

Practice with case studies

Indigenous Peoples

Reporting tax-exempt COVID-19 benefits

Pre-test question

Select **True** or **False**

COVID-19 benefits are taxable to the same extent as the employment income that made the individual eligible for the benefits.

True

That's correct

COVID-19 benefits are taxable to the same extent as the employment income that made the individual eligible for the benefits.

False

Sorry, that's incorrect

COVID-19 benefits are taxable to the same extent as the employment income that made the individual eligible for the benefits.

Instructions

1. Open the 2021 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

Heather is a Status Indian under the Indian Act. She worked part time at First General Store Ltd. She applied for and received the Canada Recovery Benefit (CRB) in 2021 and she informs the volunteer that all of the income that made her eligible for the CRB is tax exempt.

Identification information

Name	Heather Johnson
Social insurance number (SIN)	000 000 000
Address	123 Main Street City, Province X0X 0X0
Date of birth	June 30, 1985
Marital status	Single

Required slips

T4A – Statement of Pension, Retirement, Annuity, and Other Income (Canada Revenue Agency)

Payer's name – Nom du payeur Canada Revenue Agency		Canada Revenue Agency / Agence du revenu du Canada	T4A Statement of Pension, Retirement, Annuity, and Other Income État du revenu de pension, de retraite, de rente ou d'autres sources
Year / Année: <input style="width: 50px;" type="text"/>		Pension or superannuation – line 11500 / Prestations de retraite ou autres pensions – ligne 11500: <input style="width: 100px;" type="text"/>	
Payer's program account number / Numéro de compte de programme du payeur: <input style="width: 150px;" type="text"/>		Income tax deducted – line 43700 / Impôt sur le revenu retenu – ligne 43700: <input style="width: 100px;" type="text"/> 1,000.00	
Social insurance number / Numéro d'assurance sociale: <input style="width: 100px;" type="text"/> 000000000	Recipient's program account number / Numéro de compte de programme du bénéficiaire: <input style="width: 100px;" type="text"/>	Lump-sum payments – line 13000 / Paiements forfaitaires – ligne 13000: <input style="width: 100px;" type="text"/>	
Recipient's name and address – Nom et adresse du bénéficiaire Last name (print) – Nom de famille (en lettres moulées): JOHNSON		First name – Prénom: HEATHER	
123 Main Street City, Province X0X 0X0		Fees for services / Honoraires ou autres sommes pour services rendus: <input style="width: 100px;" type="text"/>	
Annuities / Rentes: <input style="width: 100px;" type="text"/>		Other information (see page 2) / Autres renseignements (voir à la page 2)	
Box – Case Amount – Montant Box – Case Amount – Montant <input style="width: 20px;" type="text"/> <input style="width: 100px;" type="text"/> <input style="width: 20px;" type="text"/> <input style="width: 100px;" type="text"/>		Box – Case Amount – Montant Box – Case Amount – Montant <input style="width: 20px;" type="text"/> <input style="width: 100px;" type="text"/> 10,000.00 <input style="width: 20px;" type="text"/> <input style="width: 100px;" type="text"/>	
Box – Case Amount – Montant Box – Case Amount – Montant <input style="width: 20px;" type="text"/> <input style="width: 100px;" type="text"/> <input style="width: 20px;" type="text"/> <input style="width: 100px;" type="text"/>		Box – Case Amount – Montant Box – Case Amount – Montant <input style="width: 20px;" type="text"/> <input style="width: 100px;" type="text"/> <input style="width: 20px;" type="text"/> <input style="width: 100px;" type="text"/>	
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T4A (21) Protected B when completed / Protégé B une fois rempli

T4 – Statement of Remuneration Paid (First General Store Ltd.)

Employer's name – Nom de l'employeur First General Store Ltd.		Canada Revenue Agency / Agence du revenu du Canada		T4 Statement of Remuneration Paid / État de la rémunération payée	
Year / Année		Employment income / Revenus d'emploi		Income tax deducted / Impôt sur le revenu retenu	
14		22			
54 Employer's account number / Numéro de compte de l'employeur		Province of employment / Province d'emploi		Employee's CPP contributions – see over / Cotisations de l'employé au RPC – voir au verso	
10		16		24 EI insurable earnings / Gains assurables d'AE	
24		20,000.00			
12 Social insurance number / Numéro d'assurance sociale		28 Exempt – Exemption		26 CPP/QPP pensionable earnings / Gains ouvrant droit à pension – RPC/RRQ	
000000000		<input checked="" type="checkbox"/> RPC/RRQ <input type="checkbox"/> AE <input type="checkbox"/> RPAP			
Employee's name and address – Nom et adresse de l'employé		29 Employment code / Code d'emploi		17 Employee's QPP contributions – see over / Cotisations de l'employé au RRQ – voir au verso	
Last name (in capital letters) – Nom de famille (en lettres majuscules) / First name – Prénom / Initial – Initiales		18 Employee's EI premiums / Cotisations de l'employé à l'AE		44 Union dues / Cotisations syndicales	
JOHNSON / HEATHER		315.90		46 Charitable donations / Dons de bienfaisance	
123 Main Street / City, Province X0X 0X0		20 RPP contributions / Cotisations à un RPA		50 RPP or DPSP registration number / N° d'agrément d'un RPA ou d'un RPDB	
		52 Pension adjustment / Facteur d'équivalence			
		55 Employee's PPIP premiums – see over / Cotisations de l'employé au RPAP – voir au verso		56 PPIP insurable earnings / Gains assurables du RPAP	
Other information (see over) / Autres renseignements (voir au verso)		Box – Case / Montant		Box – Case / Montant	
71		20,000.00			

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**
 - Employment income and employment insurance benefits (T4, T4E/RL-6) **in the** Employment and other benefits **section**
 - Pension income, other income and split pension income, COVID-19 benefits (T4A, T4A(OAS), T4A(P), T4A-RCA, T4RSP, T4RIF, T1032) **in the** Pension **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 10000 into the Exempt benefits paid due to the COVID-19 field**
- 5. Click T4 and employment income in the left-side menu, then click the + sign next to T4 income (earned in any province except Quebec) to enter the amounts from the T4 slip into the corresponding fields:**
 - **Select Exempt CPP/QPP (rare!) from the Exempt (CPP/QPP, EI, PPIP) box 28 drop-down menu**
 - **Select Box 71 – Indian (exempt income) – Employment from the Other information drop down menu**
- 6. Click T4A and pension income in the left-side menu, then click the + sign next to T4A – Pension, retirement, annuity, and other income (COVID-19 benefits) to enter the amounts into the corresponding fields:**
 - **Select [202] Canada recovery benefit (CRB) from the Other information (COVID-19 benefits) drop-down menu**

Heather's CRB payment is tax exempt because the employment income that made her eligible for the CRB was also tax exempt under the Indian Act. The software automatically generates form T90 which allows Heather to include this income in the calculation of the Canada workers benefit (CWB).

For more information, refer to [UFile instructions](#).

Review your results

Tax return Summary			
for 2021 taxation year		Taxpayer	
First name	Heather		
Last name	Johnson		
Social insurance number			
Date of birth	30-06-1985		
Province of residence	Ontario		
Marital status on December 31, 2021	Single		
Street	123 Main Street		
City	City		
Province	Ontario		
Postal code	X0X 0X0		
Federal return			
Total income			Taxpayer
Line 23400 minus line 23500 (if negative, enter "0")	This is your net income. 23600	=	0.00
Taxable income			
Line 23600 minus line 25700 (if negative, enter "0")	This is your taxable income. 26000	=	0.00
Federal non-refundable tax credits			
Basic personal amount	30000		13,808.00
Employment Insurance premiums	31200	+	315.90
	Add lines 30000 to 33200. 33500	=	14,123.90
	Multiply the amount on line 33500 by 15%. 33800	=	2,118.59
Total federal non-refundable tax credits:	add lines 33800 and 34900. 35000	=	2,118.59
Enter the amount from line 35000.	35000		2,118.59
	Add lines 35000 to 40427.	-	2,118.59
Refund or Balance owing			
Net federal tax:	add lines 41700, 41500 and 41800. 42000	=	0.00
Provincial or territorial tax	42800	+	0.00
	This is your total payable. 43500	=	0.00
Total income tax deducted	43700		1,000.00
Canada workers benefit	45300	+	336.60
	These are your total credits. 48200	-	1,336.60
	Line 43500 minus line 48200	=	(1,336.60)
	Refund 48400		1,336.60
	Balance owing 48500		0.00
Additional information			
Marginal tax rate			0%
Average tax rate (total income taxes paid + total income)			0.0%
GST/HST credit			306.00

	[CRA] 29 Jan 2024 Johnson, Heather Canada Revenue Agency Agence du revenu du Canada	SIN:	Protected B when completed
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Income Exempt from Tax under the Indian Act

If you are registered or entitled to be registered under the Indian Act, your personal property, including income, is **exempt from tax** when it is situated on a reserve.

Use this form to calculate your net exempt income if **all** of the following apply:

- You are registered or entitled to be registered under the Indian Act
- You have income that is exempt from tax under the Indian Act

For a complete description of the guidelines and examples where income is exempt and where it is taxable, go to canada.ca/section87-tax-exemption.

Since net exempt income is **not** reported on an Income Tax and Benefit Return, the Canada Revenue Agency (CRA) will need this information to calculate your Canada workers benefit for the 2021 tax year, if applicable, and your family's provincial or territorial benefits. The information on this form will also be used so the CRA can calculate your Canada training credit limit for the 2022 tax year.

Enter, on line 7 below, the part of your federal, provincial, or territorial government COVID-19 payments that would otherwise be taxable but that is exempt from tax under the Indian Act.

For information about taxes and benefits for Indigenous peoples, go to canada.ca/taxes-indigenous-peoples.

Attach a copy of this form to your paper return.

Exempt working income

Employment income (box 71 of your T4 slip(s))	20,000	00	1
Other employment income such as tips, net research grants, and income maintenance insurance plans	+		2
Net self-employment income (excluding losses)	+		3
Add lines 1 to 3.	Total exempt working income	10000	= 20,000

Other exempt income

Canada pension plan (CPP) or Quebec pension plan (QPP) benefits	+		5
Other pensions and superannuation	+		6
Federal, provincial, or territorial government COVID-19 payments received in the year (from your T4A or T4E slip) ⁽¹⁾	+	10,000	7
Employment Insurance (EI), Provincial parental insurance plan (PPIP), and other benefits (box 18 of your T4E slip)	+		8
EI maternity and parental benefits and PPIP benefits included on line 8	10019		
Interest, dividends, and other investment income	+		9
Net rental income (excluding losses)	+		10
Social assistance payments received from a First Nation or band council	+		11
Other types of exempt income	+		12
Add lines 4 to 12.	=	30,000	13
Net rental losses	-		14
Net self-employment losses	-		15
Line 13 minus lines 14 and 15	=	30,000	16
Deductions relating to exempt earnings above ⁽²⁾	-		17
Line 16 minus line 17 (if negative, enter "0")	=	10028	30,000

Net exempt income 10028 = 30,000 18

⁽¹⁾ Do **not** include amounts related to the Canada child benefit, the GST/HST credit, or the one-time payment to persons with disabilities and seniors.

⁽²⁾ Include the deductions that apply to your situation. For more information, go to canada.ca/taxes-deductions.

See the privacy notice on your return.

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