

Why is tax literacy important?

Taxes are part of our everyday lives.

As young consumers, we pay taxes regularly on items we purchase. When we enter the workforce and start earning money, we are required to report our income and pay taxes. Our taxes pay for important public services like hospitals, schools and roads.

When we understand the personal income tax system, we can better follow the tax rules.

Ontario's personal income tax system is based on self-assessment. Every person who earns money is expected to complete an accurate tax return each year and submit it to the Canada Revenue Agency (CRA) by April 30 - which is the date any outstanding income tax is due. After April 30, penalties and interest start to apply to any outstanding balance owed.

When we file a tax return, we can get money back.

Even if we do not make money or have a job, we should start filing tax returns before we turn 19 years old. The tax return is an application for tax-free government payments (tax credits and benefits) that can help us pay for living expenses.

Understanding the personal income tax system is an important part of managing our financial resources responsibly.

When creating a budget, we need to know how much tax will be taken off our pay cheque. We also need to consider what tax credits and benefits we can receive through filing a tax return each year.

Personal Knowledge is Key

Government programs can change over time. This may impact tax credit and benefits available to help people pay for various living expenses. It is important to know how to stay up-to-date and informed. There are a lot of online government resources available to help people understand the tax system and be informed about new or changing government programs.

Online Research

Browse the webpages below to learn more about personal income tax, the income tax and benefit return, and tax credits and benefit programs. Use the information you learned to answer the questions in the next section.

- www.ontario.ca/taxreturn - Watch helpful videos and learn more about personal income tax.
- www.ontario.ca/benefitsforpeople - Access the service to help find benefits and programs, and tax credit calculator to determine eligibility for provincial tax credits and benefit programs.
- www.canada.ca/benefits - Learn more about federal benefit programs you may be eligible for.
- www.canada.ca/taxes-students - Learn more about personal income tax topics and services for students.

Questions

Work independently or in a group to answer the following questions.

1. What is income? What are some examples of income that is taxable and non-taxable?
2. What is personal income tax?
3. What is a tax return?
4. Why should someone file a tax return?
5. Why should you file a tax return even if you don't earn income?
6. At what age should you start filing a tax return?
7. What is a tax credit? Give an example.
8. What is a benefit? Give an example.
9. What tools are available online to help people calculate the amount of tax credits or benefits they are eligible for?
10. How do taxes and credits and benefits affect your personal budget?