**Practice with case studies**

**Northern residents deductions**

# Claiming the travel deduction

## Pre-test question

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

An individual must claim the basic residency amount to be eligible to claim the travel deduction.

○  True

**Sorry, that is incorrect.**

It is not necessary to claim the basic residency amount to be eligible to claim the travel deduction.

○  False

**That is correct.**

It is not necessary to claim the basic residency amount to be eligible to claim the travel deduction.

## 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

Paul has permanently lived in a Zone A – Prescribed Northern Zone since June 30, 2023. He is eligible to claim 184 days for the basic residency amount and the additional residency amount. Paul received the following taxable amounts from his employer:

- board and lodging allowance: $7,200 (box 30 of the T4 slip)

- travel assistance in a prescribed zone: $1,000 (total taxable travel benefits from box 32 of the T4 slip, minus any amount received for medical travel from box 33 of the T4 slip)

- medical travel assistance: $1,500 (box 33 of the T4 slip)

Paul has provided you with both the lowest quoted cost for each trip's return airfare (using the designated city list found on form T2222) as well as the actual cost of each trip:

- quote for the trip for medical travel: $1,500

- actual cost of the trip for medical travel: $1,780

- quote for the trip for other reasons: $1,000

- actual cost of the trip for other reasons: $1,250

Paul chooses to use the employer paid travel benefits for the travel deduction calculation instead of the standard amount ($1,200 total for all trips in the year) as it is more beneficial for him.
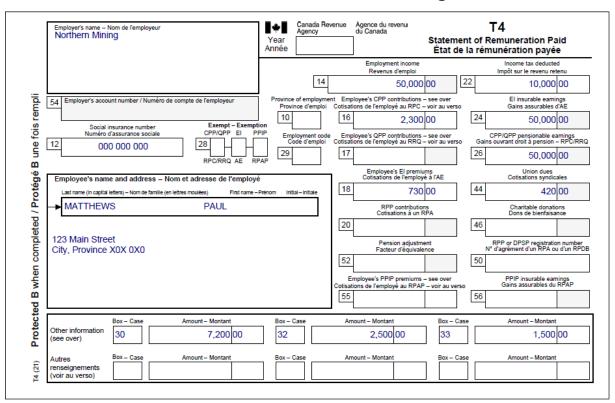
Individuals may choose either the standard rate for all trips or the employer paid benefits for all trips, but not both.

# Identification information

| Name | Paul Matthews |
| --- | --- |
| Social insurance number (SIN) | 000 000 000 |
| Address | 123 Main Street<br>City, Province  X0X 0X0 |
| Date of birth | August 25, 1997 |
| Marital status | Single |

# Required slips

### T4 – Statement of Remuneration Paid (Northern Mining)

# Takeaway points

Steps to follow

1. Review their background information and required slips

2. In **Interview setup**, tick the box next to **Other deductions and credits (including school supply and home buyers' amount)** in the **Other topics** section, and the box next to **Employment income and employment insurance benefits (T4, T4E/RL-6)** in the **Employment and other benefits** section

3. Click **T4 and employment income** in the left-side menu, then click the **+** sign next to **T4 income (earned in any province except Quebec)** and enter the required information

4. Click **Other deductions and credits** in the left-side menu, then click the **+** sign next to **Federal line 25500 – T2222 – Northern residents deduction**

5. Select **Zone A (Resident of prescribed northern area)** from the **Area for which you are claiming the northern residents deduction** drop-down menu

6. Enter the start and end dates of the northern residence into the **Basic residency amount, beginning (dd-mm-yyyy)** and **Basic residency amount, end (dd-mm-yyyy)** fields, and enter **184** into the **Number of days to consider for the additional residency amount** field

7. Select **Zone A (Resident of prescribed northern area)** from the **Northern area where you travelled** drop-down menu, then select **Other** from the **Purpose of the trip to a northern area** drop-down menu, and enter **Paul Matthews** into the **Name of the person who travelled to or from the northern destination** field

8. Enter the following amounts:

   o **$1,000** into the **1 – Employee benefits with respect to northern travel** field

   o **$1,250** into the **2 – Northern travel expenses: Plane** field

   o **$1,000** into the **3 – Lowest return air fare for the northern area travel** field

9. To add the medical trip, click **Add Another** and provide the following information:

   - select **Zone A (Resident of prescribed northern area)** from the **Northern area where you travelled** drop-down menu

   - select **Medical reasons** from the **Purpose of the trip to a northern area** drop-down menu

   - enter **Paul Matthews** into the **Name of the person who travelled to or from the northern destination** field

10. Enter the following amounts:

    - **$1,500** into the **1 – Employee benefits with respect to northern travel** field

    - **$1,780** into the **2 – Northern travel expenses: Plane** field

    - **$1,500** into the **3 – Lowest return air fare for the northern area travel** field

UFile automatically calculates the amount of Paul's northern resident deduction and claims it on line 25500. The amount includes the residency deduction and travel deduction.

For more information, refer to UFile instructions.

# Review your results

## Federal

|  | Paul Matthews |
| --- | --- |

### ◆ Total income

| | |
| --- | --- |
| 10100 Employment income | $50,000.00 |
| 15000 Total income | $50,000.00 |

### ◆ Net income

| | |
| --- | --- |
| 21200 Annual union, professional, or like dues | $420.00 |
| 22215 Deduction for CPP and QPP enhanced contributions | $386.55 |
| 23600 Net income | $49,193.45 |

### ◆ Taxable income

| | |
| --- | --- |
| 25500 Northern residents deductions (T2222) | $6,559.00 |
| 26000 Taxable income | $42,634.45 |

### ◆ Non refundable tax credits

| | |
| --- | --- |
| 30000 Basic personal amount | $15,000.00 |
| 30800 CPP or QPP contributions through employment | $1,913.45 |
| 31200 Employment Insurance premiums through employment | $730.00 |
| 31260 Canada employment amount | $1,368.00 |
| 33500 Total | $19,011.45 |
| 33800 Total @ 15% | $2,851.72 |
| 35000 Non refundable tax credits | $2,851.72 |

### ◆ Refund or balance owing

| | |
| --- | --- |
| 42900 Basic federal tax | $3,543.45 |
| 40500 Federal foreign tax credit (T2209) | $0.00 |
| 40600 Federal tax | $3,543.45 |
| 41700 Line 40600 - 41600 | $3,543.45 |
| 42000 Net federal tax | $3,543.45 |
| 42800 Provincial or territorial tax | $1,830.03 |
| 43500 Total payable | $5,373.48 |
| 43700 Total income tax deducted | $10,000.00 |

### ◆ Payments and credits

| | |
| --- | --- |
| 48200 Total credits | $10,000.00 |
| 48400 Refund | $4,626.52 |