

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

Canada Revenue Agency / Agence du revenu du Canada		Statement of Canada Pension Plan Benefits / État des prestations du Régime de pensions du Canada					T4A(P)	
Year / Année	20 Taxable CPP benefits / Prestations imposables du RPC	21 Number of months – disability / Nombre de mois – invalidité	23 Number of months – retirement / Nombre de mois – retraite	22 Income tax deducted / Impôt sur le revenu retenu	12 Social insurance number / Numéro d'assurance sociale	13 Onset or effective date / Date de début ou d'entrée en vigueur		
	12,500.00		12	0.00	000000000			
Issued by: Service Canada / Émis par : Service Canada OAKLAND, ROSA 123 Main Street City, Province X0X 0X0						14 Retirement benefit / Prestation de retraite	12,500.00	
						15 Survivor benefit / Prestation de survivant		
						16 Disability benefit / Prestation d'invalidité		
						17 Child benefit / Prestation pour enfant		
						18 Death benefit / Prestation de décès		
						19 Post-retirement benefit / Prestation après-retraite		
						Benefit number / Numéro de prestation		


Protected B when completed / Protégé B une fois rempli
 T4A(P) (21)
 SC ISP-0136 nat (ITC)

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T4A(OAS) – Statement of Old Age Security

Canada Revenue Agency / Agence du revenu du Canada		Statement of Old Age Security / Relevé de la sécurité de la vieillesse				T4A(OAS)	
Year / Année	18 Taxable pension paid / Versement de pension imposable 6,000.00	19 Gross pension paid / Versement brut de pension 6,000.00	20 Overpayment recovered / Paiement en trop recouvré	21 Net supplements paid / Versement net des suppléments	22 Income tax deducted / Impôt sur le revenu retenu 0.00	23 Quebec income tax deducted / Impôt sur le revenu du Québec retenu	
Issued by: Service Canada / Emis par: Service Canada OAKLAND, ROSA 123 Main Street City, Province X0X 0X0					12 Social insurance number / Numéro d'assurance sociale 000000000		
					13 Old Age Security number / Numéro de la Sécurité de la vieillesse		
See the privacy notice on your return. / Consultez l'avis de confidentialité dans votre déclaration.							
Protected B when completed / Protégé B une fois rempli T4A(OAS) (21) SC ISP-0137 nat (ITC)		Attach this copy to your federal return. Joignez cette copie à votre déclaration fédérale.					

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
4. 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

Federal	
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	
48200 Total credits	\$0.00
48500 Balance owing	\$0.00