Practice with case studies Indigenous Peoples

Reporting tax-exempt social assistance payments

Pre-test question

Select True or False

All income a Status Indian receives while living on a reserve is tax exempt under the Indian Act.

True

Sorry, that's incorrect

Not all income is tax exempt under the Indian Act, regardless of where the individual lives or works. For example, Old Age Security (OAS) benefits are not tax exempt under the Indian Act.

• False

That's correct

Not all income is tax exempt under the Indian Act, regardless of where the individual lives or works. For example, Old Age Security (OAS) benefits are not tax exempt under the Indian Act.

Instructions

- 1. Open the tax software
- 2. Review the **Background information** and **Required slips** (tax slips, receipts, etc.)
- 3. Provide all required information for the appropriate sections of the tax software
- 4. Once completed, compare your results with the solution provided
- 5. Afterwards, refer to the **Takeaway points**

Background information

Situation

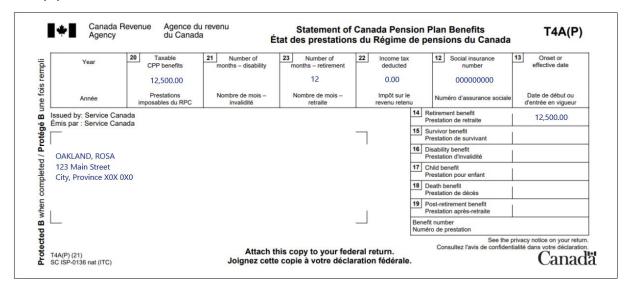
Rosa lives on a reserve, and she received \$6,000 in OAS payments, and \$12,500 in Canada Pension Plan (CPP) of which \$10,000 is tax exempt. Rosa also received \$5,000 in social assistance from the band council for which she has a letter from the band council that explains the social assistance payments.

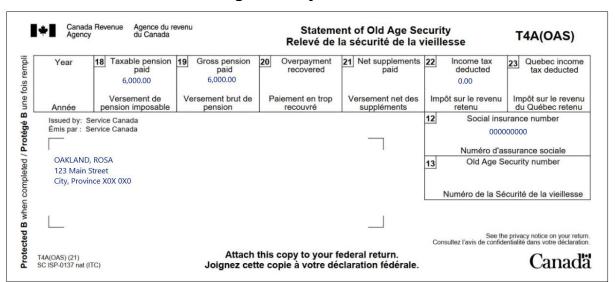
Identification information

Name	Rosa Oakland
Social insurance number (SIN)	000 000 000
Address	123 Main Street City, Province X0X 0X0
Date of birth	November 22, 1939
Marital status	Single

Required slips

T4A(P) - Statement of Canada Pension Plan Benefits





T4A(OAS) - Statement of Old Age Security

Takeaway points

Steps to follow

- 1. Review their background information and required slips
- 2. In **Interview setup**, tick the boxes next to:
 - Tax return for a Status Indian in the Specific situations section
 - Social assistance, worker's compensation (T5007/RL-5) in the Employment and other benefits section
 - Pension income, other income and split pension income, COVID-19 benefits (T4A, T4FHSA, T4A(OAS), T4A(P), T4A-RCA, T4RSP, T4RIF,
 T1032) in the Pension and other income section
- 3. Click **Status Indian** in the left-side menu and select **Yes** from the **Please** confirm that you are a registered Indian, or entitled to be registered as an **Indian under the Indian Act** drop-down menu
- Enter \$10,000 into the Exempt CPP/QPP benefits field, and \$5,000 into the Exempt social assistance payments field
- 5. Click **Social assistance, worker's compensation** in the left-side menu, then click the **+** sign next to **T5007-Worker's compensation benefits, social assistance, etc. (federal lines 14400, 14500, 14600)** and enter **\$5,000** into

- field Box 11 social assistance payments or provincial or territorial supplements
- 6. Click **T4A, T4FHSA and pension income** in the left-side menu, then click the + sign next to **T4A(P) Statement of Canada or Québec pension plan benefits** and enter the information from the T4A(P)
- 7. Click **T4A**, **T4FHSA** and pension income in the left-side menu, then click the + sign next to **T4A(OAS) Old age security pension income** and enter the information from the T4A(OAS)

Rosa's social assistance payments are tax exempt because she lives on a reserve, has Indian status, and received the payments from a First Nation or band council. They are not reported on line 14500 and there is no deduction on line 25000. The software automatically reports tax-exempt income, under the Indian Act, on form T90.

For more information refer to UFile instructions.

Review your results

	Rosa Oakland
• Total income	
11300 Old Age Security pension	\$6,000.00
11400 CPP or QPP benefits	\$12,500.00
15000 Total income	\$18,500.00
• Net income	
23200 Other deductions	\$10,000.00
23600 Net income	\$8,500.00
Taxable income	
26000 Taxable income	\$8,500.00
 Non refundable tax credits 	
30000 Basic personal amount	\$15,000.00
30100 Age amount	\$8,396.00
33500 Total	\$23,396.00
33800 Total @ 15%	\$3,509.40
35000 Non refundable tax credits	\$3,509.40
• Refund or balance owing	
42900 Basic federal tax	\$0.00
40500 Federal foreign tax credit (T2209)	\$0.00
40600 Federal tax	\$0.00
42000 Net federal tax	\$0.00
42800 Provincial or territorial tax	\$0.00
43500 Total payable	\$0.00
 Payments and credits 	\$0.00
Payments and credits 48200 Total credits	
	\$0.00