax credit" and the amount below line 15 on Schedule 1. Add it to the amount on line 15.

Federal logging tax credit

If you paid logging tax to a province for logging operations you performed in the province, you may be able to claim a logging tax credit. To calculate your credit, use whichever of the following two amounts is **less** for each province in which you had a logging operation:

- 66.6667% of the logging tax paid for the year to the province; or
- 6.6667% of your net logging income for the year in the province.

Your allowable credit is the total of the credits for the year for all provinces, up to 6.6667% of your taxable income (line 260) not including any amounts on lines 208, 209, 214, 215, 219, and 220. Write "federal logging tax credit" and the allowable amount below line 15 on Schedule 1. Subtract it from the total of the amount on line 15 and the amount of any applicable recapture of investment tax credits.

Lines 409 and 410 – Federal political contribution tax credit

Enter on line 409 the total you and your spouse or common-law partner contributed during 2005 to a registered federal political party or a candidate for election to the House of Commons.

Under proposed legislation, the amount of your contribution is the amount in excess of any advantage that you received or will receive for making the contribution. An advantage includes the value of certain property, service, compensation, or other benefit. This proposed change will apply to all contributions made after December 20, 2002.

Complete the chart for line 410 on the *Federal Worksheet* in the forms book to calculate your credit. However, if your total political contributions are \$1,275 or more, enter \$650 on line 410.

Receipts – If you are filing a paper return, include your official receipts. You do not have to attach receipts for amounts shown in box 36 of your T5013 slips, or on financial statements showing an amount a partnership

allocated to you. If you are filing electronically, keep all of your documents in case we ask to see them.

Line 412 – Investment tax credit

You may be eligible for this credit if **any** of the following applies. You:

- bought certain new buildings, machinery, or equipment and they were used in certain areas of Canada in qualifying activities such as farming, fishing, logging, manufacturing, or processing;
- have unclaimed credits from the purchase of qualified property after 1994;
- have an amount in box 41 of your T3 slip;
- have an amount in box 38 or 138 of your T5013 slip;
- have an amount in box 128 of your T101 slip;
- have a partnership statement that allocates to you an amount that qualifies for this credit; or
- have an investment in a mining operation that allocates certain exploration expenditures to you.

The deadline to claim renounced Canadian exploration expenses has been extended to the end of 2005 in most cases, or to the end of 2006 in certain cases. See Form T2038(IND), *Investment Tax Credit (Individuals)*, for more information.

How to claim

Attach to your paper return a completed copy of Form T2038(IND), *Investment Tax Credit (Individuals)*. For more information on the investment tax credit, see the information sheet attached to Form T2038(IND).

The time to submit Form T2038(IND) for a qualifying expenditure is limited. To be able to claim a credit for such an expenditure, you have to send the form to us no later than 12 months after the due date of your return for the year the expenditure arises.

Tax Tip

You may be able to claim a refund of your unused investment tax credit (see line 454).

Lines 413 and 414 – Labour-sponsored funds tax credit

You may be able to claim a credit if you became the **first** registered holder to acquire, or irrevocably subscribe to and pay for, an approved share of the capital stock of a prescribed labour-sponsored venture capital corporation (LSVCC) from January 1, 2005, to March 1, 2006.

Under proposed legislation, you will no longer be able to claim this credit on your federal income tax return if you buy shares, under a labour-sponsored fund in accordance with a provincial or territorial law, for which you cannot claim a credit for that province or territory because of certain provincial or territorial restrictions.

If you became the first registered holder of an approved share from January 1, 2005, to March 1, 2005, and did not claim the whole credit for it on your 2004 return, you can

claim the unused part on your 2005 return. If you became the first registered holder of an approved share from January 1, 2006, to March 1, 2006, you can claim any part of the credit for that share on your return for 2005 and the unused part on your return for 2006.

Enter your **net cost** on line 413. Net cost is the amount you paid for your shares, minus any government assistance (other than federal or provincial tax credits) on the shares. Enter the amount of the credit on line 414. The allowable credit cannot be more than 15% of the net cost, to a maximum of \$750.

Note

If the first registered holder of the share is an RRSP for spouse or common-law partner, either the RRSP contributor or the annuitant may claim this credit for that share.

Receipts – If you are filing a paper return, include your T5006 slip, *Statement of Registered Labour-Sponsored Venture Capital Corporation Class A Shares*, or official provincial or territorial slips. If you are filing electronically, keep them in case we ask to see them.

Tax Tip

Your province or territory may offer a similar tax credit. For details, see the provincial or territorial forms in the forms book, unless you were a resident of **Quebec on December 31, 2005**. In that case, see the guide for your provincial income tax return for Quebec.

Line 418 – Additional tax on RESP accumulated income payments

You may have received an accumulated income payment from a registered education savings plan (RESP) in 2005. If so, you may have to pay an additional tax on all or part of the amount in box 40 of your T4A slip. Enter the amount from line 10, 13, or 16 (whichever applies) on Form T1172, *Additional Tax on Accumulated Income Payments From RESPs*. For more details, get information document RC4092, *Registered Education Savings Plans (RESPs)*.

Line 421 – CPP contributions payable on self-employment and other earnings

See page 46.

Line 422 – Social benefits repayment

See page 46.

Line 424 – Federal tax on split income

Certain income of a child who was born in 1988 or later is treated differently (see “Split income of a child under 18” on page 16). If this tax applies, calculate it on Form T1206, *Tax on Split Income*, and enter the amount from line 4 on line 424 on Schedule 1.

Line 425 – Federal dividend tax credit

If you reported dividends on line 120, enter on line 425 on Schedule 1 the total of the dividend tax credits from taxable Canadian corporations shown on your information slips. If

you did not receive dividend information slips, this is 13.3333% of the taxable amount of dividends from taxable Canadian corporations (see line 120).

Note

Foreign dividends do **not** qualify for this credit.

Line 426 – Overseas employment tax credit

You may be able to claim this credit if **both** of the following apply for 2005:

- You were a resident or deemed resident (as defined under E on page 10) of Canada at any time in the year.
- You have employment income from certain kinds of work you did in another country.

To make your claim, use Form T626, *Overseas Employment Tax Credit*, and mail it with your tax return to the International Tax Services Office, 2204 Walkley Road, Ottawa, ON K1A 1A8. For details, get Interpretation Bulletin IT-497, *Overseas Employment Tax Credit*, and Form T626.

Line 427 – Minimum tax carry-over

If you paid minimum tax on any of your 1998 to 2004 returns, but you do not have to pay minimum tax for 2005, you may be able to claim credits against your taxes for 2005 for all or part of the minimum tax you paid in those years.

To calculate your claim, complete the parts of Form T691, *Alternative Minimum Tax*, that apply. Attach the form to your paper return.

Line 428 – Provincial or territorial tax

See page 46.

Lines 431 and 433 – Federal foreign tax credit

This credit is for foreign income or profits taxes you paid on income you received from outside Canada and reported on your Canadian return. Tax treaties with other countries may affect whether you are eligible for this credit.

Note

You may have deducted an amount on line 256 for income that is not taxable in Canada under a tax treaty. In that case, do not include that income, or any tax withheld from it, in your foreign tax credit calculation.

If you paid tax to more than one foreign country, and the total non-business income tax you paid to all foreign countries is more than \$200, you have to do a separate calculation for each country for which you claim a foreign tax credit. In that case, enter the total of your allowable federal foreign tax credit on line 14 of Schedule 1.

You also have to do a separate calculation for business income taxes paid to each foreign country. In that case, use Form T2209, *Federal Foreign Tax Credits*, to calculate your credit. For tax years ending before March 23, 2004, you can carry unclaimed foreign business income taxes back three

years and forward seven years. For tax years ending after March 22, 2004, the carry-forward period is 10 years.

In most cases, the foreign tax credit you can claim for each foreign country is whichever of the following two amounts is **lower**:

- the foreign income tax you actually paid; or
- the tax due in Canada on your net income from that country.

Note

If you paid tax on income from foreign property (other than real property), your foreign tax credit for the income from that property cannot be more than 15% of your net income from that property. However, you may be able to deduct on line 232 the part of the foreign taxes you paid over 15%.

Beginning in 2004, mandatory foreign social security contributions, other than U.S. FICA payments, will no longer be accepted as non-business income taxes for foreign tax credit purposes.

For details on how to calculate your claim, get Interpretation Bulletin IT-270, *Foreign Tax Credit*.

How to claim

- Complete the federal foreign tax credit area on Schedule 1. Do all of your calculations in Canadian dollars. See "How do you report foreign income and other amounts?" on page 14.
- If you were a member of a partnership and are entitled to claim a part of the foreign taxes the partnership paid, include in your calculations the amount shown in the financial statements or in box 33 of your T5013 slip.

Receipts – If you are filing a paper return, include your documents, such as official receipts, that show the foreign taxes you paid, and a note showing your calculations. Also include Form T2209, if you use it. If you paid taxes to the U.S., attach your W-2 information slip, U.S. 1040 return, and any other supporting documents that apply. If you are filing electronically, keep all of your documents in case we ask to see them.

Tax Tips

Your federal foreign tax credit on non-business income may be less than the tax you paid to a foreign country. If so, and you **were not** a resident of **Quebec on December 31, 2005**, you may be able to claim a provincial or territorial foreign tax credit. To help you calculate the credit, get Form T2036, *Provincial or Territorial Foreign Tax Credit*. Attach a completed copy of the form to your paper return.

If you **were** a resident of **Quebec on December 31, 2005**, see the guide for your provincial income tax return for Quebec.

Also, on line 232, you may be able to deduct the amount of net foreign taxes you paid for which you have not received a federal, provincial, or territorial foreign tax credit. This does not include certain taxes you paid, such as those on amounts you could have deducted under a tax treaty on line 256. For details, get Interpretation Bulletin IT-506, *Foreign Income Taxes as a Deduction From Income*.

Refund or Balance owing

Line 421 – CPP contributions payable on self-employment and other earnings

If you **were not** a resident of **Quebec on December 31, 2005**, enter the Canada Pension Plan (CPP) contributions you have to pay from line 10 on Schedule 8.

If you **were** a resident of **Quebec on December 31, 2005**, this line does not apply to you. Enter the Quebec Pension Plan contributions you have to pay on your provincial income tax return for Quebec.

Line 422 – Social benefits repayment

Enter the amount of social benefits you have to repay, from line 235 of your return.

Line 424 – Federal tax on split income

See page 44.

Line 425 – Federal dividend tax credit

See page 44.

Line 426 – Overseas employment tax credit

See page 45.

Line 427 – Minimum tax carry-over

See page 45.

Line 428 – Provincial or territorial tax

If you **were not** a resident of **Quebec on December 31, 2005**, use Form 428 in the forms book to calculate your provincial or territorial tax. Attach a copy to your paper return.

If you **were** a resident of **Quebec on December 31, 2005**, this line applies to you only if you had a business with a permanent establishment outside Quebec. In that case, use Form T2203, *Provincial and Territorial Taxes for 2005 – Multiple Jurisdictions*, to calculate your tax for provinces and territories other than Quebec. Attach a copy to your paper return. To calculate your tax for Quebec, you will have to file a provincial income tax return for Quebec.

Lines 431 and 433 – Federal foreign tax credit

See page 45.

Line 437 – Total income tax deducted

Enter the total of the amounts shown in the “Income tax deducted” box from all of your Canadian information slips. However, if you **were** a resident of **Quebec on December 31, 2005**, do not include on this return any of your Quebec provincial income tax deducted.

If you **were not** a resident of **Quebec on December 31, 2005**, but you had Quebec provincial income tax withheld from your income, include those amounts on this line. Attach your provincial information slips to your paper return.

Notes

If you paid tax by instalments in 2005, claim them on line 476.

If tax was withheld from your OAS benefits (as shown in box 22 of your T4A(OAS) slip), make sure you claim it on this line.

If you paid foreign taxes, do not claim these amounts on this line. However, you may be able to claim a foreign tax credit (see lines 431 and 433 on page 45).

Line 438 – Tax transfer for residents of Quebec

If you were a resident of **Quebec on December 31, 2005**, you may have earned income, such as employment income, outside Quebec during 2005. In that case, tax may have been deducted for a province or territory other than Quebec.

You can transfer, to the Province of Quebec, up to 45% of the income tax shown on information slips issued to you by payers outside Quebec.

Enter on line 438 of your federal return and on line 454 of your provincial income tax return for Quebec the amount you want to transfer (up to the maximum). If the taxable income on your provincial income tax return for Quebec is zero, no transfer is necessary.

Line 440 – Refundable Quebec abatement

The Quebec abatement is provided under the federal-provincial fiscal arrangement, in place of direct cost-sharing by the federal government. It reduces your balance owing and may even give you a refund.

If you **were** a resident of **Quebec on December 31, 2005**, and you did not have a business with a permanent establishment outside Quebec, your refundable Quebec abatement is 16.5% of the basic federal tax on line 13 of Schedule 1.

If you had a business with a permanent establishment outside Quebec, or you **were not** a resident of **Quebec on December 31, 2005**, and you had a business with a permanent establishment in Quebec, use Form T2203, *Provincial and Territorial Taxes for 2005 – Multiple Jurisdictions*, to calculate your abatement.

Line 448 – CPP overpayment

If you **were not** a resident of **Quebec on December 31, 2005**, and you contributed more to the Canada Pension Plan (CPP) than you had to (see line 308), enter the difference on this line. We will refund the excess contributions to you or use them to reduce your balance owing.

If you **were** a resident of **Quebec on December 31, 2005**, this line does not apply to you. Claim the excess amount on your provincial income tax return for Quebec.

Line 450 – Employment Insurance overpayment

If you contributed more than you had to (see line 312), enter the difference on line 450. We will refund the excess amount to you or use it to reduce your balance owing. If the difference is \$1.00 or less, you will not receive a refund.

Note

If you repaid some of the Employment Insurance benefits you received, do not claim the repayment on this line. You may be able to claim a deduction on line 232 for the benefits you repaid.

Line 452 – Refundable medical expense supplement

Previously, you were able to claim a credit of up to \$562. The maximum amount has been increased to \$750.

To claim this supplement, the following **must** apply:

- You have an amount on line 215 on your return or on line 332 of Schedule 1.
- You were resident in Canada throughout 2005.
- You were 18 or older at the end of 2005.

In addition, the total of the following two amounts has to be \$2,857 or more:

- your employment income on lines 101 and 104 (other than amounts received from a wage-loss replacement plan) minus the amounts on lines 207, 212, 229, and 231 (but if the result is negative, use “0”); and
- your net self-employment income (not including losses) from lines 135 to 143.

You cannot claim this credit if the total of your net income (line 236) and your spouse or common-law partner’s net income (line 236 of his or her return, or the amount that it would be if he or she filed a return) is \$36,663 or more. However, if you were separated because of a breakdown in your relationship for a period of 90 days or more that included December 31, 2005, you do not have to include your spouse or common-law partner’s income when calculating this credit.

Make sure you enter, in the Identification area on page 1 of your return, your marital status and, if it applies, the information concerning your spouse or common-law partner (including his or her net income, **even if it is zero**).

Complete the chart for line 452 on the *Federal Worksheet* in the forms book to calculate your claim. You can claim this credit for the same medical expenses that you claimed on line 215 of your return and line 332 on Schedule 1.

Line 454 – Refund of investment tax credit

If you are eligible for an investment tax credit (line 412 on Schedule 1) based on expenditures made in 2005, you may

be able to claim a refund of your unused investment tax credit. This refund will reduce the amount of credit available to you for other years.

Calculate the refundable part of your investment tax credit on Form T2038(IND), *Investment Tax Credit (Individuals)*. Attach a completed copy of the form to your paper return.

Line 456 – Part XII.2 trust tax credit

Enter the total of amounts shown in box 38 of all your T3 slips.

Line 457 – Employee and partner GST/HST rebate

If you deducted expenses from your income as an employee (line 212 or 229) or as a partner (lines 135 to 143), you may be eligible for a rebate of the GST/HST you paid on those expenses. Generally, you can claim this rebate if **either** of the following applies:

- your employer is a GST/HST registrant, other than a listed financial institution; or
- you are a member of a GST/HST-registered partnership, and you have reported on your return your share of the income from that partnership.

To claim this rebate, if you incurred the expenses as an employee, use guide T4044, *Employment Expenses*. If you incurred the expenses as a member of a partnership, use guide RC4091, *GST/HST Rebate for Partners*. These guides list the expenses that qualify. They also include Form GST370, *Employee and Partner GST/HST Rebate Application*, which you need to make your claim. Attach a completed copy of this form to your paper return, and enter on line 457 the rebate you are claiming.

Notes

Generally, you have to include in income any rebate you receive on the return for the year in which you receive it. For example, you may claim a rebate on your return for 2005. If we allow your claim and assess that return in 2006, you have to report the rebate on your return for 2006.

You may have received a GST/HST rebate in 2005. If you did, and you were an employee, see line 104. If you are a partner, contact our **Business Enquiries** service. See “Contacting us” on page 6.

Line 476 – Tax paid by instalments

Enter the total instalment payments you made for your taxes for 2005. In February 2006, we will issue you Form INNS1, *Instalment Reminder*, or Form INNS2, *Instalment Payment Summary*, which shows your total instalment payments for 2005 that we have on record. To view your instalment account, visit **My Account** on our Web site (see page 5).

If you made an instalment payment for your taxes for 2005 that does not appear on this reminder or summary, also include that amount on line 476.

Note

If tax was withheld from your income, claim on line 437 the amounts shown on your information slips.

Line 479 – Provincial or territorial credits

If you were a resident of Nova Scotia, Ontario, Manitoba, British Columbia, Yukon, the Northwest Territories, or Nunavut on December 31, 2005, use Form 479 in the forms book to calculate your provincial or territorial credits. Attach a copy to your paper return. If you were not a resident of any of those provinces and territories, Form 479 does not apply to you.

Residents of Newfoundland and Labrador, Prince Edward Island, New Brunswick, Saskatchewan, and Alberta claim their provincial credits on Form 428 and use them to reduce their provincial tax payable on line 428.

Quebec residents claim their provincial credits on their provincial income tax returns for Quebec.

Line 484 – Refund

If your total payable (line 435) is less than your total credits (line 482), enter the difference on line 484. This amount is your refund. Generally, if the difference is \$2 or less for 2005, you will not receive a refund.

Note

One person's refund cannot be transferred to pay another person's balance owing.

Although you may be entitled to a refund for 2005, we may keep some or all of it to:

- apply against any amount you owe us or are about to owe us;
- satisfy a garnishment order under the *Family Orders and Agreements Enforcement Assistance Act*; or
- apply against certain other outstanding federal, provincial, or territorial government debts, such as student loans, Employment Insurance and social assistance benefit overpayments, Immigration loans, and training allowance overpayments.

If you pay your taxes by instalments (see page 12), you can attach a note to your paper return to ask us to transfer your refund to your instalment account for 2006. We will transfer your full refund and consider such a payment to have been received on the date that we assess your return.

To view your refund information, visit **My Account** on our Web site (see page 5).

Direct deposit



You can have your income tax refund, as well as your GST/HST credit and/or Canada Child Tax Benefit (CCTB) payments (including those from certain related provincial or territorial programs), deposited directly into your account at a financial institution in Canada.

To start direct deposit, or to change information you already gave us, complete the "Direct deposit – Start or change" section on page 4 of your return. You do not have to complete this area if you already have direct deposit service and the information you already gave us has not changed. **Your direct deposit request will stay in effect until you change the information or cancel the service.**

If you want your CCTB payments deposited into a different account, you will have to send us, either with your paper return or separately, a completed Form T1-DD(1), *Direct Deposit Request – Individuals*.

If you are changing the account into which we deposit a payment, **do not close the old account before we deposit the payment into the new account.** If your financial institution advises us that you have a new account, we may deposit your payments into the new account.

If, for any reason, we cannot deposit a payment into your account, we will mail a cheque to you at the address we have on file.

If you need help to complete the direct deposit information, or to cancel the service for one or more of these payments, contact us.

Line 485 – Balance owing

If your total payable (line 435) is more than your total credits (line 482), enter the difference on line 485. This amount is your balance owing. Your balance is due no later than April 30, 2006. Generally, if the difference is \$2 or less for 2005, you do not have to make a payment.

Note

When a due date falls on a Saturday, Sunday, or a holiday recognized by the CRA, we consider your return to be filed on time or your payment to be paid on time if we receive it or it is postmarked on the next business day.

Whether you file a paper return or file electronically, you can make your payment in several different ways:

- You may be able to pay electronically using your financial institution's telephone or Internet banking services. Most financial institutions allow you to schedule future-dated payments. For more information, visit electronic payments on our Web site (see page 5) or contact your financial institution.
- You can make your payment free of charge at your Canadian financial institution in Canada. To do so, you have to use the remittance form in your personalized tax package (if you received one) or Form T7DR(A), which you can get by contacting us.
- You can attach to the **front** of your paper return a cheque or money order made out to the Receiver General. Enter this amount on line 486.
- You can send us a cheque or money order with the remittance form in your personalized tax package (if you received one) or with Form T7DR(A), which you can get from us. Mail the form and your cheque or money order to: Canada Revenue Agency, P.O. Box 9659, Station T, Ottawa ON K1G 6L7.

Note

If you are making a payment by cheque or money order, please write your social insurance number on the back to help us process your payment correctly. For more information, see “Social insurance number” on page 9.

Do **not** mail us cash or include it with your return.

You can file your return early and make a post-dated payment as late as April 30. In that case, if we process your return before the date of the payment, your payment will appear on your *Notice of Assessment*, but it will not reduce your balance owing. We will credit your account on the date of the payment and then send you a revised statement of your account.

If you make a payment with a cheque that your financial institution does not honour (including a cheque on which you put a “stop payment”), we will charge you a fee.

To view your information on your account balance and payment on filing, visit **My Account** on our Web site (see page 5).

Making a payment arrangement – If you cannot pay your balance owing on or before April 30, 2006, we will accept a payment arrangement only after you have reasonably tried to obtain the necessary funds by borrowing or re-arranging your financial affairs. If you cannot pay the balance in full, you should contact your tax services office to discuss a mutually acceptable payment arrangement based on your ability to pay. We still will charge daily compound interest on any outstanding balance starting May 1, 2006, until you pay it in full.

Your failure to proceed with timely action to resolve your tax arrears can lead to serious measures by CRA including legal action such as garnisheeing your income or your bank account, or initiating other legal action such as seizing and selling your assets.

Tax Tip

Even if you cannot pay all of your balance owing right away, you should still file your return on time. Then you will not have to pay a penalty for filing your return after the due date. See “What penalties and interest do we charge?” on page 8 for details.

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T.I.P.S. (Tax Information Phone Service)

For personal and general tax information, use our automated T.I.P.S. by calling 1-800-267-6999.

| Services | Available dates | |
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| Telerefund – find out the status of your refund for 2005 | mid-February to the end of December | press “1” |
| Goods and services tax/harmonized sales tax (GST/HST) credit – find out if you are eligible for the credit and the date you can expect to receive the next payment. | three weeks before through two and a half weeks after each payment is issued | press “2” |
| Canada Child Tax Benefit (CCTB) – find out if you are eligible for the CCTB and the date you can expect to receive the next payment. | one week before through one week after each payment is issued | press “3” |
| RRSP deduction limit – find out the maximum amount you can deduct on your return for 2005 for your RRSP contributions, as well as any of your unused contributions. | mid-September to the end of April | press “4” and then “1” |
| Info-Tax – get tax information for residents and non-residents of Canada. | seven days a week, mid-January to the end of December | press “4” and then “2” |
| Bulletin Board – get recent tax and benefit information that may be of interest to you. | seven days a week, year-round | press “4” and then “3” |
| Business Information – get tax information relating to operating a business. | seven days a week, year-round | press “5” |

To get information from **Telerefund**, **GST/HST credit**, **CCTB**, or **RRSP deduction limit**, you will have to give us your social insurance number, your month and year of birth, and:

- if you contact us **before May 1**, the amount you entered on line 150 of your return for **2004**; or
- if you contact us **on or after May 1**, the amount you entered on line 150 of your return for **2005**.

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Your Rights

In your dealings with the Canada Revenue Agency

Fair treatment

You have the right to expect us to apply the law fairly and impartially.

Courtesy and consideration

You have the right to be treated with courtesy, respect, and consideration.

Privacy and confidentiality

You have the right to expect that your personal and financial information is protected against unauthorized use or disclosure.

Bilingual service

You have the right to be served in the official language of your choice at designated bilingual offices.

Information

You have the right to get complete, accurate, and clear information about your rights, entitlements, and obligations.

Entitlements

You have the right to every benefit allowed under the law.

Formal review

If you believe you have not received your full entitlements under the law, you have the right to a formal review of your file. If we cannot resolve the matter to your satisfaction, you have the right to appeal to the courts.

We respect your rights

If you feel your rights have not been respected, we encourage you to speak with an officer or a supervisor, or consult the guide:

Your Rights

This guide outlines your rights in greater detail.

More Ways to Serve You!

Pour vous servir encore mieux!



Canada Revenue
Agency

Agence du revenu
du Canada

Canada

Convenient electronic services for individuals

Join the millions of people who, each year, trust the reliability and speed of the electronic services that the Canada Revenue Agency (CRA) offers. Simply choose the filing option that best suits your needs, and see how fast you get your refund - even faster with direct deposit. At any time during the year, visit the CRA Web site at www.cra.gc.ca to view or change your personal income tax information.

File your own return...

NETFILE

- File your tax return over the Internet using NETFILE-certified software or a NETFILE-certified Web application. You can get a NETFILE access code online. For more information, visit: www.netfile.gc.ca.

TELEFILE

- File your tax return by touch-tone telephone. For more information, call 1-800-959-8281, or visit: www.cra.gc.ca/telefile.

Use a tax return preparation service...

EFILE

- Choose a tax professional who will file your tax return electronically using our EFILE service. For more information, visit: www.cra.gc.ca/efile.

View or change your tax information...

My Account

Check your refund, account balance, Canada Child Tax Benefit, GST/HST credit, RRSP contribution limit, and much more on My Account. You can also change your return, change your address or register a formal dispute. To use My Account, you need to get a Government of Canada user ID and password and the CRA will mail you an activation code. For more information, visit: www.cra.gc.ca/myaccount.

Make your payment online...

Online payment

You can make your payment through your financial institution's Internet or telephone banking services or by taking your remittance voucher directly to your branch. Try it! It's as easy as paying any other bill. For more information, visit: www.cra.gc.ca/electronicpayments.

