

General Income Tax and Benefit Guide – 2002

What's new for 2002?

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 2002 or as of the dates indicated. For more details on these and other changes, see the areas outlined in red in this guide.

TELEFILE – Because of improvements to this free service, you now may be able to file your return by telephone. For more information, see page 9.

Schedule 7 – You now have to provide information about your withdrawals under the Home Buyers' Plan (HBP). See "Lines 15 to 18 – 2002 withdrawals under the HBP and the LLP" on page 23 for details.

Moving expenses (line 219) – There is a change to when you can claim expenses paid after the year of the move.

Apprentice vehicle mechanics – You may be able to claim a deduction for new tools (including certain related equipment) you purchased. See line 229 for details.

Adult basic education tuition assistance – You may be able to claim a deduction for tuition assistance you included in your income. See line 256 for details.

Tuition and education amounts (line 323) – You now can claim the education amount even if you received financial assistance under certain training programs.

Medical expenses (line 330) – The period for which you can claim expenses for a person who died in the year has been extended.

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 of which you were a resident 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 7.

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Visually impaired persons can order publications in braille or large print, or on audio cassette or computer diskette, 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 payment

- Complete the Canada Child Tax Benefit Application form for each child in your care.
- Both spouses or common-law partners have to file a tax return.
- To avoid delays in receiving your payments, make sure we have your current address.
- For more information, see page 7 in this guide.

You could be eligible for a GST/HST credit

- Apply when you file a tax return.
- To avoid delays in receiving your payments, make sure we have your current address.
- For more information, see page 11 in this guide.



Please check the “Yes” box on page 1 of your return to authorize the Canada Customs and Revenue Agency (CCRA) 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.**

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 CCRA 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.

Note

The CCRA 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 CCRA of your new address, they will advise Elections Canada the next time information is provided.

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

- The CCRA 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

Under the *Canada Elections Act*, information on the National Register of Electors will be used **only** for electoral purposes. You can request, in writing, 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 later on this page) or use our other services.

T.I.P.S.

For personal and general tax information, you can use our automated **T.I.P.S.** and **T.I.P.S. Online** services (see page 46). For example, **Info-Tax** provides information on many tax topics.

Internet access

Visit www.ccra.gc.ca to find information and most of our publications (see later on this page).

Access codes for electronic services

The code on your label sheet (if you have one) **may** allow you to use NETFILE (see page 8) or TELEFILE (see page 9) to file your 2002 return. A different code, which appears on your *Notice of Assessment*, allows you to use other electronic services. For information about these codes, call **1-800-714-7257**.

Publications

Throughout this guide, we mention forms, pamphlets, interpretation bulletins, information circulars, and other guides that give more details on specific tax topics. We will mail you some of them by late February, depending on the information on your return for 2001.

You can visit us or call **1-800-959-2221** to get any of the publications mentioned in this guide, as well as a copy of the General forms book and guide (or the return and any of its schedules by themselves). In addition, you can get the General forms book and guide for a particular province or territory from any postal outlet in that province or territory.

Before you contact us

We want to provide you with the best service possible. By being prepared in advance, you will help us serve you better. Before contacting us you should do **all** of the following:

- read the appropriate sections of this guide and other publications we mention in this guide;
- prepare all the details of your situation and question; and
- have on hand the working copy of your return, any related papers or receipts, a pencil, some paper, and your social insurance number (SIN).

Contacting us

Our telephone numbers and the address of your tax services office are listed in the government section of your telephone book and on our www.ccra.gc.ca/tso Web page. For faster service, call or visit us before 10:00 a.m. or after 2:00 p.m.

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 February 17 to April 30, this has been 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).

In person – You can visit us Monday to Friday (except holidays) from 8:15 a.m. to 4:30 p.m. However, from February 17 to April 30, you can visit until 5:00 p.m. In some offices, where there is a continuing demand, this applies year round. Check to see if it applies to your office.

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

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

Getting personal tax information

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” below. 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 visit us, and ask for personal tax information, we will ask you to identify yourself. In addition, we will ask for **one** of the following:

- one piece of signed identification with your picture;
- two pieces of signed identification;
- your *Notice of Assessment*, *Notice of Reassessment*, or other tax documents; or
- information about the contents of your return.

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. If you call before May 1, use your return for 2001. After April 30, use your return for 2002.

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 you cancel it.**

If your representative visits us, and asks for your personal tax information, we will give this information only if we have received (or your representative provides) a completed Form T1013, *Authorizing or Cancelling a Representative*, (or a letter containing the same information) that you have signed. After we confirm that we have your written permission, we also will ask your representative for **either** of the following:

- one piece of signed identification with his or her picture; or
- two pieces of signed identification.

In addition, we will ask for **either** of the following:

- your *Notice of Assessment*, *Notice of Reassessment*, or other tax documents; or
- information about the contents of your return.

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 or letter that you have signed. 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 2001. A representative who calls after April 30 should use your return for 2002.

Community Volunteer Income Tax Program

If you need help to complete your tax return, 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.

General information

Before you start

Do you have to file a return?

You have to file a return for 2002 if **any** of the following applies:

- You have to pay tax for 2002.
- We sent you a request to file a return.
- You disposed of property in 2002 (such as if you sold real estate or shares) or you realized a taxable capital gain (such as if a mutual fund or trust attributed amounts to you, or you are reporting a capital gains reserve you claimed on your 2001 return).
- You have to pay back 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 the *Home Buyers' Plan (HBP)* guide or the *Lifelong Learning Plan (LLP)* guide.
- You have to contribute to the Canada Pension Plan (CPP). This can apply if, for 2002, 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 applies:

- You want to claim a refund.
- You want to apply for the GST/HST credit (see page 11). For example, you may be eligible if you turn 19 before April of 2004.
- You or your spouse or common-law partner wants to begin or continue receiving Canada Child Tax Benefit payments (see page 7).

- You have incurred a non-capital loss (see line 236) in 2002 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 (see page 23) for future years up to date.

What date is your return for 2002 due?

Generally, your return for 2002 has to be filed **on or before April 30, 2003**.

Note

If you file your return after April 30, 2003, your GST/HST credit, Canada Child Tax Benefit (including those 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 2002 (other than a business whose expenditures are primarily in connection with a tax shelter) your return for 2002 has to be filed **on or before June 15, 2003**. However, if you have a balance owing for 2002, you still have to pay it **on or before April 30, 2003**. 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 2002, you may have to file a return for 2002 for that individual. Get the *Preparing Returns for Deceased Persons* guide for details about your filing requirements and options.

Note

If you received income in 2002 for a person who died in 2001 or earlier, do not file a return for 2002 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.

What penalties and interest do we charge?

Penalties

If you owe tax for 2002, and do not file your return for 2002 **within the dates** we specify under “What date is your return for 2002 due?” on page 6, we will charge you a late-filing penalty. The penalty is 5% of your balance owing for 2002, 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, 2003, 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, include a letter with your return (or send one to us separately) giving the reasons why you filed your return late. 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 2002. If you also failed to report an amount on your return for 1999, 2000, or 2001, 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 10.

Interest

If you have a balance owing for 2002, we charge compound daily interest starting May 1, 2003, on **any unpaid amounts owing** for 2002. 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 SIN 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 your Human Resources Development Canada office, or visit www.hrdc.gc.ca/sin on the Internet. You will find the address and telephone number of your office in the government section of your telephone book, and on the Web page mentioned above.

Canada Child Tax Benefit (CCTB)

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 application also is 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.

The CCTB is 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 the benefit, **you both have to file a return every year**, even if there is no income to report.

Once you have applied for the CCTB, 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 (or 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, you should wait until you are separated for at least 90 days);
- you receive your payments by direct deposit (see page 43) and your banking information changes; or
- your or your spouse or common-law partner's immigration or residency status changes.

For more information about the CCTB, get the *Your Canada Child Tax Benefit* pamphlet, 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, 2002. However, there are exceptions (see the 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, 2002, 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:

- If, on December 31, 2002, you had **residential ties** (see above) 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.

- If you are filing a return for a person who died in 2002, use the package for the province or territory where that person resided at the time of death.
- If you emigrated from Canada in 2002, use the package for the province or territory in which you resided on the date you left.
- If you lived outside Canada on December 31, 2002, but maintained **residential ties** (see page 7) with Canada, you may be considered a **factual resident** of a province or territory. Use the package for the province or territory where you kept your residential ties. However, this may not apply if you were a factual resident who, under a tax treaty, is considered to be a resident of another country. For more information, contact us.
- If you were a **non-resident** (see later on this page) of Canada throughout 2002, 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.
- If you were a **deemed resident** (see later on this page) of Canada on December 31, 2002, use the package for **non-residents and deemed residents of Canada**. However, if you are reporting only Canadian-source income from a business with a permanent establishment in a province or territory, use the package for that province or territory.

Non-resident – You are a non-resident for tax purposes throughout any period in which you do not have **residential ties** (see page 7) in Canada and you are not a **deemed resident** (see below) of Canada. Contact us to find out the special rules that apply to you.

Deemed resident – You are a deemed resident for tax purposes if you did not establish **residential ties** (see page 7) in Canada, but you stayed here for 183 days or more in 2002 and, under a tax treaty, you were not considered a resident of another country.

Generally, you also were a deemed resident if you resided outside Canada during 2002, you did not maintain **residential ties** (see page 7) in Canada, and you were a government employee, a member of the Canadian Forces or their overseas school staff, or working under a Canadian International Development Agency program. This also may apply to your dependent children and other family members.

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 5. 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 may also need one 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 the *Non-Residents and Income Tax* guide.
- If you were a non-resident, and you received rental income from real property in Canada, get the *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 the *Electing Under Section 217 of the Income Tax Act* pamphlet.
- If you were a newcomer to Canada in 2002, get the *Newcomers to Canada* pamphlet.
- If you emigrated from Canada during 2002, get the *Emigrants and Income Tax* pamphlet.
- If you will be outside Canada for an extended period, get the *Canadian Residents Abroad* pamphlet.

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. You can file a paper return, or you can file electronically (see the next section). No matter how you file your return, see “What do you include with your return and what records do you keep?” on page 9.

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. If you are filing a paper return, mail or deliver it 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.

Note

If you have a farming business and you are participating in the net income stabilization account (NISA) program, use the envelope contained in the *Farming Income and NISA* guide.

Filing electronically



Your EFILE service provider can complete and file your return for you, or you can complete your return yourself for an EFILE service provider who files client-prepared returns.



If you complete your return using computer software, this fast, secure system lets you file it over the Internet. Visit www.netfile.gc.ca for more information. If you do not have an access code (see page 5) call 1-800-714-7257 to get one.



You may be able to file your return by telephone for free. To find out, visit www.ccra.gc.ca/telefile or call 1-800-959-8281. If you do not have an access code (see page 5) call 1-800-714-7257 to get one.

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 your Schedule 1 and, if you are not a resident of Quebec, your Form 428.** Your return, the guide explanations, the forms, or the schedules 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 (see page 8) keep them in case we select your return for review. Generally, you should keep your supporting documents for six years.

You should also keep a copy of your return for 2002, the related *Notice of Assessment*, and any *Notice of Reassessment*. These can help you complete your return for 2003. For example, your notice for 2002 will tell you:

- your RRSP deduction limit for 2003;
- your unused RRSP contributions for 2003;
- 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 2002, as explained on page 6, make sure you file it **on time** (see page 6) 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 (see page 8) keep all of your documents in case we ask to see them.

After you file

What happens to your return after we receive it?

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 also review some returns **after** we have assessed them, to verify the income reported or 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 (see page 8) in as little as eight business days, but wait at least four weeks before you call.

To find out about your refund, use **Telerefund**, one of our **T.I.P.S.** services (see page 46).

When will we pay interest?

We will pay you compound daily interest on your tax refund for 2002, starting on whichever of the following three dates is **latest**:

- June 15, 2003;
- the 46th 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 (such as 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 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**. Instead, 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 2002.

You can ask for a refund for years as far back as 1985. 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?

If you have not already filed one, you can file a return to claim a refund for 1985 or any year after that. If you are filing a return for a year before 2002, 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 6) but you did not, or you sent us an incorrect return. If so, and the missing or incorrect return was due more than a year ago, 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*, 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 or hypothetical 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 43) 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.

You can tell us your new address by phone, in writing, in person, or on our www.ccra.gc.ca/newaddress Web page. 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 2003 by instalments, estimate your taxes and credits for 2003 using your return for 2002. Enter those amounts in the chart on the *Federal Worksheet* in the forms book. The chart contains the most common factors to consider. To find out all of the factors, or to calculate your payments, get Form T1033-WS, *Worksheet for Calculating 2003 Instalment Payments*.

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.

You can authorize us to withdraw your instalment payments automatically from your account at a financial institution. To do so, or for more information, get Form T1162A, *Pre-Authorized Payment Plan (Personal Quarterly Instalment Payments)*.

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

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 Customs and Revenue Agency
Lancaster Road
Ottawa ON K1A 0L5

Identification, income, and deductions

Identification

Follow the instructions on the return to complete this area. Providing 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, to which you may be entitled.

Personal label

If you have a personal label, attach it to your return. If your name, your address, your 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, 2002. 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 7.

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 2002, enter the province or territory where you had a permanent business establishment.

Marital status

Check the box that applied to your status on December 31, 2002. Check "Married" if you had a spouse (see below) or "Living common law" if you had a common-law partner (see later on this page). 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 of the opposite or same sex who is **not your spouse** (see above) when you live and have a relationship with that person. In addition, at least **one** of the following situations has to apply. He or she:

- is the natural or adoptive parent (legal or in fact) of your child;

- has been living and having a relationship with you for at least 12 continuous months; or
- lived with you previously for at least 12 continuous months as your spouse or common-law partner.

The above 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 in calculating 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 2002. See page 6 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 2002**. 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 also is 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 of 2003 how much you will receive, if any, and how we calculated it. Generally, we will make payments in **July** and **October** of 2003, and **January** and **April** of 2004.

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, 2004, you can apply for this credit on your return for 2002. 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 (or 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, you should wait until you are separated for at least 90 days);
- you have a child;
- 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 43) and your banking information changes;

- you become a resident of Canada; or
- you or your spouse or common-law partner is no longer resident in Canada.

For more information, get the *GST/HST Credit* pamphlet 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 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 40).

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 2002. 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. Attach a completed copy of Form T1135, *Foreign Income Verification Statement*, to your paper return. If you are filing your return electronically (see page 8) 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, contact us.

Loans and transfers to non-resident trusts

In 2002 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 2002, 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 2002.

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;
- allowances for newborn children received from the Régie des rentes du Québec and Quebec family allowances;
- 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; and
- most amounts received from a life insurance policy following someone's death.

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 2002, of which parts were for previous years after 1977, you

have to include the whole payment on the appropriate line of your return for 2002.

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 apply 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 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 1985 or later is treated differently. This income is not subject to the rules discussed under "Loans and transfers of property" above. 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 above does 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 lived in 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 or losses from tax shelter investments, attach to your paper return any applicable T5003 and T5013 slips, and a completed Form T5004, *Statement of 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.

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 contribute to the Canada or Quebec Pension Plan for this income (see line 222).

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 2002, you may have received a payment from a government, municipality, or other public authority for your work as a volunteer ambulance technician, fire fighter, 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.

Stock-option benefits

You may have to report taxable benefits you received in (or carried forward to) 2002 on certain stock options you exercised. 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 Stock Option Benefits*, with your paper return each year. For details, get the *Capital Gains* guide 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 the *Business and Professional Income* guide 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, and Research Grants*.
- **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 12). The amount on your United States W-2 slip may have been reduced by contributions to a “401(k) plan.” Those contributions are not deductible on your Canadian return. Therefore, you have to add this amount 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 2001 or earlier, you may have received a GST/HST or QST rebate in 2002 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. The *Employment Expenses* guide 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 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

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, contact the nearest Income Security Programs office of Human Resources Development Canada.

Notes

If your net income before adjustments (line 234) is more than \$56,968, see line 235 for information about repaying OAS benefits.

If, at any time in 2002, 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.

Lump-sum benefits – If you received a lump-sum CPP or QPP payment in 2002, of which parts were for previous years, you have to include the whole payment on line 114 of your return for 2002. 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 Human Resources 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 the *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 an 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, 2002, 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 2002. See “How do you report foreign income and other amounts?” on page 12. 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 you had an IRA in 2002 and either received amounts from it or converted it 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 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 (see line 425 on page 40).

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 13 for more information.

A child who was born in 1985 or later and reports certain dividends must include a special tax in the calculation of his or her federal and provincial or territorial taxes. However, he or she also can claim a deduction for this income. For more details, see “Split income of a child under 18” on page 13.

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 2002, 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 12.

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 details, 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 13 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.

A child who was born in 1985 or later and reports certain investment income must include a special tax in the calculation of his or her federal and provincial or territorial taxes. However, he or she also can claim a deduction for this income. For more details, see “Split income of a child under 18” on page 13.

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

Karen and Pavel received a T5 slip from their joint bank account showing the \$400 interest they earned in 2002. Karen had deposited \$4,000 and Pavel had deposited \$1,000 into the account.

Karen reports \$320 interest, calculated as follows:

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

Pavel 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 2002, 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 “Canada Savings Bonds (CSBs)” later on this page.

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, 2001, report on your return for 2002 the interest that accumulated to the end of June 2002, even if you do not receive a T5 slip. Report the interest from July 2002 to June 2003 on your 2003 return.

Note

Your investment agreement may specify a different interest rate each year. If so, report the amount 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 46).

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.

Tax Tip

If you bought bonds through your payroll savings plan, you can deduct any interest charges you paid to buy the bonds. See line 221 for details.

Treasury bills (T-bills)

If you disposed of a T-bill at maturity in 2002, 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 2002, you may also have to report a capital gain or loss. For details, get the *Capital Gains* guide.

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.

A child who was born in 1985 or later and reports certain limited or non-active partnership income must include a special tax in the calculation of his or her federal and provincial or territorial taxes. However, he or she also can claim a deduction for this income. For more details, see "Split income of a child under 18" on page 13.

If you have a tax shelter, see "Tax shelters" on page 14.

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 Form 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.

The *Rental Income* guide contains Form T776 and more information about rental activities.

If you have a tax shelter, see "Tax shelters" on page 14.

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.

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, social benefits repayment (line 235), age amount (line 301 on Schedule 1), or refundable medical expense supplement (line 452). If this applies to you, contact us for more details.

When you donate capital property to a charity, we consider you to have sold 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 the *Capital Gains* guide and the *Gifts and Income Tax* pamphlet.

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 the *Capital Gains* guide.

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 2002 that you want to apply against taxable capital gains you reported on your 1999, 2000, or 2001 return. In that case, you probably will have to adjust the loss you want to apply. For more information and to carry back the loss, get Form T1A, *Request for Loss Carryback*, and the *Capital Gains* guide. 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 2002, get the *Preparing Returns for Deceased Persons* guide 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 a spouse or common-law partner, or for a child, that you received (or that you paid, if they were repaid to you under a court order) in 2002. Enter on line 128 only the **taxable** amount. For more details, get the *Support Payments* guide.

Tax Tips

You can 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 the *Support Payments* guide.

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 registered retirement savings plan (RRSP). See “RRSPs for spouse or common-law partner” later on this page 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 2002, you may be able to claim a deduction on line 232.

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 2000, 2001, or 2002. 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 the *RRSPs and Other Registered Plans for Retirement* guide.

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 2002. The minimum repayment is shown on your *Notice of Assessment* or *Notice of Reassessment* for 2001. To make a repayment, you have to contribute to your RRSP, **from January 1, 2002, to March 1, 2003**, and designate your

contribution as a repayment on line 6 or 7 of Schedule 7 (see page 22). **Do not make your repayment to us.**

If you repay less than the minimum amount for 2002, you have to include the difference on line 129 of your return.

Example

Mohammed withdrew funds under the HBP in 1997. His required repayment for 2002 was \$800. The only RRSP contribution he made from January 1, 2002, to March 1, 2003, was for \$500 on June 18, 2002. He designated it on line 6 of Schedule 7 as a repayment under the HBP, and 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 the *Home Buyers’ Plan (HBP)* guide or the *Lifelong Learning Plan (LLP)* guide.

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 13 for more information.

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

Total all the amounts you received in 2002 (box 28 of your T4A slips). If you received an amount (other than an artist’s project grant) for a program for which you can claim the education amount for 2002 (see line 323) report only the amount that is more than \$3,000. Make sure to complete Schedule 11 even if you have no tax to pay and you are transferring all or part of your tuition and education amounts to a supporting person. Otherwise, report on line 130 only the amount that is more than \$500.

Note

If you received an artists’ project grant, you can subtract the \$500 or your expenses, whichever you prefer, but not both. However, the expenses you claim cannot be more than the grant. You cannot claim personal living expenses while at your usual place of residence.

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, *Scholarships, Fellowships, Bursaries, Prizes, and Research Grants*.

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 2002, 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 2002.

However, you can ask us to apply a reduced tax rate to the part that relates to amounts you earned before January 1, 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 the amount in box 26 of your T3 slips. Details regarding the retiring allowance will be shown in box 36 and in the footnotes area of the 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 registered retirement savings plan (RRSP). See “Line 11 – Transfers” on page 23.

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 46).

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.

If your fiscal period did not end on December 31, 2002, the *Reconciliation of Business Income for Tax Purposes* guide will help you calculate the business income to report on your return for 2002. If you filed Form T1139, *Reconciliation of 2001 Business Income for Tax Purposes*, with your return for 2001, you probably have to complete the version of this form for 2002 and attach it to your paper return.

Notes

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

A child who was born in 1985 or later and reports certain self-employment income must include a special tax in the calculation of his or her federal and provincial or territorial taxes. However, he or she also can claim a deduction for this income. For more details, see “Split income of a child under 18” on page 13.

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

- *Business and Professional Income* (Form T2124, *Statement of Business Activities*, and Form T2032, *Statement of Professional Activities*)
- *Fishing Income* (Form T2121, *Statement of Fishing Activities*)
- *Farming Income* (Form T2042, *Statement of Farming Activities*) or *Farming Income and NISA* (Form T1163, *Statement A – NISA Account Information and Statement of Farming Activities for Individuals*, and Form T1164, *Statement B – NISA Account Information and Statement of Farming Activities for Additional Farming Operations*)

Notes

If you are participating in the net income stabilization account (NISA) program and you are filing a paper return, use the envelope contained in the *Farming Income and NISA* guide.

If you use your home for day care, see the *Using Your Home for Day Care* pamphlet 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, you 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 on page 20, or a copy of the partnership's financial statement.

For more information, contact our **Business Enquiries** service. See "Contacting us" on page 5.

If you have a tax shelter, see "Tax shelters" on page 14.

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 2002, 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.

Note

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, whichever of you has the higher net income will have to include them.

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 \$56,968 or less, claim a deduction on line 250 for the net federal supplements you entered on line 146. If line 234 of your return is more than \$56,968, 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 2002 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 2003, which we will show on your *Notice of Assessment* or *Notice of Reassessment* for 2002. 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 2002, 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 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 (see page 8) keep all of your documents.

Line 208 – RRSP deduction

This section gives general information on registered retirement savings plans (RRSPs). If you need more information after reading this section, get the *RRSPs and Other Registered Plans for Retirement* guide. For information about Schedule 7, see page 22.

Receipts – If you are filing a paper return, include your official receipts for all amounts you contributed from March 2, 2002, to March 1, 2003, including those you are not deducting on your return for 2002 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 page 22 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 (see page 8) 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 2001 **plus** the total of your RRSP contributions made from March 2, 2002, to March 1, 2003 (not including amounts you designate as HBP or LLP repayments, see “Lines 6 and 7 – Repayments under the HBP and LLP” later on this page); or
- your RRSP deduction limit for 2002 (see “Line 10 – Contributions based on your RRSP deduction limit for 2002” on page 23) **plus** amounts you transfer (see “Line 11 – Transfers” on page 23) to your RRSP on or before March 1, 2003.

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 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 special tax.

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 2001 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 46).

Notes

If you have unused RRSP contributions that you made from March 2, 2001, to March 1, 2002, you should have filed a completed Schedule 7 with your 2001 paper return. If you did not, you should submit your receipts and a completed copy of a 2001 Schedule 7 to your tax centre, **but not with your return for 2002**. See “How do you change a return?” on page 10 for details.

If you have unused contributions that you made from January 1, 1991, to March 1, 2001, but did not show on a Schedule 7 for 2000 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, 2002, to March 1, 2003;
- transferred to your own RRSP (see “Line 11 – Transfers” on page 23); and
- designate as Home Buyers’ Plan (HBP) or Lifelong Learning Plan (LLP) repayments (see “Lines 6 and 7 – Repayments under the HBP and LLP” later on this page).

Make sure you include on these lines any contributions you made from January 1, 2003, to March 1, 2003, even if you are **not** deducting or designating them on your return for 2002. Otherwise, we may reduce or disallow your claim for these contributions on your return for a future year.

Do not include the following amounts:

- Any unused RRSP contributions you made on or after March 2, 2002, that were refunded to you or your spouse or common-law partner in 2002. Report the refund on line 129 of your return for 2002. 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 the *Home Buyers’ Plan (HBP)* guide or the *Lifelong Learning Plan (LLP)* guide.
- 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 2002, 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 2001, you have to make a repayment for 2002. If you withdrew funds from your RRSP under the Lifelong Learning Plan (LLP) before 2001, you may have to make a repayment for 2002. 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 2001.

To make a repayment for 2002, contribute to your **own** RRSP from January 1, 2002, to March 1, 2003, 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 2001 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 2002, you have to include the difference on line 129 of your return.

Line 10 – Contributions based on your RRSP deduction limit for 2002

Your RRSP deduction limit for 2002 is shown on your *Notice of Assessment* or *Notice of Reassessment* for 2001, or, if we sent you one, on Form T1028, *Your RRSP Information for 2002*. 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 2002 by using **RRSP deduction limit**, one of our **T.I.P.S.** services (see page 46) or by contacting us.

If you would like to calculate your RRSP deduction limit for 2002, get the *RRSPs and Other Registered Plans for Retirement* guide.

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 2002. If you contributed certain types of this income to your own RRSP on or before March 1, 2003, you can deduct this contribution, called a **transfer**, in addition to any RRSP contribution you make based on your “RRSP deduction limit for 2002.”

For example, if you received a retiring allowance in 2002, 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 4 and 11 of Schedule 7.

The *RRSPs and Other Registered Plans for Retirement* guide has more information about amounts you can transfer.

Lines 15 to 18 – 2002 withdrawals under the HBP and the LLP

On line 15, enter the total of your HBP withdrawals for 2002 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 2002 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 *Home Buyers’ Plan (HBP)* and *Lifelong Learning Plan (LLP)* guides 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 deduction

You can deduct contributions to the Saskatchewan Pension Plan (SPP) for 2002, up to whichever of the following three amounts is **least**:

- \$600;
- your 2002 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, 2002, to March 1, 2003, not including any contributions that you deducted on your 2001 return.

Receipts – If you are filing a paper return, include your receipts. If you are filing electronically (see page 8) 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** in the year:

- annual membership dues you paid to a trade union or an association of public servants;
- dues you paid to a professions board that you had to pay under provincial or territorial law;
- professional or malpractice liability insurance premiums or professional membership dues you paid if you had to pay them to keep a professional status recognized by law; and
- dues you paid to a parity or advisory committee (or similar body) that you had to pay under provincial or territorial law.

Annual membership dues do not include initiation fees, 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 (see page 8) 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 2002. The expenses are deductible only if, at some time in 2002, 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 2002*. However, if you claimed child care expenses on your 2001 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 the *Information Concerning People With Disabilities* guide 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 (see page 8) keep all of your documents.

Line 215 – Attendant care expenses

If you can claim the disability amount (line 316 on Schedule 1) you can claim expenses you paid for personal attendant care 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.

Tax Tip

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

To calculate your claim, complete Form T929, *Attendant Care Expenses*. For more information, see Form T929 or use **Info-Tax**, one of our **T.I.P.S.** services (see page 46).

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 (see page 8) keep all of your documents.

Line 217 – Business investment loss

A business investment loss is a special type of capital loss. For example, such a loss can occur 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 the *Capital Gains* guide.

If you have a tax shelter, see “Tax shelters” on page 14.

Line 219 – Moving expenses

Generally, you can deduct moving expenses you paid in 2002 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 in 2001 but could not claim all your expenses on your return for that year, you may be able to claim the remaining expenses on your return for 2002.

In addition, if you moved after 1997, even if you paid your expenses in a later year, you now may be able to claim them on your return for the year you paid them, and carry forward unused amounts until you have enough income to claim them. If this affects how you would have filed your return for a previous year, you can ask us to change it. See “How do you change a return?” on page 10.

Your deduction is limited to the amount of 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 (see page 8) keep all of your documents.

Line 220 – Support payments made

Enter on line 230 the total of **all** support payments for a spouse or common-law partner, or for a child, that you made (or that you received, if you repaid them under a court order) in 2002. Claim on line 220 only the **deductible** amount. For more details, get the *Support Payments* guide.

Generally, to be allowed your claim, you have to 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 (see page 8) 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, 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); 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 the *Capital Gains* guide.

Canada Savings Bonds (CSBs) – When you buy bonds through payroll deductions, you may pay an interest charge. You can claim this amount on line 221.

Example

Michael bought a \$1,000 CSB through payroll deductions. The total amount deducted from his pay for the bond was \$1,017.94 (the \$1,000 face value of the bond plus \$17.94 he paid in interest). Michael can claim the \$17.94 on line 221.

Policy loan interest – To claim interest you paid during 2002 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, 2003.

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 2002, 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 (see page 8) keep all of your documents.

If you have a tax shelter, see “Tax shelters” on page 14.

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” later on this page); and
- choose to make on your Quebec provincial return 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 not have contributed to the CPP for certain income you earned through employment, or you may have contributed less than you were allowed. This can happen if **any** of the following applies:

- You had more than one employer in 2002.
- 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 \$1,673.20, you can contribute 9.4% on any part of the income on which you have not already made contributions. The maximum income for 2002 for which you can contribute to the CPP is \$39,100. Making additional contributions may increase the pension you receive later.

To make additional CPP contributions for 2002, get Form CPT20, *Election to Pay Canada Pension Plan Contributions*. Attach a completed copy to your paper return, or send it to us separately on or before June 15, 2004. This form lists the eligible employment income on which you can make additional CPP contributions.

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**, 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**, 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 2002, 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.

Line 224 – Exploration and development expenses

If you invested in a petroleum, natural gas, or mining venture in 2002, 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 5.

If you have a tax shelter, see “Tax shelters” on page 14.

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 tools (other than if you are an

apprentice vehicle mechanic, see later on this page) 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. The *Employment Expenses* guide 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 2002 or a previous year, if you repaid them in 2002. 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. However, you have to reduce your claim by any amount awarded to you, or any reimbursement you received for your legal expenses.

Apprentice vehicle mechanics – You may be able to deduct an amount for new tools (including certain related equipment) you purchased to use at work as an apprentice vehicle mechanic while you were registered in a provincial or territorial program leading to a license to repair self-propelled motorized vehicles. See the *Employment Expenses* guide for more details.

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 (see page 8) 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. 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 (see page 8) keep all of your documents.

Line 232 – Other deductions

Use this line to claim allowable amounts not deducted anywhere else on this return. In the space to the left of line 232, 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.

Receipts – If you are filing electronically (see page 8) 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 1985 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 13.

If you have a tax shelter, see “Tax shelters” on page 14.

Income amounts paid back

In 2002, you may have paid back amounts that you received and included in income for 2002 or a previous year. If so, you can deduct most of these amounts on line 232 of your return for 2002. 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 2001, tax may have been withheld from your OAS benefits for 2002. The amount deducted is included in box 22 of your T4A(OAS) slip for 2002. 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 Development Canada (HRDC). For example:

- HRDC 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 HRDC. 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*, 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 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. For more information, get the *Support Payments* guide.

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

You also can deduct any of the following amounts on this line:

- 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 2002 (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 2002 (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 2002 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 below) 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 \$56,968. 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 Human Resources Development Canada.

Note

If you had an OAS repayment for 2001, tax may have been withheld from your monthly OAS pension for 2002. The amount deducted is included in box 22 of your T4(OAS) slip for 2002. Claim it on line 437. Similarly, if you have an OAS repayment for 2002, tax may be withheld starting with your July 2003 OAS payment. For more details, contact us.

Line 236 – Net income

We use this information in calculating 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 2002, you may want to carry it back to your 1999, 2000, or 2001 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 248 – Employee home relocation loan deduction

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

Line 249 – Stock option and shares 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 "Stock-option benefits" on page 14) claim 50% of the amount from line 4 of Form T1212, *Statement of Deferred Stock Option Benefits*.

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

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 \$56,968 **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 against income earned from the same partnership. 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 2002 on your return for 2002.

Line 252 – Non-capital losses of other years

Enter the amount of your unapplied non-capital losses you reported on your 1995 to 2001 returns, or your unapplied farming and fishing losses you reported on your 1992 to 2001 returns, that you want to apply in 2002. Your available losses are shown on your *Notice of Assessment* or *Notice of Reassessment* for 2001.

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 the *Farming Income, Farming Income and NISA, or Fishing Income* guide 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 2001. You probably will have to adjust any losses you incurred after 1987 and before 2001. For details, get the *Capital Gains* guide.

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 the *Capital Gains* guide.

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 (see page 8) 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.

This change also applies to the years 1997 to 2001. If it affects how you would have filed your return for any of those years, you can ask us to change it. See “How do you change a return?” on page 10. To find out how much qualifying assistance you received in any of those years, contact the payer.

Employees of prescribed international organizations

If, in 2002, 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 2002, you are allowed a basic exempt amount of \$40,000.

Generally, to find out if you have to pay this tax, add together 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*. To calculate your additional provincial or territorial tax for minimum tax purposes, use Form T1219, *Provincial and Territorial Alternative Minimum Tax*.

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 employee stock options and shares.

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

Sergio claimed a \$50,000 deduction in 2002 for carrying charges. Because this deduction is more than \$40,000, Sergio 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 2002 if you paid minimum tax on any of your returns for 1995 to 2001 (see line 427 on page 40).

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 2002, 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 the *Newcomers to Canada* pamphlet or the *Emigrants and Income Tax* pamphlet, whichever applies.

Amounts for non-resident dependants (lines 303 and 306)

You may be able to claim an amount for certain dependants who live outside Canada, if they depended on you for support. You may be able to make this claim for your spouse or common-law partner (line 303) and for your or your spouse or common-law partner's children and grandchildren who were born in 1984 or earlier and who were mentally or physically infirm (line 306). You cannot claim an amount for any other relatives who lived outside Canada for all of 2002.

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 support payments. If you are filing electronically (see page 8) 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 \$7,634.

Line 301 – Age amount

If you were 65 or older on December 31, 2002, and your net income (line 236 of your return) was:

- \$27,749 or less, enter \$3,728 on line 301;
- more than \$27,749, but less than \$52,602, complete the chart for line 301 on the *Federal Worksheet* in the forms book to calculate your claim; or
- \$52,602 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 and his or her net income (see below) was:

- \$649 or less, claim \$6,482 on line 303;
- more than \$649, but less than \$7,131, calculate your claim at line 303; or
- \$7,131 or more, you cannot claim a spouse or common-law partner amount.

Make sure you enter your marital status and the information concerning your spouse or common-law partner in the Identification area on page 1 of your return. 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 2002** because of a breakdown in your relationship, you have a choice. You can claim, for your spouse or common-law partner, either the deductible support amounts paid for the year or an amount on line 303, whichever is better for you. If you reconciled before the end of 2002, and you choose to claim an amount on line 303, you also can claim 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, 2002, use his or her net income for the whole year. This applies even if you got married in 2002, or if you separated and got back together in 2002. If you separated in 2002 because of a breakdown in your

relationship, and were not back together on December 31, 2002, 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; 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 (legal or in fact); or
- your child, grandchild, brother, or sister, by blood, marriage, common-law partnership, or adoption (legal or in fact) **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 on page 8) 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. However, if you were separated from your spouse or common-law partner for only **part of 2002** due to a breakdown in your relationship, you have a choice. You can claim, for that child, either an amount on line 305 (plus any allowable amounts on lines 306, 315, and 318) or the support amounts paid for the year (if they are deductible) 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:

- \$649 or less, claim \$6,482 on line 305;
- more than \$649, but less than \$7,131, complete the chart for line 305 on the *Federal Worksheet* in the forms book to calculate your claim; or
- \$7,131 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 the *Information Concerning People With Disabilities* guide 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 for 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 1984 or earlier**.

You also can claim an amount for a person who 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 1984 or earlier;
- mentally or physically infirm;
- dependent on you, **or** on you and others for support; and
- living in 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 an 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 \$8,720.

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 2002** due to a breakdown in your relationship, you have a choice. You can claim, for that child, either an amount on line 306 (plus any allowable amounts on lines 305 and 318) or the support amounts paid for the year (if they are deductible) 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 the *Information Concerning People With Disabilities* guide 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 \$1,673.20.

If you contributed to the QPP in 2002 but lived **outside Quebec** on December 31, 2002, 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 \$1,673.20, 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 lived **in Quebec** on December 31, 2002, and contributed more than \$1,673.20, claim the overpayment on your Quebec provincial return.

You may have an overpayment, even if you contributed \$1,673.20 or less. For example:

- In 2002, you may have been a CPP participant and either turned 18 or 70, or received a CPP retirement or disability pension.
- In 2002, you may have been a QPP participant and either turned 18 or received a QPP disability pension.
- From all your T4 slips for 2002, 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 2002 Canada Pension Plan Contributions and 2002 Employment Insurance Premiums*.

You may be able to make CPP contributions on certain employment income for which no contributions (or less than the maximum) were made. For more information, see "Making additional CPP contributions" on page 25.

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 be able to contribute to the CPP on this income. See "Making additional CPP contributions" on page 25 for details.

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 \$858.00.

If you contributed more than \$858.00, 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 upon 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 2002 (or box 14 if either of these boxes is blank).

You may have an overpayment of your premiums even if the total is \$858.00 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 2002 Canada Pension Plan Contributions and 2002 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.

You also may have an overpayment if your insurable earnings are more than \$2,000 and less than \$2,045. You can calculate your overpayment, if any, using Form T2204.

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 2002, you (either alone or with another person) maintained a dwelling where you and a dependant lived, you may be able to claim this amount. The dependant must have been one of the following individuals:

- your 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 \$15,917; 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 1937 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 2002** due to a breakdown in your relationship, you have a choice. You

can claim, for that child, either the amount on line 315 (plus any allowable amounts on lines 305 and 318) or the support amounts paid for the year (if they are deductible) 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 the *Information Concerning People With Disabilities* guide for details about different amounts you may be able to claim.

Line 316 – Disability amount

You can claim this amount if a qualified person certifies **both** of the following:

- You had a **severe** mental or physical impairment in 2002 that caused you to be markedly restricted in any of the basic activities of daily living.
- Your impairment was **prolonged**, which means it has lasted, or is expected to last, for a continuous period of at least 12 months.

You are markedly restricted in a basic activity of daily living if, **all or almost all of the time**, you are unable to do the following, even with therapy (other than life-sustaining therapy, see page 34) and the use of appropriate devices and medication:

- see, as certified by a medical doctor or an optometrist;
- 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 or dress yourself, as certified by a medical doctor or an occupational therapist; or
- eliminate bodily wastes, as certified by a medical doctor.

You also can be considered to be markedly restricted if it takes you an extremely long time to do any of the above.

Notes

We can consider **only these** basic activities of daily living to see if you qualify for this amount.

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.

Life-sustaining therapy – You may receive life-sustaining therapy to support a vital function, such as clapping therapy to help in breathing or kidney dialysis to filter your blood. You may qualify for this amount if a medical doctor certifies that you need this therapy at least three times per week, and that you have to spend an average of at least 14 hours per week receiving it. This therapy does not include implanted devices, such as a pacemaker, or special programs of diet, exercise, hygiene, or medication.

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 \$3,605. However, child care expenses (line 214) and attendant care expenses (on line 215 or as a medical expense on line 330) anyone claimed for you for 2002 may reduce this claim.

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 2001 and you still met the eligibility requirements in 2002, 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 2002 or we ask you to do so.
- If you were 18 or over at the end of the year, claim \$6,180. 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 the *Information Concerning People With Disabilities* guide. That guide also contains Form T2201. We will accept a photocopy of your Form T2201 only if the signature of the person authorized to certify the impairment is an original, not a photocopy.

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 lived in Canada at any time in 2002 and was dependent on you because of his

or her mental or physical impairment. 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 2002.

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 2002** due to a breakdown in your relationship, you have a choice. You can claim, for that child, either an amount on line 318 (plus any allowable amounts on lines 305, 306, and 315) or the support amounts paid for the year (if they are deductible) 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 2001 and still met the eligibility requirements in 2002, 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 2002 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 the *Information Concerning People With Disabilities* guide 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, you can claim an amount for most of the interest you, or a person related to you, paid on that loan after 1997.

You can claim an amount only for interest you have not previously claimed. If you do not wish to claim these amounts on the return for the year they are paid, you can carry them forward and apply them 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. If you are filing electronically (see page 8) keep them in case we ask to see them.

Line 323 – Tuition and education amounts

Claim your eligible tuition and education amounts for 2002, and any unused amounts carried forward from previous years that are shown on your *Notice of Assessment* or *Notice of Reassessment* for 2001. See “Transferring and carrying forward amounts” on page 36 for more information. For more details, get the *Students and Income Tax* pamphlet.

Receipts – If you are filing a paper return, include 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 (see page 8) keep all of your documents.

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) the educational institution has been certified by Human Resources Development Canada. In addition, you must have taken the course in 2002.

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. The fees must not have been paid by your or one of your parents’ employer (or, if they were, the payment must have been 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 Fees Certificate – University Outside Canada*, or Form TL11C, *Tuition Fees 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 2002 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 reimbursement, benefit, grant, or allowance, or for a program related to your job if you received a salary or wages while studying. These amounts do not include others, such as scholarships and student loans.

However, you now can claim this amount even 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 either Form T2202, *Education Amount Certificate*, or Form T2202A, *Tuition and Education Amounts Certificate*, 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 an 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) or to your or your spouse or common-law partner's parent or grandparent (who would claim it on line 324).

Complete Schedule 11 (**particularly** line 327) to calculate this transfer, as well as the back of Form T2202 or T2202A to designate it.

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 earliest year possible. Calculate this amount on Schedule 11.

Tax Tips

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, or your child or grandchild's tuition and education amounts on line 324.

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 2002. The maximum amount that the student can transfer 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) to calculate the transfer amount, and the back of Form T2202, *Education Amount Certificate*, or Form T2202A, *Tuition and Education Amounts Certificate*, 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 (see page 8) 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 2002 that your spouse or common-law partner designates. The maximum amount that the student 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, 2002.

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.

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.

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 2001 and still met the eligibility requirements in 2002, 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 2002 or we ask you to do so.

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 (see page 8) keep all of your documents.

Line 330 – Medical expenses

You can claim medical expenses you or your spouse or common-law partner paid for **any** of the following persons:

- yourself;
- your spouse or common-law partner;
- your or your spouse or common-law partner's child or grandchild who depended on you for support; and
- your or your spouse or common-law partner's parent, grandparent, brother, sister, uncle, aunt, niece, or nephew who lived in Canada at any time in the year and depended on you for support.

You can claim medical expenses paid in any 12-month period ending in 2002 and not claimed for 2001. 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 \$1,728, whichever is less.

On the return for a person who died in 2002, 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.

Under proposed changes, 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. This change is effective for 2001 and later years. If this affects how you would have filed your return for 2001, you can ask us to change it. See "How do you change a return?" on page 10.

Note

If you claim medical expenses for a dependant (other than your spouse or common-law partner) whose net income is more than \$7,634, you have to reduce your claim. See line 331 for details.

Tax tip

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

For more information on medical expenses, get Interpretation Bulletin IT-519, *Medical Expense and Disability Tax Credits and Attendant Care Expense Deduction*.

Allowable medical expenses

The **most common** medical expenses 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 the Quebec Prescription Drug Insurance Plan, but **not** under a provincial or territorial government medical or hospitalization plan;
- payments for artificial limbs, wheelchairs, crutches, hearing aids, prescription eyeglasses or contact lenses, dentures, pacemakers, prescription drugs, and certain prescription medical devices;
- expenses relating to guide and hearing-ear dogs; and
- amounts paid for attendant care or care in an establishment. However, claiming these expenses may prevent any claim for the disability amount for the person receiving the care. For details, see the *Information Concerning People With Disabilities* guide.

For more examples of allowable medical expenses, use **Info-Tax**, one of our **T.I.P.S.** services (see page 46).

Travel expenses – If medical treatment is not available locally, 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 46).

Reimbursement of an allowable expense – You **cannot** claim the part of an expense for which you have been or can 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

Guy 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, Guy can claim the full \$2,800.

How to claim

Make your claim as follows:

- Choose the 12-month period ending in 2002 for which you will claim medical expenses, and add up your expenses for that period. You cannot include any expenses you deducted on your 2001 return.
- Calculate your claim on line 332.

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 income to claim the allowable medical expenses. You can make whichever claim you prefer.

The following example shows how to calculate your claim.

Example

Carol and her husband have reviewed their medical bills and decided that the 12-month period ending in 2002 for

which they will calculate their claim is July 1, 2001, through June 30, 2002. The total of their allowable expenses for that period is \$1,842, which Carol enters on line 330.

Her 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 \$1,728, she enters \$960 on the line below line 330, and subtracts it from \$1,842. The difference is \$882, which is the amount she enters on line 332.

Carol's husband's net income is \$48,000. He calculates 3% of that amount as \$1,440. Because that is less than \$1,728, he subtracts \$1,440 from \$1,842 and finds that he would be allowed only \$402. In this case, Carol and her husband have found that it is better for Carol to claim the expenses.

Receipts – If you are filing a paper return, include your receipts (**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. We will review your claim **before** we assess your return to determine if the person for whom you are claiming medical expenses qualifies. If he or she qualified for the disability amount for 2001 and still met the eligibility requirements in 2002, 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 2002 or we ask you to do so.

If you are filing electronically (see page 8) keep all of your documents in case we ask to see them.

Line 331 – Medical expenses adjustment

You may have claimed medical expenses for a dependant, **other than your spouse or common-law partner**, whose net income was more than \$7,634. In that case, you have to reduce your medical expenses by making the following adjustment:

- Subtract \$7,634 from 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.
- Multiply the result by 4.25.
- Complete this calculation for each such dependant.
- Enter on line 331 the total of the amounts you calculated.

Tax Tip

If the medical expenses adjustment you calculate for a dependant is more than the medical expenses you claimed for that dependant, it is not to your benefit to claim the medical expenses for that dependant.

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. For more information about donations and gifts, or if you donated any of the following, see the *Gifts and Income Tax* pamphlet:

- gifts of property other than cash;
- gifts to organizations outside Canada; or
- gifts to Canada, a province, or a territory made before February 19, 1997, or agreed to in writing before then if they were made after February 18, 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.

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, Hull 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 36 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 2002. If so, attach a note indicating the return with which you submitted the receipt.

If you are filing electronically (see page 8) 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 donations made in 2002 **plus** any donations made in any of the previous five years that have not been claimed before. This includes unclaimed gifts to Canada, a province, or a territory made after February 18, 1997, other than those agreed to in writing before February 19, 1997, which you include on line 342 of Schedule 9.

Generally, you can claim 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 2002, the donations you made in 2002. It may be more beneficial for you not to claim them for 2002, 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 the *Gifts and Income Tax* pamphlet, or use **Info-Tax**, one of our **T.I.P.S.** services (see page 46).

Cultural and ecological gifts (line 342 of Schedule 9)

Unlike other donations, your claim for these types of gifts is not limited to a percentage of net income. You can choose the part you want to claim in 2002, and carry forward any unused part for up to five years. For information about the kinds of property to claim, see the *Gifts and Income Tax* pamphlet.

Net federal tax

Adjustments to 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 29) 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 or your spouse or common-law partner contributed during 2002 to a registered federal political party or a candidate for election to the House of Commons. 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 \$1,075 or more, enter \$500 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 (see page 8) 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 small business property from December 3, 1992, to December 31, 1993;
- 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 an investment in a mining operation that allocates certain exploration expenditures to you; or
- have a partnership statement that allocates to you an amount that qualifies for this credit.

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, 2002, to March 1, 2003.

If you became the first registered holder of an approved share from January 1, 2002, to March 1, 2002, and did not claim the whole credit for it on your 2001 return, you can claim the unused part on your 2002 return. If you became the **first** registered holder of an approved share from January 1, 2003, to March 1, 2003, you can claim any part of the credit for that share on your return for 2002, and the unused part on your return for 2003.

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 slips, *Statement of Registered Labour-Sponsored Venture Capital Corporation Class A Shares*, or official provincial or territorial slips. If you are filing electronically (see page 8) 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**. In that case, see the guide for your provincial return.

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 2002. 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 the *Registered Education Savings Plans (RESPs)* information sheet.

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

See page 41.

Line 422 – Social benefits repayment

See page 41.

Line 424 – Federal tax on split income

Certain income of a child who was born in 1985 or later is treated differently (see “Split income of a child under 18” on page 13). 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 2002:

- You were a resident or deemed resident (see page 8) 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*. 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 1995 to 2001 returns, but you do not have to pay minimum tax for 2002, you may be able to claim credits against your taxes for 2002 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 41.

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. You can carry unclaimed foreign business income taxes back three years and forward seven 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%.

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 12.

- 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 (see page 8) 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**, you may be able to claim a provincial or territorial foreign tax credit. Get Form T2036, *Provincial Foreign Tax Credit*, to help you calculate the credit. Attach a completed copy of the form to your paper return. If you **were** a resident of **Quebec**, see the guide for your provincial return.

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**, enter the Canada Pension Plan (CPP) contributions you have to pay from line 10 on Schedule 8.

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

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 40.

Line 425 – Federal dividend tax credit

See page 40.

Line 426 – Overseas employment tax credit

See page 40.

Line 427 – Minimum tax carry-over

See page 40.

Line 428 – Provincial or territorial tax

If you **were not** a resident of **Quebec**, 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**, 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 2002 – 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 Quebec provincial return.

Lines 431 and 433 – Federal foreign tax credit

See page 40.

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**, do not include on this return any of your Quebec provincial income tax deducted.

If you **were not** a resident of **Quebec**, 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 2002, 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 40).

Line 438 – Tax transfer for residents of Quebec

If you were a resident of **Quebec**, you may have earned income, such as employment income, outside Quebec during 2002. 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 40% 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 Quebec provincial return the amount you want to transfer (up to the maximum). If the taxable income on your provincial return 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** at the end of 2002, and you did not have a business with a permanent establishment outside Quebec, your refundable Quebec abatement is 16.5% of the amount 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** and you had a business with a permanent establishment in Quebec, use Form T2203, *Provincial and Territorial Taxes for 2002 – Multiple Jurisdictions*, to calculate your abatement.

Line 448 – CPP overpayment

If you **were not** a resident of **Quebec**, 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**, this line does not apply to you. Claim the excess amount on your Quebec provincial return.

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.

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

You may be able to claim a credit of up to \$535 if **all** of the following apply:

- You have an amount on line 332 on Schedule 1.
- You were resident in Canada throughout 2002.
- You were 18 or older at the end of 2002.

In addition, the total of the following two amounts has to be \$2,676 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 \$30,996 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, 2002, 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 **both** this credit **and** the amount for medical expenses on line 330 on Schedule 1 for the same expenses.

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 2002, 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 registered for the GST/HST; 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 the *Employment Expenses* guide. If you incurred the expenses as a member of a partnership, use the *GST/HST Rebate for Partners* guide. 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.

Note

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 2002. If we allow your claim, and assess that return in 2003, you have to report the rebate on your return for 2003.

You may have received a GST/HST rebate in 2002. 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 5.

Line 476 – Tax paid by instalments

Enter the total instalment payments you made for your taxes for 2002. In February of 2003, we will issue you either Form INNS1, *Instalment Reminder*, or Form INNS2, *Instalment Payment Summary*, that shows your total instalment payments for 2002 that we have on record. If you made an instalment payment for your taxes for 2002 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**, 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, this line 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 returns.

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. If the difference is less than \$2, 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 2002, we may keep some or all of it to:

- apply against any amount you owe us or are about to owe us;
- 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; or
- satisfy a garnishment order under the *Family Orders and Agreements Enforcement Assistance Act*.

If you pay your taxes by instalments (see page 10) you can attach a note to your paper return to ask us to transfer your refund to your instalment account for 2003.

Direct deposit

 You can have your income tax refund, as well as your GST/HST credit and Canada Child Tax Benefit (CCTB) payments (including those from certain related provincial or territorial programs) deposited directly into your account at a financial institution.

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 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, 2003. If the difference is less than \$2, you do not have to make a payment. If the difference is \$2 or more, you can make your payment in several different ways:

- You may be able to pay using one of your financial institution's electronic services (telephone, Internet, or automated banking machine). To find out, visit www.cra.gc.ca/electronicpayments or ask your financial institution.
- You can make your payment free of charge at your 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 from us.
- You can attach to the **front** of your paper return a cheque or money order made out to the Receiver General, but **only** if you are filing that return. 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 Customs and Revenue Agency, PO Box 9659, Station T, Ottawa ON K1G 6L7.

Notes

If you pay by cheque or money order, write your social insurance number on the **back** to make sure we credit the payment properly.

Do **not** mail us cash or include it with your return.

You can file your paper return early and attach to it a payment post-dated for 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. Generally, this fee is \$15 for each returned cheque.

Making a payment arrangement – If you cannot pay your balance owing on or before April 30, 2003, you can make a mutually acceptable payment arrangement by contacting your tax services office. We will still charge daily compound interest on any outstanding balance starting May 1, 2003, until you pay it in full.

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 7 for details.

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T.I.P.S. (Tax Information Phone Service) and T.I.P.S. Online

For personal and general tax information, use our automated services, T.I.P.S. (by phone at 1-800-267-6999) and T.I.P.S. Online (at www.ccra.gc.ca/tips).

Services	Available dates	Phone	Online
Telerefund – find out the status of your refund for 2002.	mid-February to the end of December	press “1”	select “Telerefund”
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”	select “GST/HST credit”
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”	select “Canada Child Tax Benefit”
RRSP deduction limit – find out the maximum amount you can deduct on your return for 2002 for your RRSP contributions, as well as any of your unused contributions.	mid-September to the end of April	press “4” and then “1”	select “RRSP deduction limit”
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” (see list below)	select “Interactive Information Service”
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”	select “Bulletin Board”
Business Information – get tax information relating to operating a business.	seven days a week, year round	press “5”	select “Business Information”

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 **2001**; or
- if you contact us **on or after May 1**, the amount you entered on line 150 of your return for **2002**.

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121	Interest income	314	Pension income amount
126	Rental income	315	Caregiver amount
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214	Child care expenses	330	Medical expenses
215	Attendant care expenses	349	Donations and gifts
219	Moving expenses	400	GST/HST credit
220	Support payments made	500	Canada Child Tax Benefit (CCTB)
221	Carrying charges and interest expenses	601	EFILE
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		703	Payment arrangements
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		706	Late-filing penalties
		707	Interest rate
		882	Direct deposit
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		899	Info-Tax survey
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Your Rights

In your dealings with the Canada Customs and 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. You can get a copy by calling **1-800-959-2221**, or from our Web site at www.ccr.gc.ca on the “Fairness and Client Rights” page.

More Ways to Serve You!

Pour vous servir encore mieux !



Canada Customs
and Revenue Agency

Agence des douanes
et du revenu du Canada



Canada

Convenient electronic filing options



Join the more than **8.9 million** people who last year trusted in the reliability, security, and speed of the electronic filing options offered by the Canada Customs and Revenue Agency (CCRA). To get your refund fast, simply choose the option that best suits your needs!

File your own tax return . . .

NETFILE

- File over the Internet using CCRA-certified software or a CCRA-certified Web application. For more information, visit www.netfile.gc.ca.

or

TELEFILE

- File by touch-tone telephone. For more information, call **1-800-959-8281** or visit www.ccra.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.ccra.gc.ca/eservices/tax/individuals/efile-ind.



More Ways to Serve You!

Pour vous servir encore mieux!



Canada Customs
and Revenue Agency

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