EST. 1899
United for Literacy
Littératie Ensemble

Personal Income Tax Activity

BEFORE   ## What do you know about income taxes?   **AFTER**

Section 1

T or F	An income tax is a martial arts technique designed to extract pain.	Y or N
T or F	The government collects taxes to pay for public services.	Y or N
T or F	The Canada Revenue Agency (CRA) is responsible for collecting taxes.	Y or N
T or F	The Income tax was established in 1939 to pay for public healthcare.	Y or N

Section 2

T or F	The basic tax equation is Taxable Income x Tax Rate = Tax Liability	Y or N
T or F	Employment Income includes income such as salary, wages, etc.	Y or N
T or F	Canada uses a regressive tax system.	Y or N
T or F	RRSP stands for Random Round Soup Pots.	Y or N

Now complete section A & B in the sample tax scenario below.
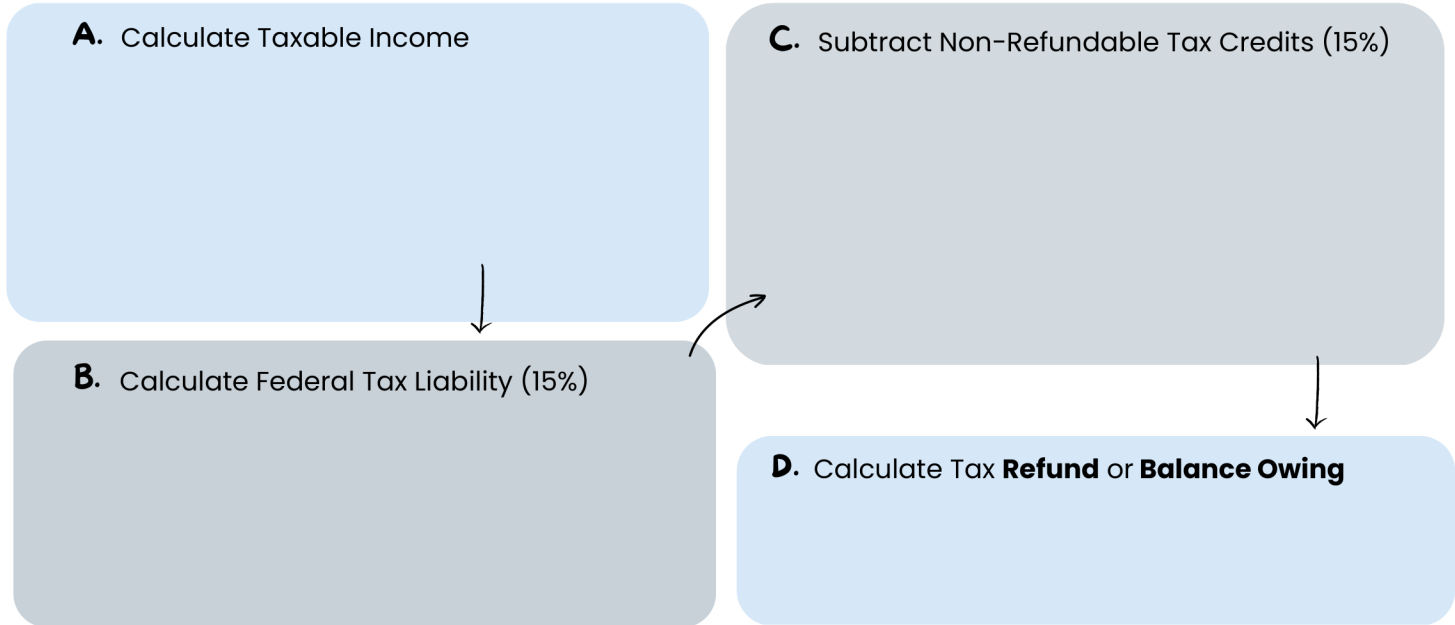
Section 3

T or F	Non-refundable tax credits can be used to pay your credit card bill.	Y or N
T or F	All taxpayers receive a basic personal non-refundable tax credit.	Y or N
T or F	Interest on student loans are a non-refundable tax credit.	Y or N
T or F	The Income Tax payroll deduction is an example of a tax credit.	Y or N
T or F	A refund occurs when your tax credits are greater than your tax liability.	Y or N

Now complete section C & D in the sample tax scenario below.

Sample Tax Scenario:
Use the below information to calculate the tax refund or balance owing.
(For simplicity, assume Provincial taxes will be zero)

Sample Tax Information:

Employment	35,000	RRSP's	3,500	Tuition	6,000
Business Income	10,000	Moving Expenses	800	Basic Personal	15,000
Lottery Winnings	2,000	Phone Bill	700	Tax Credits	5,500

A. Calculate Taxable Income

C. Subtract Non-Refundable Tax Credits (15%)

B. Calculate Federal Tax Liability (15%)

D. Calculate Tax **Refund** or **Balance Owing**

Personal Income Tax Activity
Suggested Answers

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What do you know about income taxes?

BEFORE   **AFTER**

Section 1

BEFORE		AFTER
T or F	An income tax is a martial arts technique designed to extract pain.	Y or **(N)**
T or F	The government collects taxes to pay for public services.	**(Y)** or N
T or F	The Canada Revenue Agency (CRA) is responsible for collecting taxes.	**(Y)** or N
T or F	The Income tax was established in 1939 to pay for public healthcare.	Y or **(N)**

Section 2

BEFORE		AFTER
T or F	The basic tax equation is Taxable Income x Tax Rate = Tax Liability	**(Y)** or N
T or F	Employment Income includes income such as salary, wages, etc.	**(Y)** or N
T or F	Canada uses a regressive tax system.	Y or **(N)**
T or F	RRSP stands for Random Round Soup Pots.	Y or **(N)**

Now complete section A & B in the sample tax scenario below.

Section 3

BEFORE		AFTER
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A. Calculate Taxable Income

Employment Income	35,000
Business Income	10,000
Total Income	**45,000**
Subtract: (Deductions)	
- RRSP's	3,500
- Moving Expenses	800
Taxable Income	**40,700**

B. Calculate Federal Tax Liability (15%)

Taxable Income	40,700
Tax rate	15%
Federal Tax Liability	**6,105**

C. Subtract Non-Refundable Tax Credits (15%)

Non-Refundable Tax Credits:	
Basic Personal	15,000
Tuition	6,000
Total	**21,000**
Allowable Portion	15%
Non-Refundable Tax Credits	**3,150**
Federal Tax Liability	6,105
Subtract Non-Refundable Tax Credits	3,150
Tax Payable	**2,955**

D. Calculate Tax **Refund** or **Balance Owing**

Tax Payable	2,955
Subtract Tax Credits	5,500
Tax Refund	**1,150**