Exam Exam Handbook

Checked November 2026 · facts from official pages only · questions and explanations are our own

What the exam looks like

Item	Current rule	Checked
	See the official page (link on the site's exam map).	2026–11–15
	See the official page (link on the site's exam map).	2026–11–15
	See the official page (link on the site's exam map).	2026–11–16
	See the official page (link on the site's exam map).	2026–11–16
	See the official page (link on the site's exam map).	2026–11–16
	See the official page (link on the site's exam map).	2026–11–16
	See the official page (link on the site's exam map).	2026–11–16
	See the official page (link on the site's exam map).	2026–11–16
	See the official page (link on the site's exam map).	2026–11–16

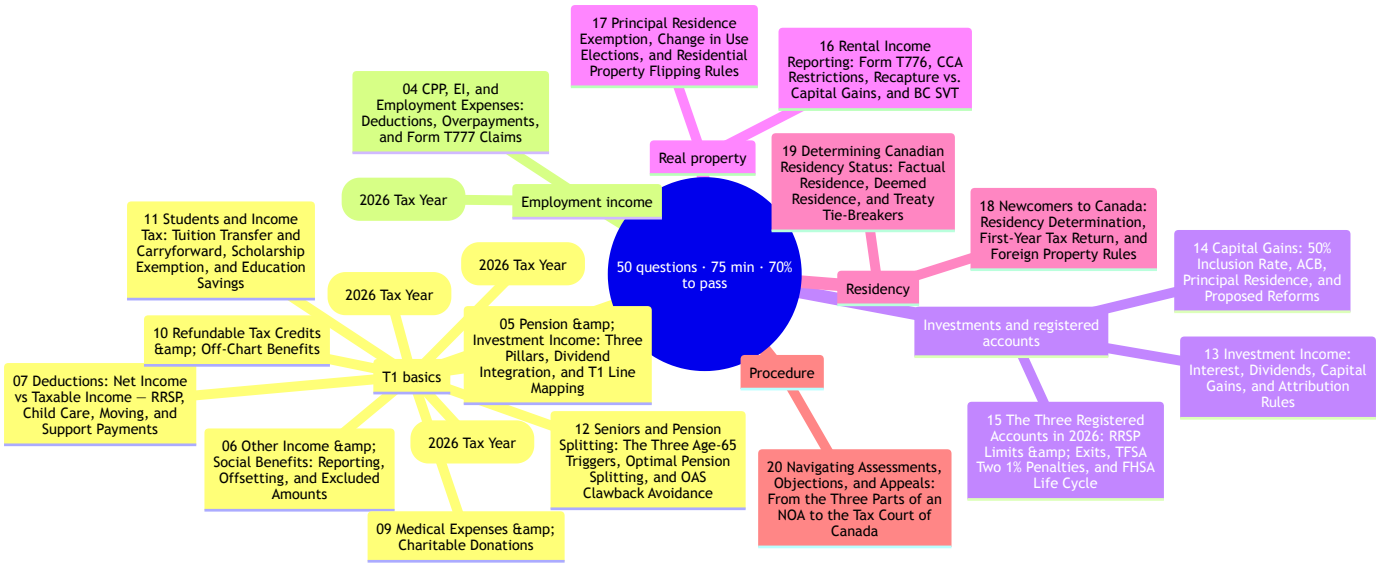
Where the marks are

Official weights are listed in the facts table; our mock weights are our own estimate.

Ch	Topic	Section	Priority	Mock
01	T1 Return Overview: Filing Requirements, Six–Step Calculation, and Post–Filing Procedures (2026 Tax Year)	T1 basics	P1 Must score	3
02	Identification and Marital Status: Spouse Details, Province of Residence, and Key Information Checkboxes (2026 Tax Year)	T1 basics	P2 Hold steady	1
03	Employment Income and the T4 Slip: Mapping Boxes to Income, Deductions, and Tax Credits (2026 Tax Year)	Employment income	P1 Must score	3
04	CPP, EI, and Employment Expenses: Deductions, Overpayments, and Form T777 Claims	Employment income	P1 Must score	3
05	Pension & Investment Income: Three Pillars, Dividend Integration, and T1 Line Mapping	T1 basics	P2 Hold steady	2
06	Other Income & Social Benefits: Reporting, Offsetting, and Excluded Amounts	T1 basics	P2 Hold steady	2
07	Deductions: Net Income vs Taxable Income — RRSP, Child Care, Moving, and Support Payments	T1 basics	P1 Must score	4

08	Non–Refundable Tax Credits Schedule: Rules and Calculations After the Federal Rate Reduction to 14% (2026 Tax Year)	T1 basics	P1 Must score	4
09	Medical Expenses & Charitable Donations	T1 basics	P1 Must score	3
10	Refundable Tax Credits & Off–Chart Benefits	T1 basics	P1 Must score	3
11	Students and Income Tax: Tuition Transfer and Carryforward, Scholarship Exemption, and Education Savings	T1 basics	P2 Hold steady	2
12	Seniors and Pension Splitting: The Three Age–65 Triggers, Optimal Pension Splitting, and OAS Clawback Avoidance	T1 basics	P2 Hold steady	2
13	Investment Income: Interest, Dividends, Capital Gains, and Attribution Rules	Investments and registered accounts	P2 Hold steady	2
14	Capital Gains: 50% Inclusion Rate, ACB, Principal Residence, and Proposed Reforms	Investments and registered accounts	P1 Must score	3
15	The Three Registered Accounts in 2026: RRSP Limits & Exits, TFSA Two 1% Penalties, and FHSA Life Cycle	Investments and registered accounts	P1 Must score	3
16	Rental Income Reporting: Form T776, CCA Restrictions, Recapture vs. Capital Gains, and BC SVT	Real property	P2 Hold steady	2
17	Principal Residence Exemption, Change in Use Elections, and Residential Property Flipping Rules	Real property	P2 Hold steady	2
18	Newcomers to Canada: Residency Determination, First–Year Tax Return, and Foreign Property Rules	Residency	P1 Must score	3
19	Determining Canadian Residency Status: Factual Residence, Deemed Residence, and Treaty Tie–Breakers	Residency	P2 Hold steady	2
20	Navigating Assessments, Objections, and Appeals: From the Three Parts of an NOA to the Tax Court of Canada	Procedure	P3 Skim	1

The whole exam on one map



How to use this handbook

1. Start with the 20–question diagnostic on the site to find your red chapters.
2. Before reading each chapter, answer its starter questions on instinct, then check them as you read.
3. Each chapter is two sides of one sheet: front = how it is tested, traps, mind map; back = key points and self–test cues (cover the right two columns).
4. Do this chapter's questions in the question book; for misses, do the variants.
5. The night before, read only the final review sheet.

Chapter 1 · T1 Return Overview: Filing Requirements, Six-Step Calculation, and Post-Filing Procedures (2026 Tax Year)

T1 basics | P1 Must score | T1 return overview · 3 mock questions

Read with these questions: Under what circumstances is filing mandatory even when no tax is owed?; What are the federal lowest tax bracket rate and threshold for 2026?; Why does overdue tax still accrue interest when self-employed filing is extended to June?; What are the penalty formula and calculation base for a first-time late-filed return?; How is the latest deadline calculated for an individual to file an objection after receiving a Notice of Assessment?

How it is tested

- Filing obligation questions: Present specific taxpayer economic situations (e.g., zero tax payable, disposition of capital property, self-employment net earnings exceeding threshold, or claiming family benefits) to test mastery of mandatory statutory filing thresholds versus voluntary filing benefits.
- Dual-track filing and payment deadline questions: For self-employed individuals and their spouses with extended deadlines, test the distinction between the June 15 filing due date and the April 30 balance owing payment deadline, as well as the starting date for prescribed interest.
- Late-filing penalty calculation questions: Test the first-time late-filing penalty formula (5% plus 1% per complete month, capped at 17%), specifically testing that the calculation base is the unpaid tax balance owing at the filing due date rather than total tax payable.
- Notice of Objection deadline 'later-of' rule questions: Test the statutory deadline for individual taxpayers disputing a Notice of Assessment (NOA) to file an objection, which is the later of one year after the filing due date or 90 days after the date of the Notice of Assessment.
- Historical return structure evolution and current tax bracket questions: Test the six-step return structure formed by integrating provincial tax into Step 6 starting in 2021, and the current 2026 tax-year rules for the lowest federal tax bracket of 14% (threshold of $58,523).

Traps (watch for the signal)

Zero-tax-means-no-filing trap: The stem highlights that the taxpayer calculated net tax payable as $0, but also mentions selling capital property, exceeding self-employment net earnings thresholds, or having dependents eligible for benefits.

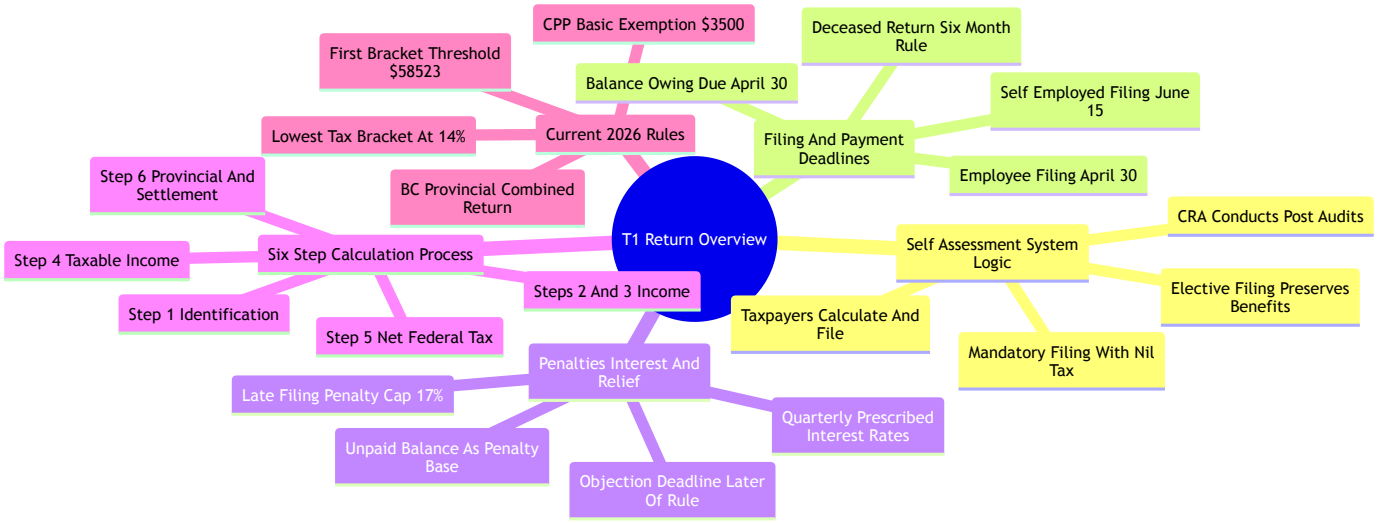
Self-employed dual-deadline confusion trap: The stem describes a self-employed individual filing and paying taxes in May or by June 15, asking whether interest starts accruing or whether late-filing penalties apply.

Late-filing penalty total tax base trap: The stem provides both the total tax payable for the year and taxes withheld at source by an employer (or instalments), asking for the exact late-filing penalty amount.

Individual objection 90-day universal deadline trap: The stem states an individual received a Notice of Assessment (NOA) in March or April, asking for the latest statutory deadline to file a Notice of Objection.

Legacy seven-step structure trap: The stem asks for the total number of steps in the current T1 return structure or at which step provincial tax (Form 428) is integrated into the final calculation.

Mind map


T1 Return Overview
Current 2026 Rules
CPP Basic Exemption $3500
First Bracket Threshold $58523
Lowest Tax Bracket At 14%
BC Provincial Combined Return
Six Step Calculation Process
Step 1 Identification
Step 2 And 3 Income
Step 4 Taxable Income
Step 5 Net Federal Tax
Step 6 Provincial And Settlement
Filing And Payment Deadlines
Balance Owing Due April 30
Deceased Return Six Month Rule
Self Employed Filing June 15
Employee Filing April 30
Self Assessment System Logic
CRA Conducts Post Audits
Elective Filing Preserves Benefits
Mandatory Filing With Nil Tax
Taxpayers Calculate And File
Penalties Interest And Relief
Late Filing Penalty Cap 17%
Unpaid Balance As Penalty Base
Objection Deadline Later Of Rule
Quarterly Prescribed Interest Rates

Chapter 1Key points (cover the right two columns to self-test)

Key points	Exam term	Rule / number
Self-assessment system core responsibility	Self-assessment system	Canada operates a self-assessment system where taxpayers calculate total income, net income, and tax payable themselves. The CRA is responsible solely for post-assessment reviews and reassessments, and taxpayers bear full statutory liability for errors or omissions.
Lowest federal tax bracket for 2026	Lowest federal tax bracket	For the 2026 taxation year, the lowest federal tax bracket rate is reduced to 14%, applying to taxable income up to and including $58,523.
CPP basic exemption filing threshold	CPP basic exemption	For 2026, the CPP basic exemption remains at $3,500; individuals with net self-employment earnings exceeding this threshold must file a T1 return to remit CPP contributions.
Filing due dates for employees and self-employed	Filing due date	The general personal filing deadline is April 30 of the following year, while the filing deadline for self-employed individuals and their cohabiting spouse or common-law partner is extended to June 15 of the following year.
Balance owing due date for self-employed	Balance owing due date	Although self-employed individuals may file their return by June 15, any tax balance owing must be paid by April 30; overdue amounts accrue prescribed interest starting May 1.
Late-filing penalty calculation base and formula	Late-filing penalty	The first-time late-filing penalty is calculated on the unpaid tax balance owing at the filing deadline at 5% plus 1% per complete month (up to 12 months, capped at 17%); with zero balance owing, the penalty is $0.
Current six-step return structure	Six-step return structure	Starting in the 2021 taxation year, provincial and territorial tax (Form 428) is integrated into Step 6 for final settlement, establishing a six-step return structure rather than the historical seven steps.
Notice of Objection deadline for individuals	Notice of Objection deadline	For individual taxpayers, the deadline to file a Notice of Objection is the later of one year after the tax year filing due date or 90 days after the date of the Notice of Assessment.
BC provincial single return administration	Single return administration	British Columbia residents file a single tax return with the CRA; provincial tax is calculated on Form 428 and integrated into Step 6 of the federal return for unified collection, requiring no separate provincial filing.

Self-test cues (Cornell left column)

1. Why might a taxpayer still have a mandatory statutory filing obligation even if they have zero tax payable for the year?
2. What are the lowest federal tax bracket rate and the applicable income threshold for the 2026 taxation year?
3. While the filing deadline for self-employed individuals is extended to June 15, what is their balance owing payment deadline, and what are the consequences of late payment?
4. What are the calculation formula and maximum statutory cap for a first-time late-filing penalty, and what is its calculation base?
5. How is the statutory deadline determined for an individual taxpayer disputing a Notice of Assessment (NOA) to file a Notice of Objection?

Summary: In three sentences, summarize the core responsibility under Canada's self-assessment system, the distinction between the dual-track filing and payment deadlines for 2026, and the calculation bases for late-filing penalties and objection deadlines.

Chapter 2 · Identification and Marital Status: Spouse Details, Province of Residence, and Key Information Checkboxes (2026 Tax Year)

T1 basics | P2 Hold steady | Identification and marital status · 1 mock questions

Read with these questions: If a couple separates for under 90 days during cohabitation, does the 12 months start over?; From which day does a legal separation after 90 days of breakdown take effect?; If the spouse had no income and did not file, must spouse net income still be entered?; How is the provincial form chosen on December 31 when a taxpayer moved provinces before year end?; Is the $100,000 foreign property threshold for T1135 based on cost or market value?

How it is tested

- Marital status and cohabitation timing: tests when the 12 months of continuous common-law cohabitation are counted, especially the special rule that a break of fewer than 90 days in the relationship does not interrupt the count.
- Separation and retroactive effective date: tests the legal threshold that a separation due to relationship breakdown must last 90 days, with the effective date reaching back to the day the couple began living apart, not the 90th day.
- Spouse net income and self-employed spouse deadline: tests the duty to report the spouse's net income on Line 23600 when there is a spouse on December 31 (even if it is zero), and how a self-employed spouse extends the taxpayer's own filing due date to June 15.
- Province of residence and move between provinces: tests the rule that the province of residence on December 31 is a single-fact test that decides which provincial form (Form 428) applies, so provincial tax is not prorated by days of residence.
- Foreign property (T1135) threshold and consequences: tests the specified foreign property cost threshold of more than $100,000 (cost amount, tested per individual not per couple, excluding personal-use property and registered accounts), and the 3-year extension of the reassessment period and penalties for non-compliance.

Traps (watch for the signal)

Any break resets the clock: The stem says the partners lived apart for a few weeks or a few dozen days (under 90) after a quarrel or short breakdown and then reconciled, and asks when 12 months of cohabitation is reached or what the marital status is.

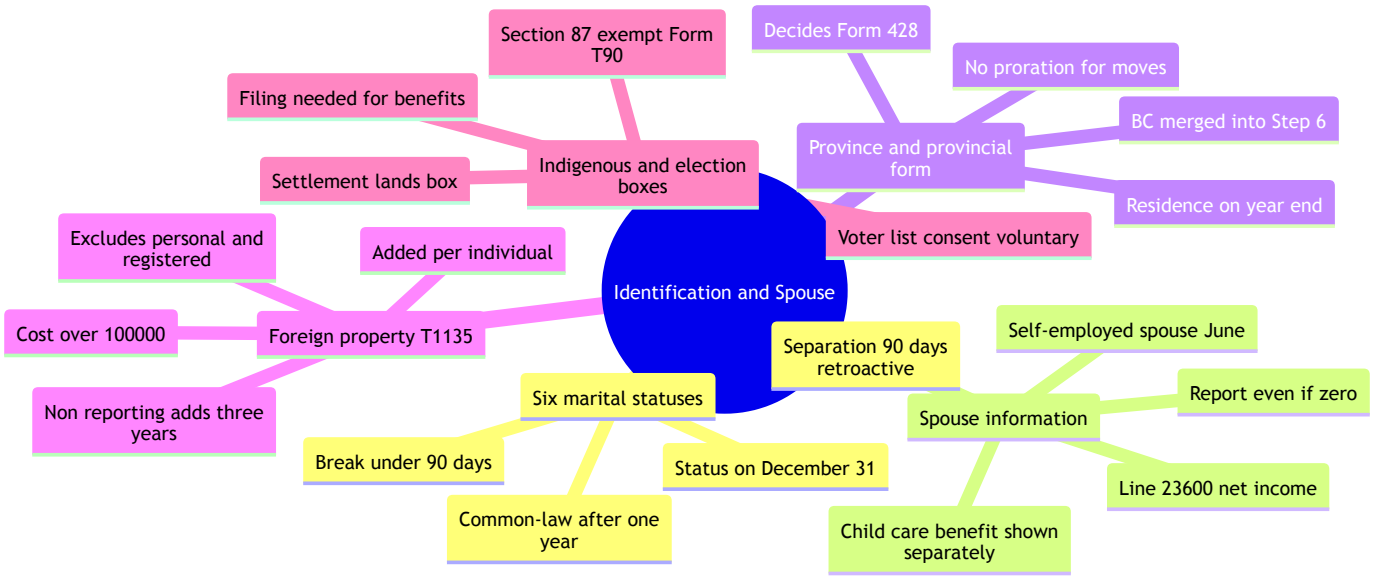
Separation effective on day 90: The stem says a couple began living apart on a given date because of relationship breakdown and 90 days have passed, and asks for the date separation takes effect or the filing status for the year.

Zero-income spouse need not be reported: The stem stresses that the taxpayer is married but the spouse was abroad or had no income and did not file, and asks about the spouse information in Step 1 and Line 23600.

Longest residence during the year: The stem says the taxpayer lived in one province for most of the year but moved and settled in another late in the year (for example on December 20), and asks which province's Form 428 applies.

T1135: market value and couple combined: The stem gives the original purchase cost and a much higher current market value, or gives foreign assets held separately by each spouse, and asks whether Form T1135 must be filed.

Mind map


Identification and Spouse
Indigenous and election boxes
Section 87 exempt Form T90
Filing needed for benefits
Settlement lands box
Province and provincial form
Decides Form 428
No proration for moves
BC merged into Step 6
Residence on year end
Voter list consent voluntary
Foreign property T1135
Excludes personal and registered
Added per individual
Cost over 100000
Non reporting adds three years
Separation 90 days retroactive
Six marital statuses
Break under 90 days
Common-law after one year
Status on December 31
Spouse information
Self-employed spouse June
Report even if zero
Line 23600 net income
Child care benefit shown separately

Chapter 2Key points (cover the right two columns to self-test)

Key points	Exam term	Rule / number
How identification drives later calculations	Identification as master input parameters	Step 1 identification is not a mere administrative record: it supplies the shared core inputs for the spouse amount, for benefits based on family net income, and for selecting the provincial form.
Common-law cohabitation and short breaks	Living common-law and 90-day separation rule	Common-law status requires 12 months of continuous cohabitation, but a break of fewer than 90 days due to relationship breakdown followed by reconciliation still counts as continuous cohabitation and does not reset the count.
Separation threshold and retroactive effective date	Separated status and effective date	Separation is established only when the couple lives apart for 90 days because of relationship breakdown; once met, the effective date reaches back to the first day of living apart, not the 90th day.
Spouse net income and the self-employed deadline	Spouse net income and self-employed deadline extension	If there is a spouse on December 31, the spouse's Line 23600 net income must be reported (even if zero); if the spouse is self-employed in the year, the taxpayer's own filing due date also extends to June 15 of the next year.
Province of residence is a single-fact test on December 31	Province of residence on December 31	Which provincial form (Form 428) applies depends entirely on the province of residence, or factual residence, on December 31; there is no proration across provinces by days of residence during the year.
T1135 cost threshold of $100,000	Form T1135 cost-amount threshold	Form T1135 is required when the total cost amount (ACB) of specified foreign property held at any time in the year exceeds $100,000; the threshold is added per individual, not per couple, and excludes personal-use property and registered accounts.
T1135 non-compliance extends the reassessment period by three years	Extended reassessment period for Form T1135	If specified foreign property income is not reported and Form T1135 is not filed on time or contains a false statement, the CRA's normal 3-year reassessment period for that year is extended by 3 more years, to 6 years.
Indian Act exempt income and the filing prerequisite	Indian Act Section 87 exemption and Form T90	Income exempt under section 87 of the Indian Act is reported at its net amount on Form T90; even if all income is exempt, a T1 return must still be filed to establish legal eligibility for cash benefits such as the CCB and CGEB.
BC provincial tax integration and Form 428	BC provincial tax and Form 428 integration	BC residents do not file a separate provincial income tax return; once BC is entered as the province of residence, provincial tax is calculated on Form 428 and combined into Step 6 of the federal return.

Self-test cues (Cornell left column)

1. What are the three legal criteria for common-law partners? How is the clock treated when there is a short break during cohabitation?
2. When is separation legally established? How is its effective date determined retroactively?
3. Why must the spouse's net income be entered on Line 23600 on December 31 even if the spouse has zero income?
4. What is the reference date for choosing the provincial form (Form 428)? How is a move between provinces treated?
5. How is the $100,000 foreign property threshold for Form T1135 calculated? What are the consequences of not reporting correctly?

Summary: In three sentences, summarize how marital status and spouse net income on December 31 drive later calculations, the single-date principle for province of residence, and the T1135 cost threshold and the consequences of not reporting.

Chapter 3 · Employment Income and the T4 Slip: Mapping Boxes to Income, Deductions, and Tax Credits (2026 Tax Year)

Employment income | P1 Must score | Employment income and the T4 · 3 mock questions

Read with these questions: Does the Box 40 amount need to be added to Box 14 when reporting?; How is CPP for the 2026 tax year split between the credit line and the deduction line?; Is a benefit from group sickness and accident insurance paid by the employer taxable?; What is the deduction rate for exercising qualifying stock options in the 2026 tax year?; How are CPP and EI premiums overpaid with several employers claimed back?

How it is tested

- Mapping T4 boxes to return lines: tests where each item goes: Box 14 (Line 10100 employment income), Box 22 (Line 43700 tax already withheld, not a credit), Box 40 (a memo box, do not add it again) and Box 52 (the pension adjustment only reduces next year's RRSP room and does not go on the T1).
- Splitting CPP and EI contributions, with 2026 calculations: tests the split of Box 16 base portion (4.95% claimed as a credit on Line 30800, maximum $3,519.45) and first enhancement (1% claimed as a deduction on Line 22215, maximum $711), and Box 16A (CPP2 at 4% claimed as a deduction on Line 22215, maximum $416), and their different tax treatment.
- Taxability of employer non-cash benefits: tests judging parking and a company phone by whether the main benefit is personal or the employer's business need, and judging whether group wage-loss replacement benefits are taxable by who paid the premiums (employer paid in full means the benefit is fully taxable; group life insurance has no tax-free threshold).
- Security option taxable benefit and deduction rate: tests the 50% deduction on Line 24900 for the exercise benefit of qualifying security options, and recognizing that the proposal in the 2024 budget to reduce it to 33.33% was fully withdrawn so the current rule is still 50%.
- Several T4s from several employers and practical pitfalls: tests adding up all Box 14 amounts when changing jobs mid-year or working part time, checking CPP and EI over-deductions and claiming the refund on Line 44800 and Line 45000, and recognizing under-withholding at source when several TD1 forms each claim the full basic personal amount.

Traps (watch for the signal)

Adding Box 40 again: The stem gives both the T4 Box 14 employment income and the Box 40 other taxable benefits amount, and asks for the final figure to enter on Line 10100.

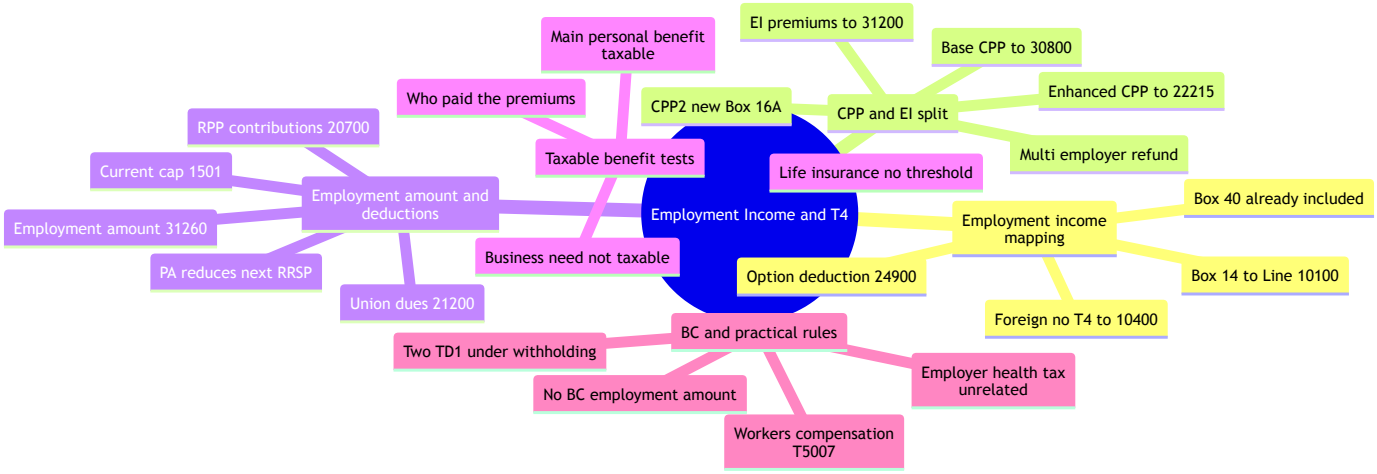
Mixing CPP enhanced and base portions and using the wrong line: The stem gives the CPP withheld (Box 16) or CPP2 (Box 16A) and asks for the exact amounts for the Line 30800 credit and the Line 22215 deduction.

Quoting the failed stock option rate reform: The stem involves an employee exercising qualifying stock options, gives the code 38 taxable benefit amount, and asks for the code 39 deduction or percentage claimed on Line 24900.

Believing CPP and EI overpayments from several employers are refunded automatically: The stem describes a taxpayer who changed jobs or held two jobs during the year, where the total CPP or EI withheld across several T4s exceeds the annual limit, and asks how and on which line the excess is reported.

Treating the Box 52 pension adjustment as a deduction this year: The stem gives Box 20 (RPP contributions) and Box 52 (PA) from the T4 and asks where each goes on this year's T1 return.

Mind map


Employment Income and T4
Employment amount and deductions
RPP contributions 20700
Current cap 1501
Employment amount 31260
PA reduces next RRSP
Union dues 21200
Taxable benefit tests
Main personal benefit taxable
Who paid the premiums
Business need not taxable
CPP and EI split
EI premiums to 31200
Base CPP to 30800
Enhanced CPP to 22215
CPP2 new Box 16A
Multi employer refund
Life insurance no threshold
Employment income mapping
Box 40 already included
Box 14 to Line 10100
Foreign no T4 to 10400
Option deduction 24900
BC and practical rules
Two TD1 under withholding
No BC employment amount
Workers compensation T5007
Employer health tax unrelated

Chapter 3Key points (cover the right two columns to self-test)

Key points	Exam term	Rule / number
Box 14 includes Box 40	Box 14 total employment income and Box 40 taxable benefits	The Box 40 amount of other taxable benefits is already included in Box 14, so it must never be added to Box 14 again when reporting Line 10100.
How Box 16 and Box 16A are split	CPP base credit and enhanced deduction split	The 4.95% base portion of Box 16 goes on Line 30800 as a credit (2026 maximum $3,519.45); the 1% enhanced portion and the CPP2 (4%) in Box 16A are combined and go on Line 22215 as a deduction (2026 maximum $1,127).
Canada employment amount: current cap and scope	Canada employment amount (Line 31260)	The Canada employment amount is a non-refundable credit based on qualifying employment income, with an indexed 2026 cap of $1,501; no receipts are needed, but net self-employment income cannot be claimed.
The 50% security options deduction is unchanged	Security options deduction (Line 24900)	The exercise benefit of qualifying security options gets a 50% deduction on Line 24900; the reform proposed in the 2024 budget to reduce it to 33.33% was fully withdrawn.
Where the Box 52 pension adjustment goes	Pension adjustment (PA, Box 52)	The Box 52 pension adjustment does not go on any line of the T1 return; it is only used to reduce the taxpayer's RRSP contribution room for the next year.
Taxability of group sickness and accident insurance	Wage-loss replacement plan taxability	Whether benefits from a group wage-loss replacement plan are taxable depends entirely on who funded the premiums: if the employer paid the premiums in full, the benefits are fully taxable; if the employee paid the premiums from after-tax pay, the benefits are tax-free.
Refund of CPP and EI overpayments from several employers	CPP and EI overpayment refund (Lines 44800 and 45000)	CPP and EI over-withheld by several employers are not refunded automatically; they must be claimed as refundable credits on Line 44800 and Line 45000 of the T1 to be recovered.
Foreign employment income without a T4	Foreign employment income (Line 10400)	Foreign employment income earned after becoming a Canadian tax resident has no Canadian T4, and must be converted to Canadian dollars at a CRA-accepted exchange rate and reported on Line 10400.
No BC employment amount credit; BC employer health tax is unrelated	BC provincial variations and Employer Health Tax	The BC provincial form BC428 has no counterpart to the Canada employment amount credit, and the BC Employer Health Tax is paid by the employer and has nothing to do with the employee's personal return or T4.
Several TD1 forms cause structural under-withholding	Form TD1 and structural under-withholding	Claiming the full basic personal amount with several employers at the same time means each employer withholds as if it were the only source of income, creating a structural shortfall of tax owing at filing time.

Self-test cues (Cornell left column)

1. When working out total employment income on Line 10100, must the amount in Box 40 be added on top?
2. For the 2026 tax year, how is the CPP in Box 16 split between Line 30800 and Line 22215?
3. Under what conditions are benefits from an employer-purchased group wage-loss replacement plan taxable when the employee receives them during sick leave?
4. Why can the stock option deduction rate of 33.33% that was widely discussed in 2024 not be used for the 2026 tax year?
5. If several employers each withhold the full CPP and EI because of a mid-year job change, is the excess refunded automatically? How is it reported?

Summary: In three sentences, summarize the line mapping and split logic for the key T4 boxes (Box 14/40/16/16A/52), the rules for judging employer benefits and the options deduction, and the practical handling of overpayment refunds and under-withholding with several employers.

Chapter 4 · CPP, EI, and Employment Expenses: Deductions, Overpayments, and Form T777 Claims

Employment income | P1 Must score | CPP, EI and employment deductions · 3 mock questions

Read with these questions: After changing jobs mid-year, two employers over-deducted CPP; how are the lines of the return filled in exactly?; For a part-time student who turned 18 during the year, how do the CPP and EI calculations differ in essence?; What statutory limits apply when a salaried homeowner and a tenant working from home claim home office expenses?; What are the rate rules and next-year reporting rules when a BC employee claims the GST370 sales tax refund?

How it is tested

- Settling overpayments from several employers: tests whether candidates can spot the overpayment created by several T4s, separate what was withheld from what was payable, enter the payable amounts on Line 30800 and Line 22215 and claim the overpayment refund on Line 44800 and Line 45000, instead of simply adding up the T4 boxes and copying them.
- CPP monthly proration and EI comparison: tests the proration rule for the contributory period, whether candidates count only the months after the birthday month when prorating the YMPE and basic exemption, and remember that EI is never prorated by month and has no age threshold or exemption.
- EI low-income refund boundary: tests understanding of the $2,000 insurable earnings switch, that at $2,000 or less all premiums are refunded on Line 45000 and Line 31200 is zero, rather than treating it as an ordinary exemption.
- Employment expense eligibility and salaried versus commission classification: tests judging employee status from T4 Box 42, remembering the T2200 requirements and the closed list (for example mortgage interest is never deductible, and home insurance and property tax are deductible only for commission employees), and the either-or rule that commission expenses are capped by commission income.
- GST370 employee GST/HST rebate calculation: tests rebate eligibility (the employer must be a registrant, and employees of financial institutions are excluded), that BC refunds only the 5% GST (not the 7% PST), and the full link that the refund is taxable income on Line 10400 in the following year.

Traps (watch for the signal)

Copying the amounts withheld: The stem mentions a job change, two or more employers, or several T4s whose combined income exceeds the YMPE or MIE.

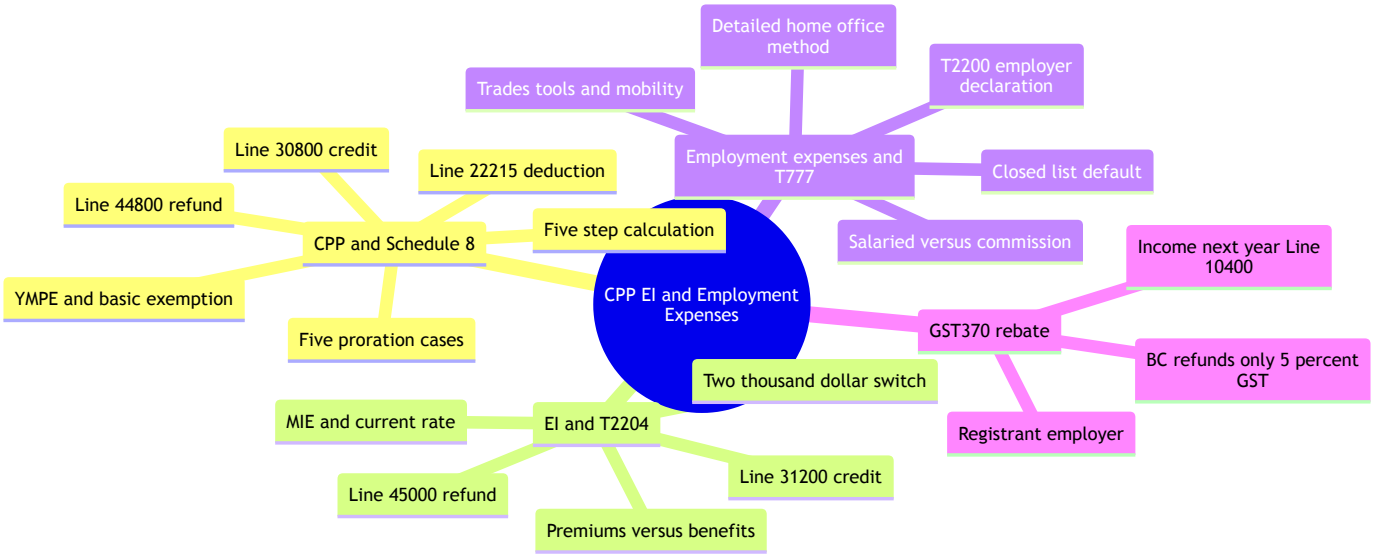
Treating the EI $2,000 switch as an exemption: The stem gives low employment income (especially casual or summer work) with Box 24 insurable earnings of $2,000 or less.

Applying CPP monthly proration to EI: The stem stresses that the employee turns 18 (or 70) in some month of the tax year and asks for both the CPP and EI amounts.

Homeowner deducting mortgage interest for a home office: The stem describes an employee homeowner claiming a home office deduction and lists mortgage interest, mortgage principal, utilities and other expenses.

Forgetting the GST370 rebate as next year's income: The stem asks about the follow-up tax treatment after filing GST370, or tests the linked obligation across tax years.

Mind map


CPP EI and Employment Expenses
CPP and Schedule 8
Line 30800 credit
Line 22215 deduction
Line 44800 refund
Five step calculation
YMPE and basic exemption
Five proration cases
Employment expenses and T777
Detailed home office method
Trades tools and mobility
T2200 employer declaration
Closed list default
Salaried versus commission
GST370 rebate
Income next year Line 10400
BC refunds only 5 percent GST
Registrant employer
Two thousand dollar switch
EI and T2204
MIE and current rate
Line 45000 refund
Line 31200 credit
Premiums versus benefits

Chapter 4Key points (cover the right two columns to self-test)

Key points	Exam term	Rule / number
CPP overpayment and how it splits across lines	CPP overpayment (Line 44800)	When several employers withhold more than is payable, the difference is claimed on Line 44800, and Line 30800 and Line 22215 show only the statutory payable amounts, not the amounts withheld.
CPP base and enhanced portions on separate tracks	base vs enhanced CPP contributions	The 4.95% base portion is claimed on Line 30800 for the 14% federal non-refundable credit; the 1% first enhancement and the 4% CPP2 are combined on Line 22215 as a pre-tax deduction.
CPP proration in the year of turning 18	contributory period proration	For an employee who turns 18 during the year, the CPP contributory period starts with the month after the birthday month, and the YMPE, YAMPE and basic exemption are prorated by qualifying months divided by 12.
The EI $2,000 low-income refund switch	EI $2,000 insurable earnings threshold	When insurable earnings for the year do not exceed $2,000, Line 31200 is zero and all EI premiums withheld are refunded through Line 45000.
Closed list of employment expenses and the T2200	other employment expenses (Line 22900)	Employee expenses are not deductible by default; they must be required by the contract and paid by the employee, with a T2200 signed by the employer, but the T2200 only certifies the facts and is not CRA approval.
Commission versus salaried basis is an either-or choice	commission vs salaried employee expenses	A commission employee can deduct more (advertising, entertainment, home insurance and property tax) but is limited by the commission income cap; if the expenses exceed the cap, the employee may freely choose to claim on the salaried basis instead.
Detailed home office method and non-deductible items	work-space-in-the-home expenses	Since the 2023 tax year only the detailed method remains; rent and utilities and internet can be deducted proportionally, but mortgage interest, mortgage principal and capital furniture are never deductible.
New 2026 labour mobility deduction rule	Labour Mobility Deduction	For tradespeople in construction relocating temporarily for work, from the 2026 tax year the cap is raised to $10,000, the one-way distance difference is reduced to 120 km, and no T2200 is needed.
GST370 employee rebate and the link to next year's income	employee GST/HST rebate (Form GST370)	GST/HST paid on qualifying employment expenses can be claimed as a refund on Line 45700 (in BC only the 5% GST), and the refund must be included in income on Line 10400 for the year it is received, which is the year after the expenses were claimed.
Announced 2027 CPP and EI figures	2027 CPP and EI parameters (announced)	Announced for 2027 (status: announced by the CRA, used for the 2027 tax year, does not affect 2026 returns): YMPE $76,700, YAMPE $87,400, CPP employee rate 5.75% (Bill C-30 cuts the base rate for each side from 4.95% to 4.75%, with an employee maximum of $4,209.00); EI maximum insurable earnings $70,800, rate 1.64%.

Self-test cues (Cornell left column)

1. Why can Line 30800 not simply show the total withheld on the T4s when several employers cause a CPP/EI overpayment?
2. In the year of turning 18, how are the qualifying CPP months determined? Is EI prorated in the same way?
3. Is the EI $2,000 threshold a basic exemption or a refund switch? How do the reporting paths differ in essence?
4. What is the core difference between salaried and commission employees in the home office expenses they can deduct and the limits that apply?
5. What tax treatment applies in the year of receipt to an employee GST refund received through GST370?

Summary: In one sentence, summarize the reporting path for CPP/EI overpayments from several employers, the homeowner restrictions under the detailed home office method, and the link between the GST370 rebate and next year's income.

Chapter 5 · Pension & Investment Income: Three Pillars, Dividend Integration, and T1 Line Mapping

T1 basics | P2 Hold steady | Pension and investment income slips · 2 mock questions

Read with these questions: Can a taxpayer under 65 who withdraws from a RRIF claim the pension credit on Line 31400?; With 2026 net income above $95,000 triggering the OAS recovery, how is it reported on the T1?; When a T5 slip for eligible dividends is received, how are Line 12000 and Line 40425 completed on the T1?; When a retired couple does T1032 splitting, can OAS and CPP be transferred to the spouse for reporting?

How it is tested

- Slip–to–line mapping and avoiding double reporting: gives T4A(OAS), T4A(P), T4A and T4RIF slips with specific box numbers and tests which of Line 11300, Line 11400, Line 11500 and Line 13000 each belongs on, especially recognizing that T4A(P) box 16 disability is only a memo on Line 11410 and must not be added again, and that a death benefit received directly by a beneficiary goes on Line 13000.
- Pension income amount and the age 65 threshold: gives income details for retirees under 65 and at 65 or over (RPP periodic annuity, RRIF withdrawals, RRSP withdrawals, OAS/CPP) and tests which income is qualifying pension income for Line 31400, remembering that OAS/CPP never qualify at any age and that RRIF needs age 65 or inheritance on a spouse's death.
- Retirement income splitting (T1032) eligibility and calculation: gives the spouses' ages and the make–up of their pensions and tests which income can be split under the joint election up to 50% (age limits for RPP versus RRIF), excluding OAS and CPP, and the rule that the provincial form automatically follows the federal split.
- Dividend gross–up and the two–track credit calculation: gives eligible (138% gross–up / 15.0198% DTC) or non–eligible (115% gross–up / 9.0301% DTC) dividends and tests calculating the taxable amount on Line 12000, the Line 12010 check item and the federal credit on Line 40425, and distinguishing copying slip box numbers directly from self–calculating without a slip.
- Registered account withdrawals and anti–avoidance rules: tests the RRSP tiered withholding rates (10%/20%/30%), the principle that splitting a withdrawal does not lower the rate, the three–year spousal contribution attribution (s.146(8.3)), and planning points that the first–year RRIF minimum is zero and a younger spouse's age may be used to lengthen deferral.

Traps (watch for the signal)

Reporting the OAS recovery as a net amount: The stem gives the T4A(OAS) box 18 total and net income above $95,323 for the year, and asks what amount to enter on Line 11300.

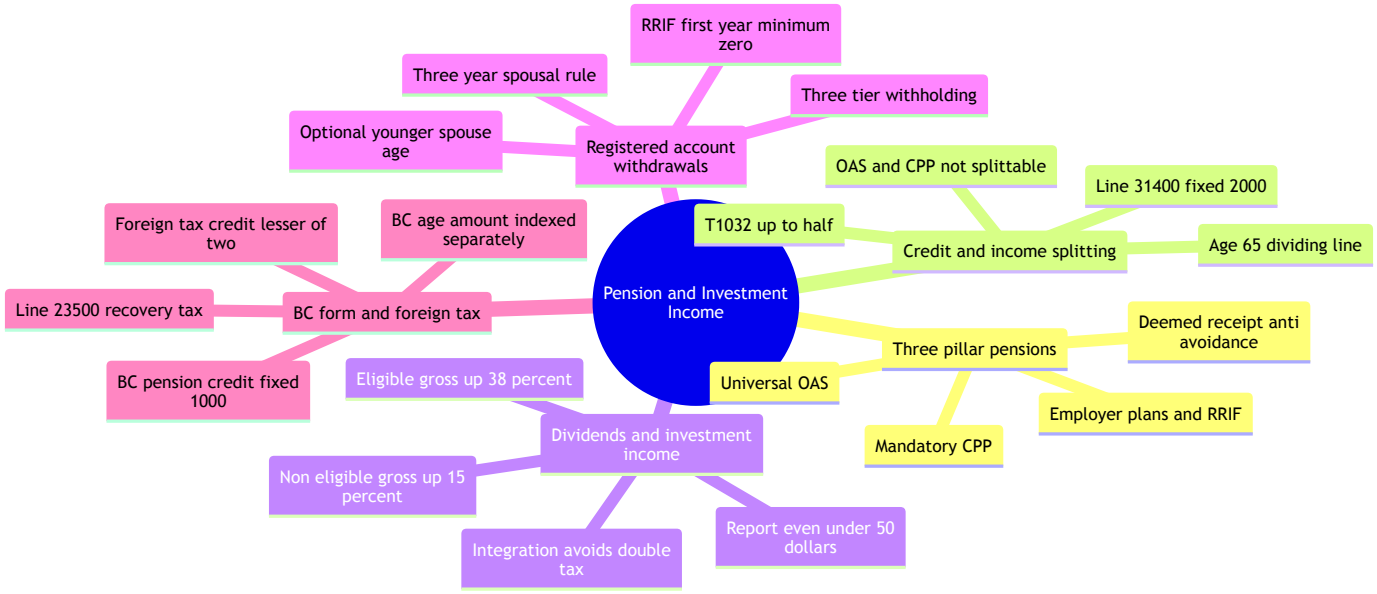
Borrowing the RRIF credit before age 65: The stem stresses that the taxpayer is under 65 (for example 62), with RRIF withdrawals or a personal RRSP annuity as the main income, and asks whether the pension income amount can be claimed.

Reporting interest only if a slip is received: The stem says the taxpayer's savings account earned $35 or $42 of interest for the year, the bank issued no T5 slip, and asks whether the interest must be reported on the T1.

Reporting the cash dividend received: The stem gives the actual eligible or non–eligible dividend received (for example $10,000) and asks for the amount to include on Line 12000 or the dividend tax credit to calculate.

Splitting OAS and CPP on T1032: The stem has one retired spouse whose main income is OAS and CPP and the other with low income, and asks whether filing Form T1032 can transfer 50% to the spouse to save tax.

Mind map


Pension and Investment Income
Registered account withdrawals
RRIF first year minimum zero
Three year spousal rule
Three tier withholding
Optional younger spouse age
Credit and income splitting
OAS and CPP not splittable
Line 31400 fixed 2000
T1032 up to half
Age 65 dividing line
BC form and foreign tax
Foreign tax credit lesser of two
BC age amount indexed separately
Line 23500 recovery tax
BC pension credit fixed 1000
Three pillar pensions
Deemed receipt anti avoidance
Universal OAS
Employer plans and RRIF
Mandatory CPP
Dividends and investment income
Eligible gross up 38 percent
Non eligible gross up 15 percent
Integration avoids double tax
Report even under 50 dollars

Chapter 5Key points (cover the right two columns to self-test)

Key points	Exam term	Rule / number
Three pension pillars and line routing	three pillars of pension income	OAS goes on Line 11300, CPP on Line 11400, and employer pensions and RRIF at 65 or over on Line 11500; the three lines are independent, and only the third pillar qualifies for the pension credit and splitting.
2026 OAS recovery threshold and reporting in full	OAS recovery tax threshold	For 2026, net income above $95,323 is recovered at 15% and calculated separately on Line 23500; Line 11300 must show the full T4A(OAS) box 18 amount, not the net amount after the reduction.
CPP benefit totals and the death benefit exception	T4A(P) reporting and death benefit exception	The T4A(P) box 20 total goes on Line 11400; the box 16 disability portion is copied to Line 11410 only as an information memo and must not be added; a death benefit received personally goes on Line 13000 instead.
Pension income amount: fixed $2,000 and the age limit	pension income amount (line 31400)	The federal maximum credit base is a fixed $2,000 (BC fixed $1,000); under 65, only an employer RPP periodic annuity and income inherited on a spouse's death qualify, RRIF withdrawals qualify only from age 65, and OAS/CPP never qualify at any age.
Dividend gross-up on two tracks and federal credit rates	dividend gross-up and Dividend Tax Credit	Eligible dividends are grossed up at 138% onto Line 12000 with a federal credit rate of 15.0198%; non-eligible dividends are grossed up at 115% onto Line 12000/12010 with a federal credit rate of 9.0301%.
Interest with no slip, and the foreign tax credit is the lesser	reporting interest and Foreign Tax Credit	Interest under $50 with no T5 must still be reported on Line 12100; the foreign tax credit (Line 40500) is the lesser of the foreign tax actually paid and the Canadian tax payable, and cannot be refunded in cash.
RRSP tiered withholding and the three-year spousal attribution	RRSP withholding and spousal attribution	Outside Quebec, RRSP withdrawals up to $5,000 have 10% withheld, over $5,000 up to $15,000 have 20%, and over $15,000 have 30%; if the spouse contributed in the year of withdrawal or the previous two tax years, the withdrawal up to the contribution amount is attributed to the contributor.
Retirement income splitting: the T1032 joint election	pension income splitting (Form T1032)	If both spouses are residents and have not been separated for 90 days or more because of breakdown, a joint election on T1032 can transfer up to 50% of qualifying pension income to the spouse; OAS and CPP cannot be split.
No minimum in the first RRIF year, and borrowing a spouse's age	RRIF minimum withdrawal rules	The RRIF minimum withdrawal is zero in the year it is established and starts the following year; before the first payment is received, the taxpayer may elect to calculate the minimum using a younger spouse's age to defer tax, and no tax is withheld on the minimum amount.
BC form calculated independently, with the split carried over	BC 428 provincial pension and dividend rules	On Form BC428 the pension income amount is a fixed $1,000, the age amount is indexed by BC's own formula ($5,927 for 2026), the dividend credit is calculated at BC's own rates, and the T1032 split result carries over automatically with no separate election.

Self-test cues (Cornell left column)

1. On which T1 line does each of the three pension pillars (OAS, CPP, RPP/RRIF) land? Which qualify for the pension income amount credit?
2. What is the 2026 OAS recovery threshold? How should the T4A(OAS) amount and the recovery tax be reported on the T1?
3. What is the core difference in the scope of qualifying pension income (Line 31400) between a taxpayer under 65 and one aged 65 or over?
4. What are the gross-up multiples and federal credit rates for eligible and non-eligible Canadian dividends? How should a T5 be copied when received?
5. What are the eligibility conditions and the transfer cap for retirement income splitting (Form T1032)? When does a spouse's RRSP withdrawal trigger attribution?

Summary: In one sentence, summarize the core rules and the T1 lines for the three-pillar pension routing, dividend gross-up integration, the 50% T1032 splitting cap, and registered account withdrawal attribution.

Chapter 6 · Other Income & Social Benefits: Reporting, Offsetting, and Excluded Amounts

T1 basics | P2 Hold steady | Other income and social benefits · 2 mock questions

Read with these questions: Above what net income are 2026 EI regular benefits recovered? Are special benefits recovered?; Why must tax-free workers' compensation and social assistance be included in net income?; How does the tax on child and spousal support differ for divorce agreements made before and after 1997?; Can the research award received by a postdoctoral fellow get the full scholarship exemption?

How it is tested

- Net income inclusion and offsetting mechanism (Line 14400/14500 and Line 25000): tests the two-step logic that workers' compensation and social assistance are first included in net income and then deducted from taxable income, especially their effect on income-tested benefits based on net income (CCB, CGEB, BC provincial benefits), and the rule that social assistance for cohabiting spouses is reported by the higher-income spouse.
- EI regular benefits taxation and the linked recovery calculation (Line 11900 and Line 23500): tests that all EI benefits are included in full on Line 11900, that only regular/extended benefits (box 7 rate 30%) trigger a 30% recovery when net income before adjustments (Line 23400) exceeds 1.25 x MIE ($86,125 for the 2026 tax year), and firmly excludes special benefits (maternity, parental, sickness).
- Support agreement dates and the child/spouse split (Line 12800 and Line 22000): gives divorce or separation agreements made or changed in different years and tests the May 1, 1997 dividing line: for new agreements child support is neither taxable nor deductible and spousal support is taxable and deductible; for pre-1997 agreements the child support part keeps the old taxable and deductible treatment (unless Form T1157 is signed or the agreement is changed in writing).
- Scholarship exemption and qualifying student status (Line 13010): tests that scholarships of full-time qualifying students in post-secondary programs are fully exempt, compared with non-qualifying students (such as postdoctoral fellows) who get only the $500 basic exemption, and the rule that part-time students are limited to tuition + materials + $500.
- Nature of RESP payments, retiring allowances and windfalls (Line 13000, 41800 and items not reported): distinguishes RESP contributions returned tax-free, EAP reported by the student on Line 13000, and AIP reported by the subscriber on Line 13000 with a 20% additional tax on Line 41800; recognizes that only the eligible part of a retiring allowance for service before 1996 can be

Traps (watch for the signal)

Government benefits are never taxed: The stem gives a T4E slip amount (such as regular unemployment benefits or maternity benefits) and asks for the taxable income amount or the line it goes on the T1.

Workers' compensation and social assistance left off the return: The stem gives the T5007 box 10 or box 11 amount and asks whether the taxpayer's net income (Line 23600) increases, or how Line 14400/14500 and Line 25000 are reported.

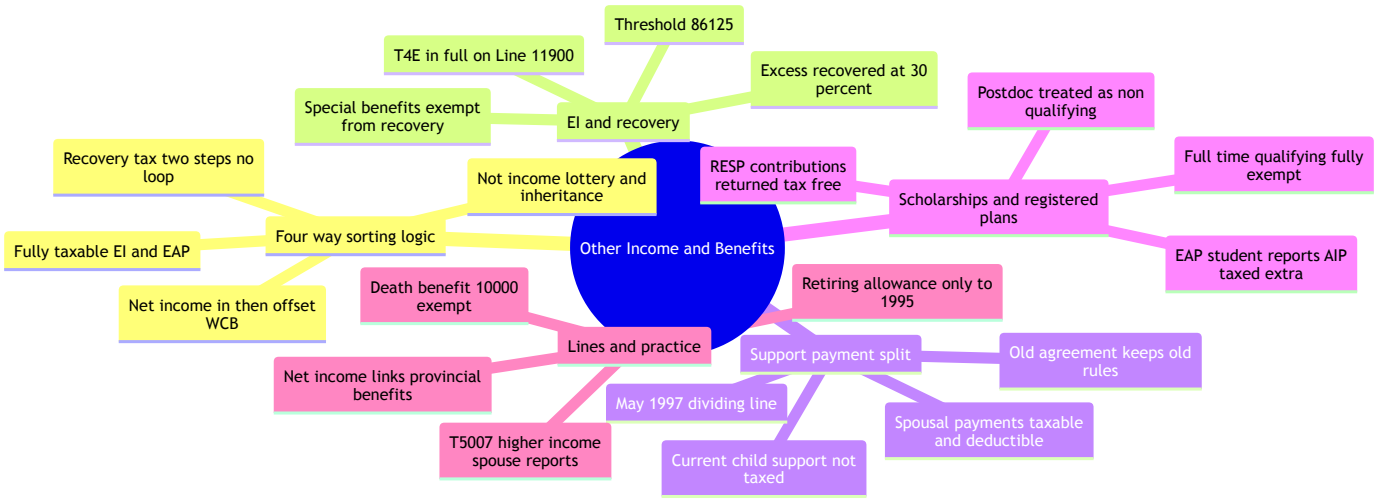
Confusing the EI recovery with the OAS recovery: The stem gives net income above $86,000 or $95,000 together with EI (including maternity or sickness) or OAS, and asks for the benefit recovery on Line 23500.

Taking child support as always tax-free out of context: The stem states that the divorce agreement or court order was made before May 1, 1997 (for example 1995 or 1996) and that the amount was never changed afterwards.

Full-time status equals qualifying student: The stem has the taxpayer as a postdoctoral fellow or in a non-qualifying program who receives a T4A box 105 scholarship, and asks for the exemption or the amount reported on Line 13010.

transferred to an RRSP without using room; and that lottery winnings and life insurance proceeds are not income and need not be reported.

Mind map



Chapter 6Key points (cover the right two columns to self-test)

Key points	Exam term	Rule / number
Four categories of receipts and the dual function of net income	four categories of receipts and net income dual function	Lottery winnings and similar non-income items stay off the return; workers' compensation and social assistance are included in net income and then deducted on Line 25000 so that benefit eligibility is determined properly; EI and excess scholarships are taxed normally; the benefit recovery amount reduces net income and adds to tax payable.
EI regular benefits taxable, and the 2026 recovery threshold	EI benefits taxable and 2026 clawback threshold	EI benefits are included in full as taxable income on Line 11900; only regular/extended benefits (box 7 rate 30%) are recovered on Line 23500 at 30% of the excess when net income before adjustments exceeds the 2026 threshold of $86,125 (1.25 x MIE of $68,900).
Workers' compensation and social assistance: include then offset	Workers' Compensation and social assistance reporting	T5007 box 10 (workers' compensation) goes on Line 14400 and box 11 (social assistance) on Line 14500, and both are deducted in full on Line 25000 so taxable income is zero; social assistance for cohabiting spouses is reported by the spouse with the higher net income.
May 1997 dividing line for support, and the child/spouse split	support payments and May 1, 1997 cutoff	From May 1, 1997, child support under new agreements is not taxable and not deductible, while periodic spousal support is taxable (Line 12800) and deductible (Line 22000); the child support part of pre-1997 agreements that were not changed and did not elect the new rules keeps the old treatment of taxable and deductible.
Three tiers of scholarship exemption and qualifying student status	scholarship exemption and qualifying student	Scholarships of full-time qualifying students in post-secondary education are fully exempt; part-time students are exempt for tuition plus materials plus a $500 basic amount; non-qualifying students (including postdoctoral fellows) get only the $500 basic exemption.
Three kinds of RESP payment, tax attribution and the penalty tax	RESP withdrawals (contributions, EAP, and AIP)	Return of RESP contributions is tax-free and not reported; educational assistance payments (EAP) are the student's taxable income on Line 13000; accumulated income payments (AIP) go to the subscriber on Line 13000 with an additional tax of 20% (12% in Quebec) on Line 41800.
Retiring allowance transfer room frozen in 1996	retiring allowance eligible transfer freeze	Only the eligible part of a T4 box 66 retiring allowance for service up to 1995 can be transferred to an RRSP without using up current room; the non-eligible part (box 67) for service from 1996 on must use the taxpayer's own remaining contribution room.
Windfalls are not reported; the death benefit exemption limit	windfalls and death benefit exemption	Lottery winnings, inheritances and most life insurance death proceeds are never included in income and need not be reported (later investment income is taxable); all beneficiaries combined share a statutory $10,000 exemption on an employee death benefit.
BC benefits anchored to federal net income	BC provincial benefits anchored to Line 23600	BC provincial income tax follows federal net income and taxable income, and workers' compensation and social assistance included in net income also affect the calculation of income-tested BC family benefits and the renter's credit.
Three-line split when workers' compensation repays wages	WCB wage reimbursement reporting (Line 22900)	When a worker receives workers' compensation and repays wages advanced by the employer, the T5007 goes on Line 14400 and is deducted on Line 25000, the T4 wages go on Line 10100, and the amount repaid to the employer is separately deducted on Line 22900; it must never be offset privately.

Self-test cues (Cornell left column)

1. Workers' compensation and social assistance end up with no taxable income, so why must they first be reported on Line 14400/14500 and then fully deducted on Line 25000?
2. What is the statutory threshold for recovery of EI regular benefits in the 2026 tax year? Which EI payments are not subject to the recovery rules?
3. What is the first dividing date for deciding whether support is taxable or deductible? How do new and old agreements differ in essence on child support?
4. How do full-time qualifying students at post-secondary schools, part-time students and postdoctoral fellows differ in the scholarship exemption (Line 13010)?

5. For the contributions, educational assistance payments (EAP) and accumulated income payments (AIP) withdrawn from an RESP, who reports each and how is each taxed?

Summary: In one sentence, summarize the routing of the four kinds of income on the T1, the threshold rules for EI and support payments, and the key reporting requirements for workers' compensation and RESP withdrawals.

Chapter 7 · Deductions: Net Income vs Taxable Income — RRSP, Child Care, Moving, and Support Payments

T1 basics | P1 Must score | Deductions: RRSP, child care, moving, support · 4 mock questions

Read with these questions: Can the northern residents deduction reduce net income and increase child benefits in the same way as child care expenses?; Can the portion of child care expenses restricted by the two-thirds earned income ceiling be carried forward?; Is the measurement end-point for the 40-kilometre moving expense test the old residence or the new work location?; When support payments upon separation are paid partially, how is the deduction allocated between child support and spousal support?

How it is tested

- Two-tier deduction line-number classification and benefit linkage questions: Given specific deduction items (such as child care expenses on line 21400, disability supports deduction on line 21500, moving expenses on line 21900, and northern residents deductions on line 25500), testing whether the candidate can promptly identify the line-number watershed (lines 20700–23500 vs lines 24400–25600) and accurately determine whether the deduction reduces net income on line 23600 to increase the Canada Child Benefit (CCB) or BC family benefit.
- Child care expense three-ceiling and claimant eligibility calculation questions: Given actual child care expenses paid, children's ages ($8,000 for children under age 7 / $5,000 for children aged 7 to 15 / $11,000 for children eligible for the DTC), and both spouses' employment and self-employment earnings, testing the calculation of the lowest of the three ceilings, the exclusions from earned income (excluding investment income and Employment Insurance), the mandatory lower-income spouse claiming rule, and the restriction that undeducted balances expire in the current year and cannot be carried forward.
- Moving expense eligibility measurement and qualifying expense identification questions: Given the distances between the old residence, new residence, and new work location, testing the accurate directional application of the 40-kilometre distance requirement; simultaneously providing expense breakdowns (moving haulage, temporary living expenses up to 15 days, maintaining the vacant former residence capped at $5,000, house-hunting trips, loss on sale), testing the precise screening of eligible expenses and the rule that deductions are strictly limited to employment or self-employment income earned at the new work location and can only be carried forward.
- Support payment dual-track classification and two-line reporting questions: Based on the execution date of the written agreement or court order (the April 1997 watershed), testing the tax characterization of child support (non-deductible to payer / non-taxable to recipient) versus spousal support (deductible to payer /

Traps (watch for the signal)

Assuming all deductions reduce net income: The question stem asks about the effect of a deduction located between lines 24400 and 25600 on the Canada Child Benefit (CCB) or BC family benefit.

Measuring moving distance only between the two residences: The question stem provides separate distances between the old residence, new residence, and new work location, asking whether the taxpayer satisfies the distance threshold for deducting moving expenses.

Assuming the higher-income spouse saves more by claiming child care: The question stem presents a significant income disparity between spouses (such as $100,000 vs $30,000) without mentioning any statutory exception such as attending school, disability, or imprisonment.

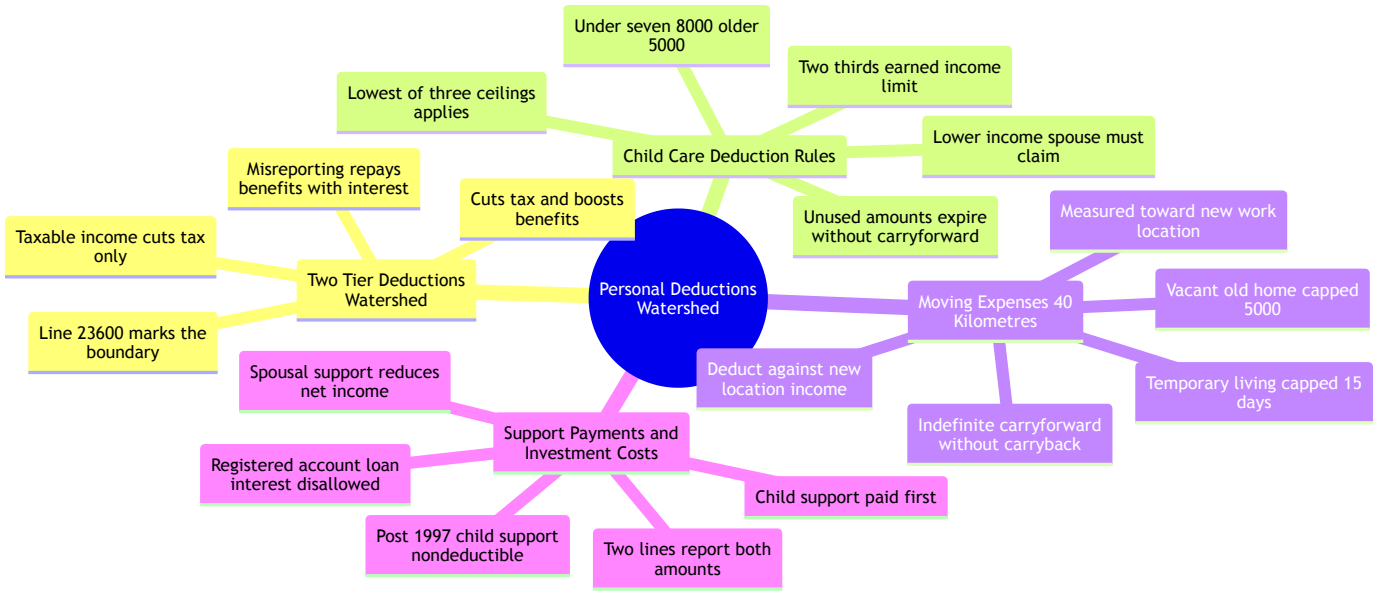
Carrying forward undeducted child care expense balances: The question stem describes child care expenses exceeding the two-thirds earned income ceiling, asking how the undeducted balance is treated for tax purposes.

Claiming interest on loans for registered accounts on line 22100: The question stem lists interest paid on loans borrowed both to buy non-registered shares and to contribute to an RRSP or TFSA, asking for the deductible carrying charges amount on line 22100.

taxable to recipient), testing the reporting distinction between line 21999 (total support paid) and line 22000 (deductible support), and testing the statutory priority of payment rule requiring child support to be fully satisfied first.

- Carrying charges and disability supports pathway selection questions: Given itemized expenses such as non–registered portfolio management fees, loan interest, borrowing interest for registered contributions, and safety deposit box rentals, testing statutory exclusions from line 22100; or for disabled working taxpayers, testing the distinction and optimal filing choice between the net income deduction on line 21500 and the medical expense tax credit on line 33099.

Mind map



Chapter 7Key points (cover the right two columns to self-test)

Key points	Exam term	Rule / number
Two tiers of deductions and line-number watershed	two tiers of deductions (Line 23600 vs Line 26000)	Lines 20700 through 23500 fall in the net income tier (Step 3), both reducing tax payable and lowering net income on line 23600 to increase income-tested benefits; lines 24400 through 25600 fall in the taxable income tier (Step 4), reducing tax payable only while leaving net income completely unchanged.
RRSP deduction limit and unused contributions (Schedule 7)	RRSP deduction limit and unused contributions (Schedule 7)	The 2026 tax year contribution window runs until early March 2027; the annual deduction limit is the lesser of $33,810 and 18% of prior-year earned income. Taxpayers may voluntarily claim less or none in the current year, but unused contributions must be recorded on Schedule 7 and can be carried forward indefinitely.
Child care expenses deduction ceilings (Form T778)	child care expenses deduction ceilings (Form T778)	The child care expense deduction is the lowest of actual expenses paid, the sum of basic per-child limits ($8,000 for each child under age 7 at year-end, $5,000 for each child aged 7 to 15, and $11,000 for each child eligible for the DTC), and two-thirds of earned income; any undeducted balance expires in the current year and cannot be carried forward.
Lower-income spouse requirement and weekly exception limits	lower-income spouse requirement and weekly exception limits	Child care expenses must mandatorily be claimed by the spouse with the lower net income. Only under five statutory exceptions (such as the lower-income spouse attending full-time or part-time school, severe infirmity, imprisonment for at least two weeks, or marital breakdown) may the higher-income spouse claim a deduction, capped weekly at 2.5% of the applicable annual child limit.
40-kilometre distance requirement (Form T1-M)	40-kilometre distance requirement (Form T1-M)	The statutory standard for an eligible relocation requires that the distance from the new residence to the new work location be at least 40 kilometres shorter than the distance from the old residence to the new work location via the shortest normal public route, measured relative to the new workplace rather than between the two residences.
Income limitation and carry-forward of moving expenses	income limitation and carry-forward of moving expenses	Moving expenses can only be deducted against net employment or self-employment income earned at the new work location. Any eligible undeducted balance may be carried forward indefinitely to future tax years against income at that same location, but it can never be carried back to prior tax years.
Support payments made (lines 21999 and 22000)	support payments made (lines 21999 and 22000)	Under agreements executed after April 1997, child support is non-deductible to the payer and non-taxable to the recipient, whereas spousal support is deductible to the payer and taxable to the recipient. The payer must report total support paid (including child support) on line 21999 and the deductible portion on line 22000, with child support enjoying statutory priority of payment.
Carrying charges and interest expenses (line 22100)	carrying charges and interest expenses (line 22100)	Management fees and loan interest incurred to earn taxable investment income (such as interest or dividends) are deductible on line 22100. However, interest on loans borrowed to fund registered plans (RRSP, TFSA, FHSA, etc.), registered account management fees, safety deposit box rentals, and loan interest incurred solely to produce capital gains are strictly non-deductible.
Disability supports deduction (line 21500) vs medical expense credit (line 33099)	disability supports deduction (line 21500) vs medical expense credit (line 33099)	Eligible disability support expenses incurred by the taxpayer to enable them to work or attend school can be claimed on line 21500 as a net income deduction, saving tax at marginal rates without being subject to the 3% net income threshold and boosting income-tested benefits, generally offering greater financial value than the 14% non-refundable credit on line 33099.

Self-test cues (Cornell left column)

1. How do the line-number boundaries of the two deduction tiers (lines 20700—23500 vs lines 24400—25600) fundamentally affect net income on line 23600 and income-tested child benefits?
2. What are the three ceilings when calculating the child care expense deduction on Form T778, what items are included in or excluded from earned income, and can undeducted balances be carried forward?
3. In what direction is the 40-kilometre distance requirement measured on Form T1-M, what income limitation restricts the current-year deduction, and how are undeducted moving expenses carried forward?

4. What is the tax distinction between child support and spousal support under agreements executed after April 1997, and why must the payer report amounts on both line 21999 and line 22000?
5. What are the core eligibility requirements for carrying charges on line 22100 and disability supports on line 21500, and can interest paid on money borrowed to fund registered accounts be deducted?

Summary: Summarize in one sentence the core distinction between the net income and taxable income deduction tiers, along with the critical exam rules governing the three child care ceilings, the 40-kilometre and new-income moving expense rules, the dual-track support payment system, and the exclusion of registered accounts from carrying charges.

Chapter 8 · Non-Refundable Tax Credits Schedule: Rules and Calculations After the Federal Rate Reduction to 14% (2026 Tax Year)

T1 basics | P1 Must score | Non-refundable tax credits · 4 mock questions

Read with these questions: Can non-refundable tax credits be refunded in cash when a taxpayer has zero tax payable?; How does the Top-Up tax credit trigger when total non-refundable tax credits exceed $58,523?; How do the basic personal amount and spouse amount phase out for high-income taxpayers?; Why are contributions from the same CPP regime split into credit and deduction streams?; Can unused tuition amounts carried forward to future years be transferred to parents?

How it is tested

- Credit mechanism and non-refundable nature questions: Testing the underlying policy logic difference between deductions (progressive conversion at marginal tax rates) and non-refundable tax credits (flat conversion at the appropriate percentage), assessing the candidate's understanding of tax payable as the credit ceiling, and the legal consequence that non-refundable credits cannot generate a cash refund when tax payable is zero.
- 2026 tax year federal credit rate reduction and Top-Up credit calculation questions: Testing the scenario where the federal credit rate drops from 15% to 14% (first bracket threshold $58,523) and the sum of the taxpayer's non-refundable tax credit amounts exceeds the threshold, evaluating the automatic trigger condition for the Top-Up Tax Credit under ITA s. 118(11), the 15% rate restoration multiplier mechanism (7.14%), and the $200 cap inclusion rule for charitable donations.
- Family tax credit entitlement and dollar-for-dollar phase-out questions: Testing the eligibility determination and amount calculation for the basic personal amount (BPA base amount of $14,829 plus enhanced amount of $1,623, with linear phase-out for high earners), the spouse or common-law partner amount (Line 30300 reduced dollar-for-dollar by the spouse's net income to zero), and the amount for an eligible dependant (Line 30400 single-parent amount, strictly mutually exclusive with the spouse amount and prohibiting duplicate claims for the same child).
- Tuition amount claiming order and irreversible carry-forward one-way door questions: Testing the mandatory rule that current-year eligible tuition must first be used to reduce the student's own tax payable to zero, with remaining amounts transferred (federal ceiling of $5,000, requiring signed designation on the back of the tuition certificate to an eligible relative) or carried forward, and the one-way door rule whereby tuition carried forward to future years is permanently locked for the student's own use and can never be transferred in any future year.

Traps (watch for the signal)

Believing non-refundable credits yield cash refunds without tax payable: The question stem features a taxpayer with very low income or whose tax payable is already reduced to zero by the basic personal amount, who then claims large medical expenses, the home buyers' amount, or the home accessibility tax credit, asking for the resulting tax savings or cash refund.

Claiming the maximum spouse amount simply because the spouse is not employed: The question stem notes that while the spouse did not work or had no employment earnings during the year, they received substantial investment returns, interest, or taxable pension payments, asking for the allowable spouse amount the claimant can deduct.

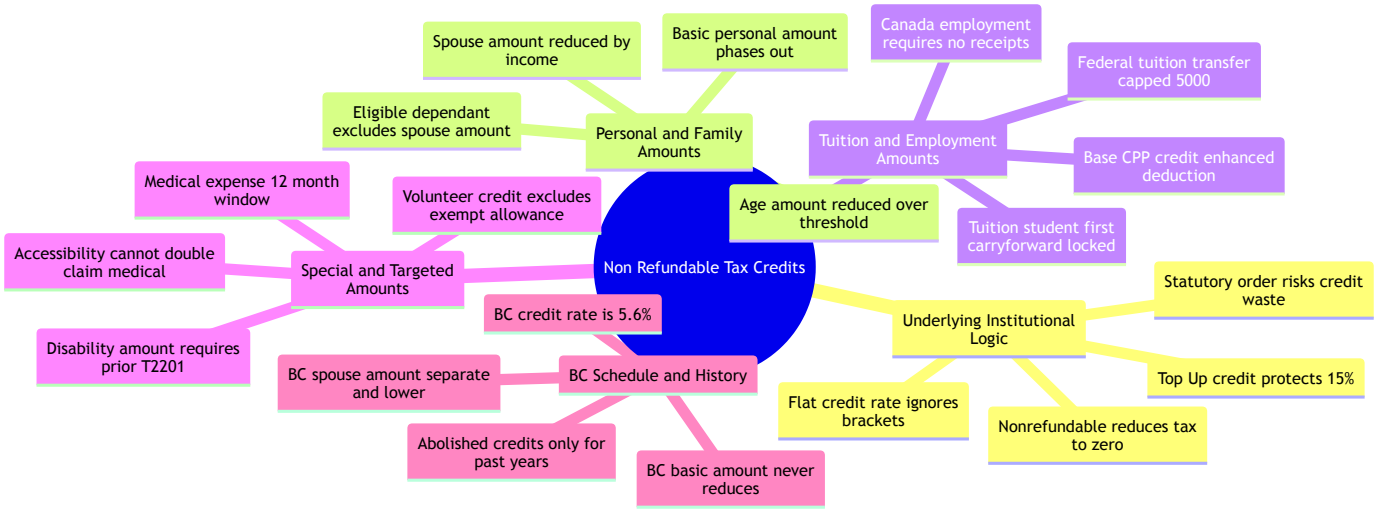
Carrying forward tuition amounts with the intention of transferring them later: The question stem mentions a student with unused tuition carried forward from prior years, or who did not sign the transfer designation on the certificate in the study year, asking whether the carried-forward tuition can be transferred to parents for tax savings in a subsequent high-income year.

Double-claiming home accessibility renovations and medical expenses under the new rules: The question stem involves accessibility home renovations (such as installing wheelchair ramps or elevators) incurred in the 2026 tax year, asking whether the costs can be claimed simultaneously on Line 31285 (HATC) and Line 33099 (METC).

Applying the maximum fixed basic personal amount to high-income earners: The question stem features a taxpayer with net income in the high brackets (such as $200,000 or above), asking for their allowable basic personal amount (BPA) or credit value for the 2026 tax year.

- Special targeted credit eligibility and 2026 anti-duplication rule questions: Testing the new anti-duplication rule effective in the 2026 tax year strictly prohibiting double-claiming between the Home Accessibility Tax Credit (HATC, $20,000 expense cap) and the Medical Expense Tax Credit (METC), the disability amount (Line 31600, $10,341, requiring prior T2201 approval and clawback of the supplement for persons under 18 by child care expenses), and the dual-track characterization of base CPP contributions (credit) versus enhanced CPP contributions (deduction).

Mind map



Chapter 8Key points (cover the right two columns to self-test)

Key points	Exam term	Rule / number
Appropriate percentage credit rate and federal 14% conversion (2026 tax year)	appropriate percentage (14% in 2026)	The credit rate is tied directly to the lowest federal tax bracket under ITA s. 248(1) (the appropriate percentage), which drops to 14% in the 2026 tax year, meaning every $1,000 of eligible credit amounts reduces federal tax payable by only $140.
Top-Up Tax Credit (ITA s. 118(11)) trigger condition and 15% rate protection	Top-Up Tax Credit (ITA s.118(11))	The Top-Up Tax Credit triggers automatically when the sum of the taxpayer's non-refundable tax credit amounts for the year exceeds the first federal tax bracket threshold ($58,523 in 2026), supplementing the 1% conversion difference via formula to ensure taxpayers do not pay more tax due to the credit rate reduction.
Basic personal amount (BPA, Line 30000) two-tier structure and high-income phase-out	basic personal amount (BPA, Line 30000)	The maximum basic personal amount for 2026 is $16,452, consisting of a $14,829 base amount and a maximum $1,623 enhanced portion; the enhanced portion phases out linearly to zero for taxpayers with net income between $181,440 and $258,482.
Spouse or common-law partner amount (Line 30300) and eligible dependant amount (Line 30400)	spouse or common-law partner amount (Line 30300) and eligible dependant amount (Line 30400)	The maximum spouse amount equals the BPA and is subject to the same high-income phase-out, reduced dollar-for-dollar by the spouse's net income; it is strictly mutually exclusive with the amount for an eligible dependant (single-parent amount), and only one taxpayer can claim an eligible dependant per year.
Base CPP contributions (credit) vs enhanced CPP contributions (deduction)	base CPP contributions (credit) vs enhanced CPP contributions (deduction)	The employee 4.95% base CPP contributions (2026 maximum $3,519.45) are claimed as a non-refundable tax credit on Line 30800, whereas the 1% first enhanced tier and 4% CPP2 contributions are claimed as deductions on Line 22215, reducing net income at the taxpayer's personal marginal tax rate.
Tuition amount (Line 32300) claiming priority and irreversible carry-forward one-way door	tuition amount (Line 32300) and transfer / carry-forward rules	Current-year tuition must mandatorily be used first to reduce the student's own tax payable to zero, with unused amounts transferable to a spouse or parent/grandparent (capped at $5,000 and requiring designation on the back of the certificate); any amount not transferred and carried forward to future years is permanently locked for the student's own use and can never be transferred.
Disability amount (Line 31600) and Form T2201 requirement	disability amount (Line 31600) and Form T2201 requirement	Claiming the disability amount ($10,341 in 2026) requires a certified Form T2201 completed by a medical practitioner and pre-approved by CRA; the supplement for persons under 18 ($6,032) is reduced dollar-for-dollar by child care expenses claimed in excess of $3,533.
Home Accessibility Tax Credit (HATC, Line 31285) anti-duplication rule	Home Accessibility Tax Credit (HATC, Line 31285) anti-duplication rule	Effective the 2026 tax year (determined by the year goods are acquired or services rendered), expenses claimed under the medical expense tax credit (Line 33099) are strictly prohibited from being claimed under the Home Accessibility Tax Credit, while the annual eligible expense limit remains $20,000.
BC provincial non-refundable tax credits (Form BC428)	BC provincial non-refundable tax credits (Form BC428)	For 2026, BC's lowest tax bracket and credit rate increased to 5.60%; the BC basic personal amount of $13,216 does not phase out for high earners; the BC spouse amount is a separate fixed amount of $11,317 phasing out once the spouse's net income exceeds $1,132; and BC does not have a provincial Top-Up credit.

Self-test cues (Cornell left column)

1. Why does the 2026 federal lowest bracket rate reduction to 14% lower the value of tax credits, and under what conditions does the Top-Up Tax Credit under ITA s. 118(11) trigger?
2. How do the basic personal amount (BPA) and spouse amount phase out for high-income taxpayers, and what mutual exclusivity rules govern the spouse amount and the single-parent eligible dependant amount?
3. What is the statutory claiming order for the tuition amount (Line 32300), and why is tuition carry-forward described as an irreversible one-way door?

4. How are CPP contributions on a single T4 slip split between non-refundable tax credits and tax deductions, and what is the fundamental difference in their tax savings?
5. What new restriction applies between the Home Accessibility Tax Credit (HATC) and the medical expense tax credit starting in 2026, and what major structural differences exist in BC's credit rate and spouse amount compared to the federal system?

Summary: Summarize in one sentence the core principle of non-refundable tax credits capped by tax payable, the mechanics of the 2026 federal 14% credit rate and Top-Up credit linkage, the key limitations on family and tuition amounts, and the anti-error rule prohibiting double-claiming between home accessibility and medical expenses starting in 2026.

Chapter 9 · Medical Expenses & Charitable Donations

T1 basics P1 Must score Medical expenses and donations · 3 mock questions

Read with these questions: Why is the medical expense threshold not simply 3%, and how is it capped for high earners?; Following the 2026 tax cut, what is the credit rate on the first $200 of charitable donations?; How do you select a window to combine and claim major out–of–pocket dental expenses spanning two calendar years?; If you donate significantly appreciated shares, do you still have to pay tax on the capital gains?; Can home accessibility renovations still be claimed under both HATC and METC in 2026?

How it is tested

- Medical expense threshold calculation and lesser–of rule distinction questions: Given a taxpayer's net income and total eligible medical expenses, testing whether the deduction threshold is based on 3% of net income or the statutory dollar cap ($2,890 for 2026), focusing on the lesser–of mechanism that locks high earners into the dollar cap rather than 3%.
- Charitable donation tiered tax credit calculation and tax cut linkage questions: Given donation amounts and income brackets for the year, testing the tiered structure where the first $200 applies the statutory appropriate percentage (automatically 14% in the 2026 tax year due to the lowest federal tax bracket rate cut) and amounts exceeding $200 apply 29% or 33%.
- Claim window selection and family member routing questions: Given multiple medical expenses spanning two calendar years and family members, testing the choice of any 12–month period ending in the tax year, the rule prioritizing the lower–income spouse to make the claim, and routing between line 33099 and line 33199 (calculating a separate threshold per dependant).
- Special asset donations and split–receipting scenario questions: Testing direct in–kind donations of appreciated publicly listed securities qualifying for a zero capital gains inclusion rate (compared to selling first then donating cash), as well as split receipting (advantage deduction) and the de minimis rule (lesser of $75 and 10% of the gift) in fundraising dinners and auctions.
- 2026 tax year new rules and boundary distinction questions: Testing the mutually exclusive rule effective starting in the 2026 tax year that prohibits double–claiming qualifying home accessibility renovation expenses under both HATC and METC, and the clear boundary between charitable donations (line 34900) and federal political contributions (line 41000), which follow separate formulas and cannot be combined or offset.

Traps (watch for the signal)

Mistaking Lesser Of for Greater Of Trap: The question stem provides a taxpayer whose net income exceeds approximately $96,333 and asks to calculate the claimable medical expense tax credit (METC) amount.

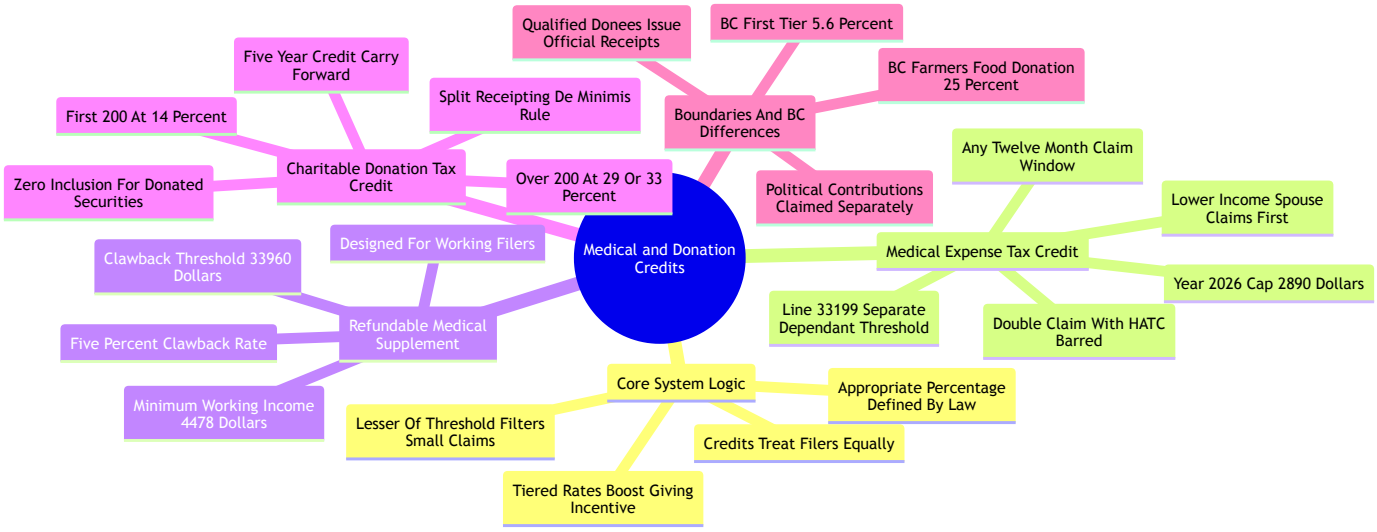
Assuming a Fixed 15% First–Tier Donation Rate Trap: The question stem explicitly specifies the 2026 tax year and asks to calculate the credit on the first $200 or the total charitable donation tax credit.

Rigid Calendar–Year Boundary Trap: The question stem presents major out–of–pocket dental, surgery, or orthodontic expenses incurred in late prior year (such as November or December) and the current year.

Pooling Dependant Thresholds Trap: The question stem involves claiming medical expenses for adult children aged 18 and older or elderly parents, and asks to calculate the claimable amount on line 33199.

Outdated Accessibility Double–Claiming Trap: The question stem involves wheelchair ramp or accessible bathroom renovation expenses incurred in the 2026 tax year and asks whether both tax credits can be claimed simultaneously.

Mind map


Medical and Donation Credits
Charitable Donation Tax Credit
Five Year Credit Carry Forward
Split Receipting De Minimis Rule
First 200 At 14 Percent
Zero Inclusion For Donated Securities
Over 200 At 29 Or 33 Percent
Boundaries And BC Differences
Qualified Donees Issue Official Receipts
BC First Tier 5.6 Percent
BC Farmers Food Donation 25 Percent
Political Contributions Claimed Separately
Medical Expense Tax Credit
Any Twelve Month Claim Window
Lower Income Spouse Claims First
Year 2026 Cap 2890 Dollars
Double Claim With HATC Barred
Line 33199 Separate Dependant Threshold
Refundable Medical Supplement
Designed For Working Filers
Clawback Threshold 33960 Dollars
Five Percent Clawback Rate
Minimum Working Income 4478 Dollars
Core System Logic
Appropriate Percentage Defined By Law
Credits Treat Filers Equally
Lesser Of Threshold Filters Small Claims
Tiered Rates Boost Giving Incentive

Chapter 9Key points (cover the right two columns to self-test)

Key points	Exam term	Rule / number
Legislative Logic of Tax Credits vs. Tax Deductions	Tax Credit vs. Tax Deduction	Medical expenses and charitable donations represent expenditures from disposable income after basic living costs; to prevent higher-income individuals from receiving greater tax relief through higher marginal tax rates, tax law uses a tax credit mechanism to provide equal tax relief across all income levels.
Lesser of 3% Net Income and Fixed Threshold	Lesser of 3% Net Income and Fixed Threshold	Before claiming medical expenses, a threshold must be deducted equal to the lesser of 3% of the filer's net income and the statutory dollar cap ($2,890 in the 2026 tax year); taxpayers with net income exceeding approximately $96,333 have their threshold locked at $2,890.
Appropriate Percentage and First-Tier Donation Rate Linkage	Appropriate Percentage	The statutory term 'appropriate percentage' is defined as the lowest federal tax bracket rate for the year; therefore, the credit rate on the first $200 of charitable donations automatically dropped to 14% in the 2026 tax year following the tax cut, without requiring separate legislative amendments.
Any 12-month Period Ending in the Tax Year	Any 12-month Period Ending in the Tax Year	Taxpayers may select any continuous 12-month period ending in the tax year to aggregate medical expenses, provided those expenses were not claimed in the previous tax year, making it easier to combine major medical expenses spanning two years to exceed the threshold.
Other Dependants' Medical Expenses (Line 33199)	Other Dependants' Medical Expenses (Line 33199)	Line 33199 aggregates medical expenses for other dependants such as adult children aged 18 and older or parents; a separate threshold must be calculated for each dependant based on the lesser of 3% of that dependant's own net income and the statutory cap ($2,890 in 2026).
Prohibition on Double-Claiming HATC and METC	Prohibition on Double-Claiming HATC and METC	Starting in the 2026 tax year, taxpayers are prohibited from claiming the Home Accessibility Tax Credit (HATC, line 31285) and the Medical Expense Tax Credit (METC, line 33099) for the same eligible renovation expense; taxpayers must choose one or the other.
Zero Inclusion Rate for Donated Listed Securities	Zero Inclusion Rate for Donated Listed Securities	Directly donating appreciated publicly listed securities to a registered charity reduces the capital gains inclusion rate to zero instead of one-half, and the donor receives an official donation receipt for the full fair market value of the securities on the date of donation.
Split Receipting and De Minimis Rule	Split Receipting and De Minimis Rule	When a donor receives an advantage in return for a gift, the donation receipt is issued only for the eligible amount after deducting the fair market value of the advantage; if the advantage does not exceed the lesser of $75 and 10% of the gift's value, it is deemed de minimis and a full receipt may be issued.
Refundable Medical Expense Supplement (Line 45200)	Refundable Medical Expense Supplement (Line 45200)	Line 45200 is designed for low-income working individuals; for the 2026 tax year, working income must reach at least $4,478, providing a maximum supplement of $1,534, with a 5% clawback on adjusted family net income exceeding $33,960, phasing out entirely around $64,640.
Federal Political Contribution Tax Credit (Line 41000)	Federal Political Contribution Tax Credit (Line 41000)	Political contributions (line 41000) are calculated using high tiered rates and reach a maximum credit of $650 on $1,275 of contributions; they operate under separate limits and formulas from charitable donations (line 34900) and cannot be combined or offset against each other.

Self-test cues (Cornell left column)

1. Why is the medical expense threshold for high earners not simply 3% of their net income, and what are the crossover point and statutory cap for the 2026 tax year?
2. Why did the credit rate on the first $200 of charitable donations automatically decrease to 14% in the 2026 tax year without requiring separate legislation?
3. How can the 'any 12-month period' rule be used to strategically plan and claim out-of-pocket dental or major medical expenses spanning two calendar years?
4. Why is donating appreciated publicly listed shares directly to a charity more tax-efficient than selling them first and donating the cash proceeds?

5. What major exclusivity rule took effect in the 2026 tax year regarding Home Accessibility Tax Credit (HATC) and Medical Expense Tax Credit (METC) claims?

Summary: Summarize the lesser-of medical expense threshold rule and the any 12-month period aggregation technique, the tiered charitable donation tax credit structure and the zero inclusion rate advantage for donated securities, along with key 2026 tax year rules on the rate reduction and the prohibition on double-claiming.

Chapter 10 · Refundable Tax Credits & Off-Chart Benefits

T1 basics | P1 Must score | Refundable credits and benefits · 3 mock questions

Read with these questions: Can a full-time university student with employment income claim the Canada Workers Benefit?; Can separated parents with shared custody privately negotiate their own Canada Child Benefit split?; If excess Advance Canada Workers Benefit payments were received, will CRA claw them back at tax time?; Does an adult with an approved disability certificate receive the new disability benefit automatically or by application?; If a zero-income spouse fails to file a tax return, will the family's Canada Child Benefit be affected?

How it is tested

- Refundable tax credit eligibility and statutory exclusion questions: Testing CWB (Schedule 6) full-time student exclusion rules for enrollment exceeding 13 weeks and its exception (having an eligible dependant), as well as CTC (Schedule 11) age 26 to 65 eligibility window and CTCL accumulation mechanisms.
- Family benefit calculation baseline and statutory shared custody split questions: Testing CCB reliance on combined adjusted family net income (AFNI) as the sole income-testing benchmark, alongside the non-negotiable 50/50 statutory split for separated parents with shared custody and the strict invalidity of private parent agreements.
- Advance payment overpayment no-clawback and benefit year timeline shift questions: Testing statutory protection where ACWB payments (automatically issued at 50% of the prior year's entitlement) are never clawed back even if current-year income exceeds thresholds, as well as the calendar timeline shift between spring tax filing (base year) and July benefit year payment cycles.
- Dental care plan and dual-stream disability benefit administration questions: Testing CDCP exclusion rules for individuals who voluntarily opt out of employer dental plans and mandatory June 1 annual renewal requirements, alongside the distinct administrative streams separating adult disability benefits (administered by Service Canada, requiring formal application) from child disability benefits (administered by CRA, automatically added to CCB).
- 2026 tax year legislative reforms and provincial variation distinction questions: Testing legislative changes taking effect July 2026 renaming the GST/HST credit to CGEB with a 25% increase (retaining the same formula), CWB reconfiguration agreements in Alberta, Quebec, and Nunavut, and the termination of the BC Climate Action Tax Credit following the end of the consumer carbon tax.

Traps (watch for the signal)

Benefit Year vs. Tax Year Confusion Trap: The question stem presents an income change, job loss, or salary adjustment occurring in the first half of the year (January to June) and asks how it impacts benefit payments issued before July based on the prior tax year.

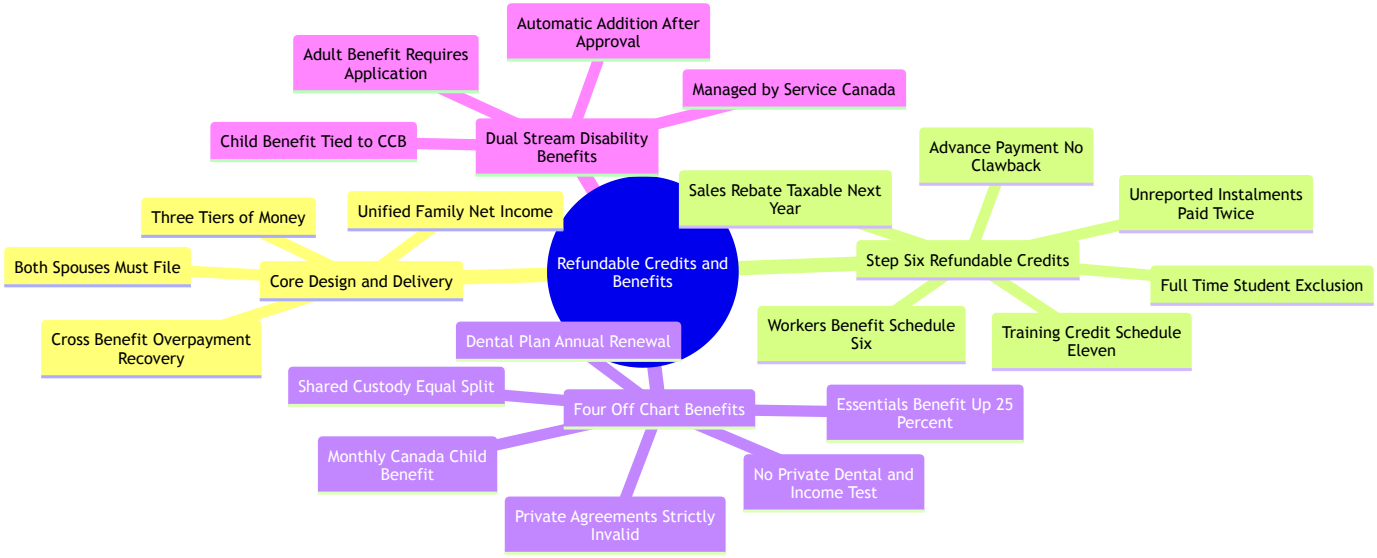
Shared Custody Agreement Allocation Trap: The question stem presents a separation agreement stipulating that one parent claims 100% of the Canada Child Benefit or agreeing on a non-50/50 split, and asks for the actual CCB amount received by a parent.

Disability Benefit Administration Stream Confusion Trap: The question stem presents a taxpayer aged 18 or older holding an approved Form T2201 and asks what steps are required to receive the newly established monthly Canada Disability Benefit.

Full-Time Student Exclusion for CWB Trap: The question stem presents a full-time post-secondary student with no dependants earning several thousand dollars from a job and asks to calculate their claimable line 45300 CWB amount on Schedule 6.

CGEB Renaming and Base Year Calculation Trap: The question stem references the sales tax credit or essentials benefit effective July 2026 and asks to determine the maximum benefit payable to a single individual or family.

Mind map


Refundable Credits and Benefits
Dual Stream Disability Benefits
Automatic Addition After Approval
Adult Benefit Requires Application
Managed by Service Canada
Child Benefit Tied to CCB
Core Design and Delivery
Three Tiers of Money
Unified Family Net Income
Both Spouses Must File
Cross Benefit Overpayment Recovery
Step Six Refundable Credits
Sales Rebate Taxable Next Year
Advance Payment No Clawback
Unreported Instalments Paid Twice
Full Time Student Exclusion
Workers Benefit Schedule Six
Training Credit Schedule Eleven
Four Off Chart Benefits
Dental Plan Annual Renewal
Shared Custody Equal Split
Essentials Benefit Up 25 Percent
Monthly Canada Child Benefit
No Private Dental and Income Test
Private Agreements Strictly Invalid

Chapter 10Key points (cover the right two columns to self-test)

Key points	Exam term	Rule / number
Essential Distinction Between Refundable and Non-Refundable Tax Credits	Refundable Tax Credit vs Non-Refundable Tax Credit	Non-refundable tax credits can only reduce tax payable to zero, whereas refundable tax credits and tax paid are aggregated at Step 6 of the T1 return, and when their total exceeds tax payable, the excess is paid directly to the taxpayer as a cash refund.
Mandatory Spousal Tax Filing to Maintain Benefit Entitlement	Mandatory Spousal Tax Filing for Benefit Entitlement	When a taxpayer has a spouse or common-law partner, both individuals must file personal income tax returns so CRA can calculate adjusted family net income (AFNI); if either partner fails to file, tax-free benefits including CCB and CGEB will be automatically suspended for the upcoming benefit year.
Full-Time Student Exclusion for CWB (Schedule 6)	Full-Time Student Exclusion for CWB (Schedule 6)	A taxpayer enrolled as a full-time student at a designated educational institution for more than 13 weeks during the tax year is disqualified from receiving the Canada Workers Benefit (CWB), unless they have an eligible dependant at the end of the year.
No-Clawback Rule for Advance Canada Workers Benefit Payments	ACWB Advance Payments and No-Clawback Rule	Advance payments automatically issued by the CRA at 50% of the prior year's entitlement are never clawed back; even if an individual's income increases in the current year and completely eliminates their CWB entitlement, advance payments are merely reconciled to zero on Schedule 6 without requiring repayment.
Age Window and Limit Accumulation for Canada Training Credit	Canada Training Credit Limit (Line 45350 / Schedule 11)	The Canada Training Credit (CTC) is calculated as the lesser of the individual's accumulated Canada Training Credit Limit (CTCL) and 50% of eligible tuition fees paid, and CTCL accumulates at $250 per year (lifetime cap of $5,000) only for taxpayers aged at least 26 and under 66 at the end of the year.
Statutory 50/50 Split for Shared Custody Canada Child Benefit	Shared Custody CCB 50/50 Statutory Split	When a child resides roughly equally with two separated parents who each share primary caregiving responsibility, the CRA mandates that each parent receive 50% of what they would receive under full custody based on their own AFNI; any private agreement specifying a different split is legally invalid for tax purposes.
Renaming of GST/HST Credit to CGEB and Continuity of Formula	Canada Groceries and Essentials Benefit (CGEB)	The former GST/HST credit was officially renamed the Canada Groceries and Essentials Benefit (CGEB) effective July 2026 with maximum amounts increased by 25% for five years ($445 for adults and $234 for children), while retaining the exact same phase-out formula and eligibility rules.
Dual Administration Streams for Adult vs Child Disability Benefits	Canada Disability Benefit vs Child Disability Benefit	The Child Disability Benefit (CDB) for minors under 18 is administered by the CRA and automatically added to monthly CCB payments once Form T2201 is approved, whereas the Canada Disability Benefit for adults aged 18 to 64 is administered separately by Service Canada and requires an independent application.
CDCP Private Insurance Exclusion and Mandatory Annual Renewal	CDCP Private Insurance Exclusion & Annual Renewal	Eligibility for the Canadian Dental Care Plan (CDCP) requires an adjusted family net income strictly below $90,000 and zero access to private dental insurance (voluntarily opting out of an employer plan still counts as having access), with mandatory proactive renewal required each year by June 1.

Self-test cues (Cornell left column)

1. Why must an individual file a timely personal income tax return even if their tax payable for the entire year is zero?
2. Why does a full-time university student with summer employment income typically calculate a Canada Workers Benefit of zero on Schedule 6?
3. Will the CRA honor a divorce agreement where separated parents agree that 100% of the Canada Child Benefit goes to the lower-income parent?
4. What changed and what remained unchanged when the Canada Groceries and Essentials Benefit (CGEB) replaced the GST/HST credit in July 2026?
5. How do the application and delivery procedures fundamentally differ between the adult Canada Disability Benefit and the minor Child Disability Benefit?

Summary: Summarize the core operating mechanisms of refundable tax credits and off-chart benefits, the timeline shift between tax filing and benefit delivery, the CWB full-time student exclusion and advance no-clawback rules, as well as

CCB shared custody 50/50 splits and dual-stream disability benefit procedures.

Chapter 11 · Students and Income Tax: Tuition Transfer and Carryforward, Scholarship Exemption, and Education Savings

T1 basics | P2 Hold steady | Students: tuition and related rules · 2 mock questions

Read with these questions: Why must the cap on transferring tuition to a parent deduct the student's own use?; Can a student reverse a tuition carryforward chosen last year and transfer it to a parent this year?; How is the taxable amount of a scholarship received by a part–time student worked out?; Can parents who pay their child's government student loan interest claim the credit?; What is the initial withdrawal limit when a full–time student takes an educational assistance payment from an RESP?

How it is tested

- Tuition credit self–use first and the transfer cap: tests on Schedule 11 that the student must first reduce his or her own federal tax to zero, and that the amount transferable to a parent or spouse for the year is capped at the statutory $5,000 minus the amount the student has already used.
- Irreversible tuition carryforward (one–way gate): tests the hard legal rule that unused tuition amounts, once carried forward to a future year, permanently lose eligibility to be transferred to a parent or spouse and can only be used by the student in a future year.
- Three tiers of scholarship and bursary exemption: tests the taxable amount calculation for full–time qualifying students (fully exempt), part–time qualifying students (tuition + materials + $500 basic exemption) and non–qualifying programs (only the $500 exemption).
- Splitting RESP withdrawals: tests the different tax treatment of EAP (taxable income in the student's name, $8,000 limit for the first 13 weeks of full–time study and $4,000 per 13 weeks for part–time) and AIP (taxable to the subscriber with a 20% additional tax).
- Student–specific items and provincial tax differences: tests the Canada Training Credit (CTC) refund calculated as the lesser of the CTCL and 50% of tuition, government student loan interest (Line 31900) claimable only by the borrower, and the BC provincial rule of eliminating the education amount while keeping the tuition amount.

Traps (watch for the signal)

Transfer cap without deducting self–use: The stem gives the tuition paid, the amount the student used personally and the remaining unused tuition, and asks for the maximum tuition credit the student can transfer to a parent or spouse.

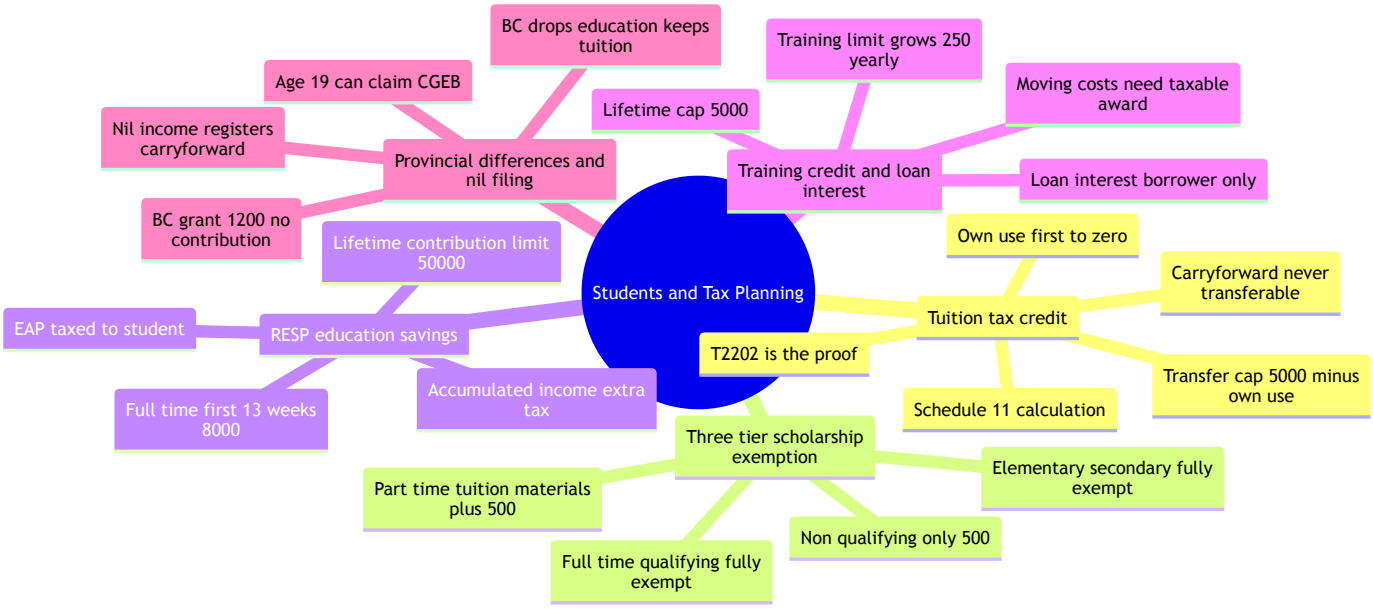
Changing your mind and transferring a carryforward: The stem shows tuition amounts the student carried forward in earlier years (unused tuition credits carried forward) and asks whether they can be transferred to a parent or grandparent this year.

Treating part–time as just $500: The stem states that the taxpayer is a part–time qualifying student, gives tuition, materials costs and the T4A scholarship received, and asks for the taxable scholarship amount to include on Line 13010.

Parents claiming interest they paid for the loan: The stem says parents repaid in full the interest on a government student loan to ease the burden of a recent graduate child, and asks whether the parents can claim that interest credit on their return.

Nil income means no filing and lost benefits: The stem describes a young student with little part–time income or zero income and no tax payable, and asks whether the T1 for the year should be filed and the consequences of not filing.

Mind map


Students and Tax Planning
Provincial differences and nil filing
BC drops education keeps tuition
Age 19 can claim CGEB
Nil income registers carryforward
BC grant 1200 no contribution
Training credit and loan interest
Training limit grows 250 yearly
Lifetime cap 5000
Moving costs need taxable award
Loan interest borrower only
RESP education savings
Lifetime contribution limit 50000
EAP taxed to student
Full time first 13 weeks 8000
Accumulated income extra tax
Tuition tax credit
Own use first to zero
Carryforward never transferable
T2202 is the proof
Transfer cap 5000 minus own use
Schedule 11 calculation
Three tier scholarship exemption
Elementary secondary fully exempt
Part time tuition materials plus 500
Non qualifying only 500
Full time qualifying fully exempt

Chapter 11Key points (cover the right two columns to self-test)

Key points	Exam term	Rule / number
Tuition tax credit: self-use first and the transfer cap	Tuition Tax Credit & Statutory Transfer Limit (Schedule 11)	The student must first use the year's eligible tuition to reduce his or her own federal tax to zero; only the unused remainder for the year can be transferred to a spouse, parent or grandparent, and the transfer cap is the statutory $5,000 minus the amount the student used personally that year.
Tuition carryforward is a one-way, irreversible gate	Irreversible Tuition Carryforward (Single-Direction Gate)	Once unused tuition for the year is carried forward to a future year, it permanently loses eligibility to be transferred to a spouse or parent and can only be used by the student in a future year when there is tax payable.
Three tiers of scholarship exemption and the qualifying student threshold	Scholarship Exemption & Qualifying Student Status (Line 13010)	Scholarships of full-time qualifying students in post-secondary programs are fully exempt; part-time qualifying students are exempt for tuition plus materials plus a $500 basic exemption; those not in a qualifying program have only the $500 exemption.
Canada Training Credit: lesser-of rule and lifetime cap	Canada Training Credit Limit & $5,000 Lifetime Cap (Line 45350)	The CTC is a refundable credit; the amount claimable is the lesser of the CTCL on the prior year's NOA and 50% of the current year's eligible tuition; $250 is accumulated each year in which the person is 26 or over at year end and meets labour income and net income tests, with a lifetime cap of $5,000.
Student loan interest: borrower only, with a five-year carryforward	Student Loan Interest Exclusivity & 5-Year Carryforward (Line 31900)	Only interest on government student loans qualifies for the credit and only the borrower personally can claim it (payment by parents does not count); any unused amount for the year can be carried forward and claimed in any of the next five years.
RESP withdrawals: EAP versus AIP and the initial 13-week limit	RESP Withdrawals: EAP vs AIP & Initial 13-Week Limit	EAP is reported as taxable income in the student's name (the limit for the first 13 consecutive weeks of full-time study is $8,000), while the subscriber's withdrawal of unused earnings (AIP) must be included in the subscriber's own income and is subject to an additional 20% tax.
Student moving expenses are deductible only against taxable income	Moving Expenses Eligible Income Limitation (Line 21900)	A full-time student's move must be at least 40 km closer to the school, and moving expenses can be deducted only against taxable award income (such as research grants) or employment income; tax-exempt scholarships cannot be the base for the deduction.
BC: the third model of keeping the tuition amount but eliminating the education amount	BC Provincial Tuition Credit Retention vs Education Amount Elimination	On Form BC428, BC keeps a provincial tuition credit parallel to the federal one, but eliminated the provincial education amount entirely in 2019, and provides a one-time $1,200 BCTESG grant for children that needs no parent contribution.
Nil-income student filing: statutory duty and side benefits	Nil-Income Student Filing & Benefit Preservation	Filing by a student with nil income or no tax payable is the only legitimate way to officially register the tuition carryforward, to claim the CGEB automatically from age 19, and to build next year's RRSP room from labour income.

Self-test cues (Cornell left column)

1. Why can unused tuition for a year never be transferred to a parent for tax relief once it has been carried forward?
2. How exactly is the exemption calculated when a part-time student receives a T4A scholarship?
3. What are the essential differences between an EAP and an AIP withdrawn from an RESP in who is taxed and the tax cost?
4. If parents advance in full the interest on a government student loan, can the parents claim that credit on their own return?
5. Why must a student with zero or low income file on time even if no tax at all is payable?

Summary: Summarize the self-use-first rule and transfer cap deduction formula for the tuition credit, the one-way carryforward gate, the key points of the three-tier scholarship exemption, the split of RESP withdrawals, and the real value of a nil return for students.

Chapter 12 · Seniors and Pension Splitting: The Three Age-65 Triggers, Optimal Pension Splitting, and OAS Clawback Avoidance

T1 basics | P2 Hold steady | Seniors and pension income splitting · 2 mock questions

Read with these questions: For a 65-year-old whose net income is over the threshold, how is the age amount reduced proportionally?; Can a taxpayer under 65 who withdraws from a RRIF get the pension credit?; Why can retirement income splitting not simply transfer the full 50%?; What is the essential difference in how to apply for CPP pension sharing and T1032 splitting?; From the 2026 tax year, can accessibility renovation expenses still be claimed under both HATC and medical expenses?

How it is tested

- Age amount phase-out calculation: for the 2026 tax year the age amount maximum is $9,208, the phase-out starts at $46,432, and the excess is reduced at 15% in a straight line until it reaches zero.
- Judging the age 65 dividing line for the pension income amount: tests how RRIF withdrawals qualify before age 65 (only through inheritance on a spouse's death) and after age 65, and the legal boundary that CPP/OAS never qualify.
- T1032 retirement income splitting linked to marginal rates and benefit reductions: tests the deeper mechanism that transferring the full 50% is not optimal, especially the reverse impact of the receiving spouse's higher net income on their own age amount reduction and on triggering the OAS recovery tax.
- Distinguishing CPP pension sharing from T1032 splitting: tests the two independent administrative systems of Service Canada and the CRA, the difference between actual monthly payment transfers and paper splitting on the tax return, and the difference between a statutory ratio and a freely chosen ratio.
- Combined claims for accessibility renovations and long-term care: tests the new rule from the 2026 tax year that HATC and medical expenses are mutually exclusive, and the either-or between claiming full nursing home fees as medical expenses and the 'attendant care limited to $10,000 + disability amount' path.

Traps (watch for the signal)

Age amount fully lost above the threshold: The stem gives a taxpayer over 65 with net income between $50,000 and $80,000 and asks for the age amount claimable, with a distractor option that simply says 0.

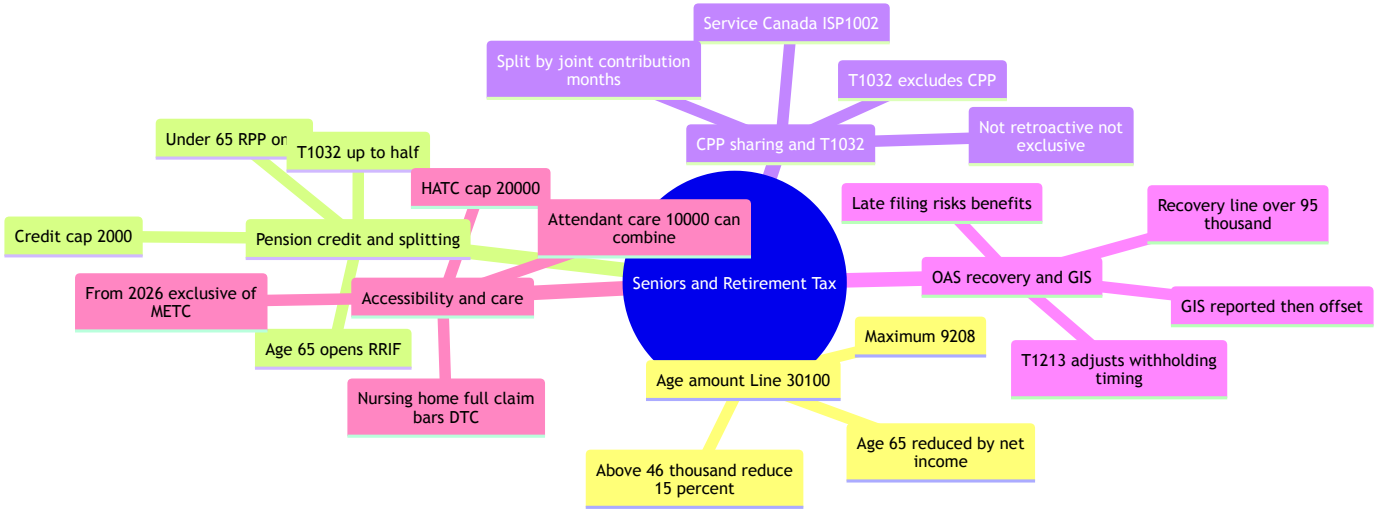
The RRIF credit under age 65: The stem states that the taxpayer is between 60 and 64, with income mainly from RRIF withdrawals from his or her own converted RRSP, and asks for the Line 31400 credit.

Blindly transferring half in income splitting: The stem describes one high-income spouse and another who already has moderate income and receives OAS, and asks for the best T1032 filing strategy and why not simply transfer 50%.

Filing T1032 mistaken for splitting CPP: The stem mentions that the low-income spouse never paid into CPP, both spouses completed T1032 but the spouse still did not receive any CPP, and asks how to redistribute CPP.

The old rule of double-claiming accessibility work: The stem gives wheelchair ramp or accessible bathroom renovation costs incurred in 2026 and asks whether the credits can be claimed at the same time on Line 31285 and Line 33099.

Mind map


Seniors and Retirement Tax
CPP sharing and T1032
Service Canada ISP1002
Split by joint contribution months
T1032 excludes CPP
Not retroactive not exclusive
Pension credit and splitting
Under 65 RPP or
T1032 up to half
Credit cap 2000
Accessibility and care
HATC cap 20000
Attendant care 10000 can combine
From 2026 exclusive of METC
Age 65 opens RRIF
Nursing home full claim bars DTC
OAS recovery and GIS
Late filing risks benefits
Recovery line over 95 thousand
GIS reported then offset
T1213 adjusts withholding timing
Age amount Line 30100
Maximum 9208
Age 65 reduced by net income
Above 46 thousand reduce 15 percent

Chapter 12Key points (cover the right two columns to self-test)

Key points	Exam term	Rule / number
Statutory cap on the age amount and the net income phase-out formula	Age Amount & Net Income Phase-Out (Line 30100)	A person who turns 65 by December 31 of the 2026 tax year gets an age amount of up to $9,208; net income above $46,432 reduces it at 15%, reaching zero at about $107,819.
Qualifying scope of the pension income amount and the age 65 dividing line	Pension Income Amount & Age 65 Eligibility (Line 31400)	Before 65 only employer RPP periodic life annuities and pensions inherited from a deceased spouse qualify; from 65, RRIF withdrawals and annuities are also allowed; OAS and CPP never qualify at any age.
T1032 splitting cap and the receiving spouse's independent eligibility	Pension Income Splitting & Receiving Spouse Age Test (Form T1032)	Spouses can jointly elect to transfer up to 50% of qualifying pension income to the spouse, but whether the receiving spouse can claim the pension income amount on Line 31400 is judged independently by the receiving spouse's own age.
The knock-on effects that make a full 50% T1032 split not optimal	Optimal Pension Splitting Ratio & Individual Income Clawbacks	Transferring the full 50% is often not optimal because the rise in the receiving spouse's own net income can reduce their age amount or trigger OAS recovery tax, so the family's total tax can go up instead.
CPP pension sharing and T1032 splitting run on two parallel tracks	CPP Pension Sharing (ISP1002) vs CRA Pension Splitting (T1032)	CPP sharing is done by Service Canada, which splits the actual monthly benefit by the months of cohabitation in the joint contributory period and is not retroactive; T1032 is a paper split on the CRA return and must never include CPP/OAS.
OAS recovery tax and the function of T1213OAS	OAS Recovery Tax Threshold & Form T1213OAS Withholding Reduction	For the 2026 tax year, net income above $95,323 bears OAS recovery tax at 15%; Form T1213OAS only lowers current-year withholding to improve cash flow, and year-end assessment still settles on actual net income with a refund or balance owing.
GIS is reported then offset, and the risk of late filing	Guaranteed Income Supplement (GIS) Line 14600 & Line 25000 Deduction	GIS is included in total income on Line 14600 and then fully deducted on Line 25000 to be tax-free; eligibility to continue receiving it depends on filing each year, and late or missed filing leads straight to suspension or reduction.
The new rule that HATC and METC are mutually exclusive from the 2026 tax year	Home Accessibility Tax Credit (HATC) vs METC Mutual Exclusion	From the 2026 tax year the same accessibility renovation expense cannot be claimed under both HATC (qualifying expense cap $20,000) and the medical expense credit (METC); only one can be chosen, and the year is assigned by the year the expense is incurred.
Full nursing home claim excludes the disability amount; splitting out attendant care	Nursing Home Full Claim vs Attendant Care Limit	Claiming full nursing home fees as medical expenses means that neither the person nor anyone else can claim the disability amount for that person; if only the attendant care part, up to $10,000 ($20,000 in the year of death), is claimed as medical expenses, the disability amount ($10,341 for the 2026 tax year) can be claimed as well.

Self-test cues (Cornell left column)

1. Why does the age amount of a 65-year-old with net income over $46,432 for the 2026 tax year not drop to zero at once?
2. Under what statutory exception do RRIF withdrawals by a taxpayer under 65 count as qualifying pension income?
3. Why is blindly splitting the full 50% of pension income on T1032 often not the best tax saving for a retired couple?
4. A couple has done T1032 retirement income splitting; why does the low-income spouse still receive no CPP?
5. Under what specific conditions can a senior with large care costs in a nursing home claim both medical expenses and the disability amount?

Summary: Summarize the age amount phase-out formula, the age 65 limit for qualifying pension income, the division of work between T1032 splitting and CPP sharing, and the mutually exclusive claim decisions for accessibility renovations and nursing home costs.

Chapter 13 · Investment Income: Interest, Dividends, Capital Gains, and Attribution Rules

Investments and registered accounts | P2 Hold steady | Three kinds of investment income · 2 mock questions

Read with these questions: How are dividends paid by a foreign company reported on the Canadian return?; For shares gifted to a minor child, who reports the dividends and the capital gain on sale?; What are the consequences if a prescribed rate loan investment misses the January 30 interest payment date?; Which investment management fees can and cannot be deducted on Line 22100?; How are the capital gains, foreign income and other income on a T3 trust slip split up?

How it is tested

- Characterizing income and the basis of taxation: gives mixed slips of interest, Canadian dividends, foreign dividends and capital gains and tests each category's inclusion ratio and credit eligibility; the core test is whether the candidate recognizes that foreign dividends have no gross-up and no dividend tax credit and must be included 100% in full on Line 12100.
- Who and what the attribution rules cover: gives scenarios of transferring interest-bearing assets or shares to a spouse or a minor under 18 and tests the difference in attribution of interest and dividends versus capital gains; the core test is the key exception that a minor's capital gains are not attributed (s.74.2) and are reported by the minor.
- Continuity test for the prescribed rate loan exemption: combines a loan within the family to invest with the requirements of the s.74.5(2) exemption, mainly testing the continuing requirement to actually pay the interest by January 30 each year, and recognizing the point that being one year late voids the tax-exempt structure for all later years.
- Boundaries of carrying charges (Line 22100): lists investment advisory fees, loan interest, trading commissions and account types and tests the line that advisory fees and trading commissions of registered accounts (RRSP/TFSA/FHSA) must not be deducted on Line 22100.
- Special investment slips and reporting process: for the T3 trust slip, the routing of box numbers (box 21 capital gains, box 25 foreign income, box 26 other income on Line 13000) and the annual accrual taxation of strip bonds with ACB adjustments, tests practical reporting rules.

Traps (watch for the signal)

Foreign dividend integration: The stem contains words such as 'US shares', 'foreign dividend', 'T5 slip foreign income' and 'gross-up / DTC'.

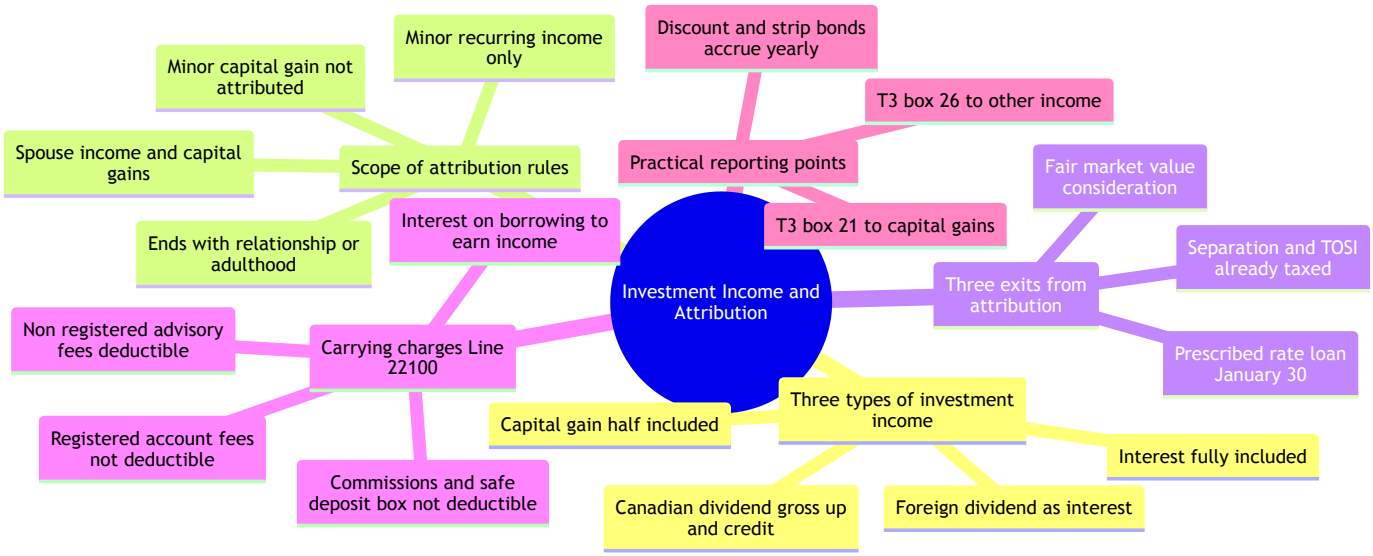
Attribution of a minor's capital gains: The stem describes parents transferring shares or funds to a child under 18 and asks about attribution of the capital gain upon sale.

Late interest payment on a prescribed rate loan: The stem contains 'prescribed rate loan', 'paid interest on February 5 / missed January 30' and 'subsequent year'.

Advisory fees on registered accounts: The stem contains 'TFSA / RRSP management fee', 'portfolio fee for registered account' and 'line 22100'.

Confusing trading commissions with carrying charges: The stem contains 'trading commissions paid on stock purchases', 'brokerage fee per trade' and 'line 22100 carrying charges'.

Mind map


Investment Income and Attribution
Scope of attribution rules
Minor recurring income only
Minor capital gain not attributed
Spouse income and capital gains
Ends with relationship or adulthood
Practical reporting points
Discount and strip bonds accrue yearly
T3 box 26 to other income
T3 box 21 to capital gains
Three exits from attribution
Fair market value consideration
Separation and TOSI already taxed
Prescribed rate loan January 30
Three types of investment income
Interest fully included
Foreign dividend as interest
Canadian dividend gross up and credit
Capital gain half included
Carrying charges Line 22100
Interest on borrowing to earn income
Non registered advisory fees deductible
Registered account fees not deductible
Commissions and safe deposit box not deductible

Chapter 13Key points (cover the right two columns to self-test)

Key points	Exam term	Rule / number
How the three kinds of investment income are taxed and the underlying design	interest, dividend integration, capital gains inclusion	Interest is fully included with no tax preference; Canadian corporate dividends are integrated through gross-up and the dividend tax credit (DTC) to remove double taxation; capital gains are taxed at a 50% inclusion rate to encourage risk-taking investment.
Foreign dividends are fully included, with the foreign tax credit	foreign dividends / line 12100 / Foreign Tax Credit (FTC)	A foreign company has not paid Canadian corporate tax and so gets no integration treatment: a foreign dividend has no gross-up and no DTC, must be included 100% in full on Line 12100, and withholding tax at source is claimed as a foreign tax credit on Line 40500.
2026 tax year dividend gross-up rates and federal credit rates	eligible vs non-eligible gross-up and DTC rates	Eligible dividends have a 38% gross-up and a federal DTC of 15.0198% of the taxable amount; non-eligible dividends have a 15% gross-up and a federal DTC of 9.0301% of the taxable amount.
Full attribution on transfers and loans to a spouse	spousal attribution rules (ITA s.74.1(1) & s.74.2(1))	When interest-bearing property is transferred or lent to a spouse, the interest and dividend income during the holding period and the capital gains or losses on later disposition are all attributed back to the transferor for reporting.
Minor's capital gains are not attributed	minor attribution (s.74.1(2)) & capital gains exception	For property transferred to a related person under 18 who does not deal at arm's length, interest and dividends are attributed to the transferor, but capital gains or losses realized on disposing of the property are not attributed and are reported by the minor.
The continuing condition for exemption from attribution on a prescribed rate loan	prescribed rate loan exception (ITA s.74.5(2))	The loan must bear interest at the prescribed rate and each year's interest must actually be paid by January 30 of the following year; if payment is late in any one year, the attribution rules apply permanently again from that year on.
What can and cannot be deducted as carrying charges (Line 22100)	carrying charges (line 22100) / registered account fees	Advisory fees of non-registered accounts and interest on money borrowed to earn income are deductible, but management fees of registered accounts such as RRSP/TFSA, interest on money borrowed to contribute, interest on money borrowed to invest purely for capital gains, and securities trading commissions must not be deducted on Line 22100.
Annual accrual of discount and strip bonds and the ACB increase	strip bond / discount bond annual accrual / ACB adjustment	Discount bonds and strip bonds have no T5 slip, but accrued interest must be calculated each year by the effective interest method and included on Line 12100, and the ACB raised accordingly; when the bond changes hands, the accrued interest paid by the buyer can be deducted on Line 22100.
Routing of T3 trust slip boxes	T3 slip box allocations (box 21, 25, 26)	On a T3 slip, box 21 capital gains go on Schedule 3 (50% included on Line 12700), box 25 foreign non-business income on Line 12100, and box 26 other income on Line 13000; they must never be mixed up.

Self-test cues (Cornell left column)

1. Why can dividends paid by a foreign company not get the gross-up and dividend tax credit when filing in Canada?
2. When parents gift shares to a minor child, who reports the dividends during the holding period and the capital gain on sale?
3. By which day each year must interest be paid under the prescribed rate loan exemption from attribution? What are the serious consequences of paying late?
4. Why can investment management fees in an RRSP or TFSA not be deducted on Line 22100 as carrying charges?
5. On which line of the personal return should box 21, box 25 and box 26 of a T3 trust distribution slip each be entered?

Summary: In three sentences, summarize the differences in the tax mechanisms of the three kinds of investment income, the difference in how the attribution rules apply to a spouse and a minor (especially that capital gains are not attributed), and the no-deduction zone of carrying charges on Line 22100.

Chapter 14 · Capital Gains: 50% Inclusion Rate, ACB, Principal Residence, and Proposed Reforms

Investments and registered accounts | P1 Must score | Capital gains · 3 mock questions

Read with these questions: What is the capital gains inclusion rate for stocks and real estate in the 2026 tax year?; When the same stock is bought through several accounts, how is the ACB of the shares sold calculated?; What penalty applies if the deemed disposition from converting a home to a rental is not reported?; If a spouse buys the stock back within 30 days of a sale at a loss, can the paper loss be deducted?; Can net capital losses accumulated in earlier years be used against this year's salary income?

How it is tested

- Inclusion–rate and taxable–gain calculation: given a disposition of shares, funds or real estate, tests the line between the current 1/2 inclusion rate for the 2026 tax year and the cancelled 2/3 proposal. The core skill is ignoring outdated exam material and computing the taxable capital gain that goes on line 12700.
- Weighted–average ACB for identical properties: the same stock bought through several brokerage accounts. Tests the mandatory pooled weighted–average rule in ITA s.47. The core skill is spotting the flaw in the T5008 cost box and keeping your own weighted cost ledger.
- Change of use, deemed disposition and principal residence designation: a home converted to a rental, or a move to a new home. Tests the fair market value deemed disposition, the mandatory T2091(IND) filing and the s.220(3.5) late–filing penalty. The core rule is that you must report even when the gain is zero in order to lock in the exemption.
- Capital loss channels and their limits: mixes general capital losses, superficial losses (30 days before and after), personal–use property (PUP) losses and listed personal property (LPP) losses. Tests carryover periods, what each loss may offset (ordinary income or other gains), and how a denied loss is added to the ACB of the new property.
- Lifetime capital gains exemption (LCGE) and alternative minimum tax (AMT) together: disposition of qualified small business shares. Tests the 2026 line 25400 deduction limit ($637,500), the AMT rule that includes 100% of the gain while the LCGE deduction is only grossed up by 7/5, and the 7–year carryforward of AMT paid.

Traps (watch for the signal)

Outdated proposed inclusion rate trap: The question mentions "the part above $250,000", "66.67% inclusion rate", "2/3 inclusion rate" or "June 25, 2024 proposed changes".

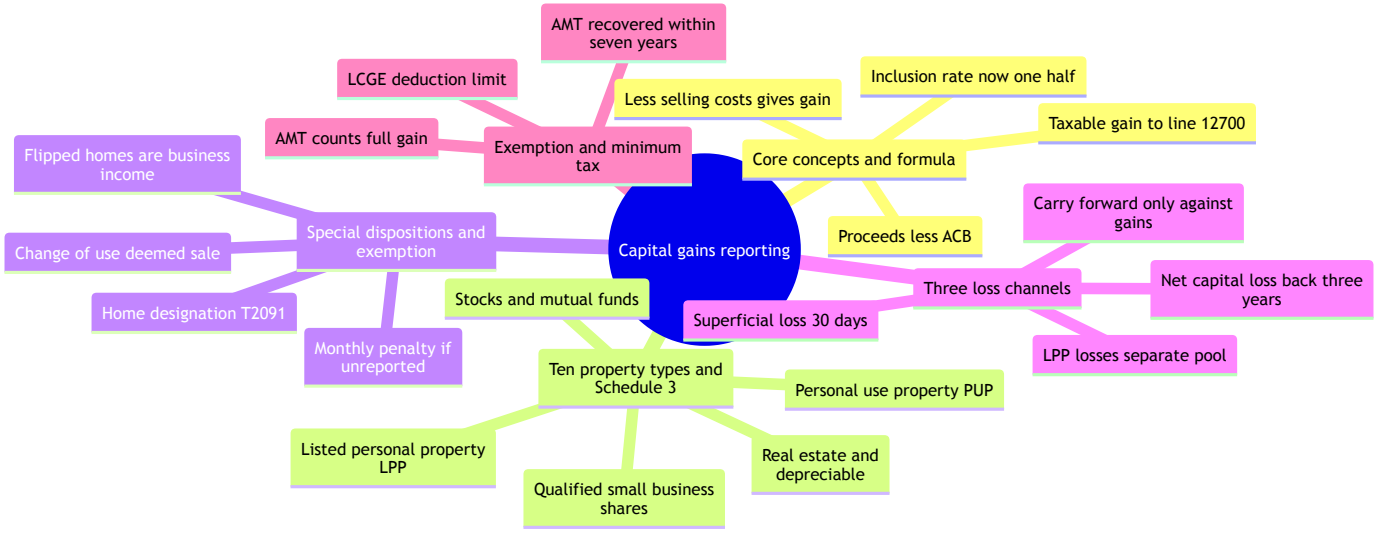
Copying the T5008 cost box trap: The question mentions "T5008 cost box", "shares held in multiple brokerage accounts", "identical properties" or "average cost per share".

"The principal residence exemption means no reporting" trap: The question mentions "converted principal residence to rental", "received no cash proceeds", "no need to report" or "late designation penalty".

Personal–use property loss deduction trap: The question mentions "sold personal boat at a loss", "furniture / private automobile", "Schedule 3 line 15800" or "personal–use property".

Superficial loss 30–day window trap: The question mentions "sold at a loss and repurchased within 30 days", "spouse purchased identical shares", "affiliated person" or "superficial loss".

Mind map


Capital gains reporting
Exemption and minimum tax
AMT recovered within seven years
LCGE deduction limit
AMT counts full gain
Core concepts and formula
Less selling costs gives gain
Inclusion rate now one half
Taxable gain to line 12700
Proceeds less ACB
Special dispositions and exemption
Flipped homes are business income
Change of use deemed sale
Home designation T2091
Monthly penalty if unreported
Three loss channels
Carry forward only against gains
Net capital loss back three years
LPP losses separate pool
Superficial loss 30 days
Ten property types and Schedule 3
Stocks and mutual funds
Personal use property PUP
Real estate and depreciable
Qualified small business shares
Listed personal property LPP

Chapter 14Key points (cover the right two columns to self-test)

Key points	Exam term	Rule / number
Capital gain formula and the 1/2 inclusion rate	proceeds of disposition, adjusted cost base (ACB), inclusion rate, taxable capital gain	Capital gain equals proceeds of disposition less the ACB and the costs of disposition. Multiplying by the current 1/2 inclusion rate for the 2026 tax year gives the taxable capital gain (line 12700).
Flipped residential property is deemed business income	flipped property rule	The gain on a Canadian residential unit held for fewer than 365 consecutive days is deemed business income reported on T2125. The principal residence exemption cannot be used and a loss is deemed to be nil.
Late principal residence designation penalty by month	late principal residence designation penalty (ITA s.220(3.5))	If a designation was not made when a former principal residence was disposed of, the penalty for a late filing is $100 for each complete month, capped by law at $8,000.
2026 lifetime capital gains exemption limit	lifetime capital gains exemption (LCGE) / line 25400 deduction	For the 2026 tax year the LCGE limit is indexed again at $1,275,000, and the matching deduction limit on line 25400 is $637,500.
How AMT magnifies capital gains	alternative minimum tax (AMT) on capital gains	Under AMT, capital gains are included at 100% while the LCGE deduction is only grossed up by 7/5. After subtracting the 2026 exemption of $181,440, the rate is 20.5%, and any excess AMT paid can be recovered over 7 years.
Mandatory weighted-average ACB for identical properties	identical properties weighted average ACB (ITA s.47)	All identical properties held by a taxpayer must be pooled across every account to compute a weighted-average ACB per share. The cost box on a single T5008 slip cannot simply be copied.
Superficial loss: 30 days before and after, and ACB transfer	superficial loss rule (ITA s.54)	If the taxpayer or an affiliated person buys identical property within 30 days before or after the disposition and still holds it at the end of the period, the loss is not deductible for the year. The full denied loss is added to the ACB of the replacement property.
Net capital loss carryover and the year-of-death exception	net capital loss carryover & year of death exception (ITA s.111(1)(b) & s.111(2))	A net capital loss can be carried back 3 years and forward indefinitely, and normally offsets only capital gains. The one exception is the year of death and the preceding year, when it can offset any income.
PUP and LPP rules and loss limits	personal-use property (PUP) vs listed personal property (LPP)	A loss on personal-use property is not deductible, while a loss on listed personal property can offset only LPP gains and can be carried back 3 years and forward 7 years.
Capital gains reserve calculation and term	capital gains reserve (ITA s.40(1)(a)(iii))	When sale proceeds such as a home sale are collected over several years, a reserve can be claimed for the year to defer the gain. The usual maximum is 5 years, and the annual limit is 1/5 multiplied by (4 minus the number of preceding years).

Self-test cues (Cornell left column)

1. Why does the 2/3 capital gains inclusion rate proposed in 2024 not apply at all in the 2026 tax year?
2. Why can you not simply copy the cost box on the T5008 when the same stock is traded in different brokerage accounts?
3. Why must T2091 and Schedule 3 be filed when a home is converted to a full rental, even with no cash received?
4. How is the time window for a superficial loss counted, and where does the denied loss go?
5. Why can a small business owner whose regular tax is reduced to zero by the LCGE still receive an AMT bill of tens of thousands of dollars?

Summary: In three sentences, summarize: the 1/2 inclusion rate and the weighted-average ACB method for the 2026 tax year; the mandatory reporting and penalty rules for the deemed disposition of a home; and the three separate treatment channels for superficial losses, LPP losses and net capital losses.

Chapter 15 · The Three Registered Accounts in 2026: RRSP Limits & Exits, TFSA Two 1% Penalties, and FHSA Life Cycle

Investments and registered accounts | P1 Must score | RRSP, TFSA and FHSA · 3 mock questions

Read with these questions: What is the RRSP contribution limit and the formula for an individual in the 2026 tax year?; What are the tax consequences of withdrawing from a TFSA and putting the money back in the same year?; After a contribution to a spousal RRSP is withdrawn, how is the income attributed back to the contributor calculated?; If an FHSA is not closed at the end of the maximum participation period, how is the balance taxed?; After an HBP withdrawal in 2026, how is the repayment grace period arranged?

How it is tested

- Room calculation and carryforward for the three accounts: RRSP room from prior-year earned income (the lesser of 18% and the 2026 cap of $33,810), the accumulation of the annual TFSA room of $7,000, and FHSA participation room ($8,000 a year) that builds up only after the account is opened, with the carryforward capped at $8,000.
- Character of withdrawals and which return line they belong on: mixes an ordinary RRSP withdrawal (fully taxed on line 12900 with withholding), a qualifying HBP/LLP withdrawal (tax-free, reported on Schedule 7), the RRIF minimum amount (line 11500, no withholding) and the tax-free TFSA/FHSA exits. The core skill is distinguishing the tax treatment of each exit.
- Over-contributions and penalty taxes: the RRSP $2,000 buffer (no penalty but not deductible), withdrawal in the same month to avoid tax, the T1-OVP deadline (90 days after the end of the calendar year), and the two separate 1% per month taxes on TFSA excess and non-resident contributions (RC243).
- Spousal plan and the attribution rule calendar window: for a spousal RRSP withdrawal, tests the ITA s.146(8.3) window of the year of withdrawal and the two preceding taxation years. The core skill is recognizing the calendar planning points "a December deposit locks 25 months, a January deposit locks 36 months" and the separation and RRIF minimum exceptions.
- Life-cycle end points and plan conversion in practice: the RRSP must be converted to a RRIF or annuity by the end of the year the holder turns 71 (otherwise it is deemed fully withdrawn and taxed), the RRIF minimum is the opening market value times a statutory factor starting the following year (a younger spouse's age may be chosen), and the severe result when an FHSA is not closed at the end of the maximum participation period (15 years, age 71, or the end of the year after the first withdrawal): the full balance is added to income.

Traps (watch for the signal)

TFSA withdraw-and-redeposit in the same year trap: The question mentions "withdrew funds from TFSA and re-contributed in the same calendar year", "available room exceeded" or "1% per month tax".

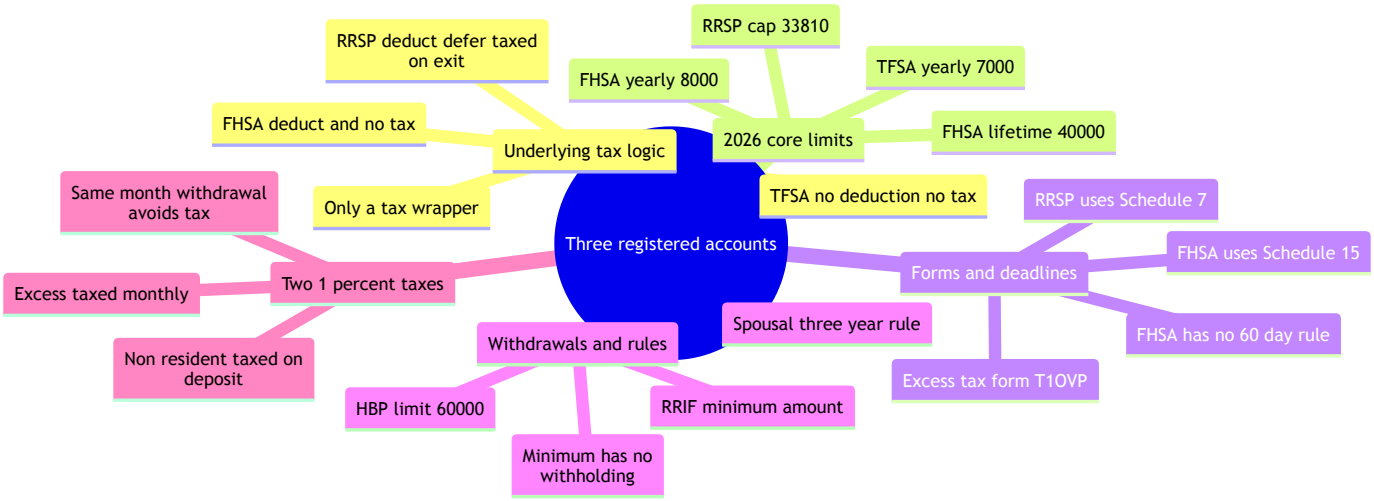
FHSA "60-day rule" analogy trap: The question mentions "contributed to FHSA in January or February", "claim deduction for previous year", "first 60 days rule" or "March 1 deadline".

Treating the RRSP $2,000 buffer as a deduction trap: The question mentions "$2,000 over-contribution buffer", "claim line 20800 deduction" or "Part X.1 tax relief".

Spousal RRSP attribution calendar-year counting trap: The question mentions "spousal RRSP withdrawal", "contributed in December vs January", "attribution to contributor" or "two preceding taxation years".

Separate penalty on non-resident TFSA contributions trap: The question mentions "non-resident of Canada", "had unused TFSA contribution room", "contributed while living abroad" or "Form RC243".

Mind map


Three registered accounts
2026 core limits
RRSP cap 33810
TFSA yearly 7000
FHSA yearly 8000
FHSA lifetime 40000
Underlying tax logic
RRSP deduct defer taxed on exit
FHSA deduct and no tax
Only a tax wrapper
TFSA no deduction no tax
Two 1 percent taxes
Same month withdrawal avoids tax
Excess taxed monthly
Non resident taxed on deposit
Forms and deadlines
RRSP uses Schedule 7
FHSA uses Schedule 15
FHSA has no 60 day rule
Excess tax form T1OVP
Withdrawals and rules
Spousal three year rule
HBP limit 60000
RRIF minimum amount
Minimum has no withholding

Chapter 15Key points (cover the right two columns to self-test)

Key points	Exam term	Rule / number
RRSP room formula and the 2026 annual cap	RRSP deduction limit / annual cap	The new RRSP room for the 2026 tax year equals unused room carried forward plus the lesser of 18% of earned income in 2025 and the annual cap of $33,810, less the 2025 pension adjustment (PA).
TFSA room accumulation and same-year withdraw-and-redeposit limits	TFSA contribution room / withdrawal replenishment	New TFSA room for 2026 is $7,000. An amount withdrawn in any year is added back to contribution room in full only on January 1 of the next year.
FHSA accumulation from opening and the two room caps	FHSA participation room / carry-forward limit	FHSA room starts to accumulate only after the account is opened, at $8,000 a year. The carryforward is capped at $8,000, the maximum for any one year is $16,000, and the lifetime limit is $40,000.
RRSP $2,000 buffer and the monthly excess tax	RRSP 2,000 buffer / Part X.1 tax (T1-OVP)	A person who was 18 or older at any time in the previous calendar year has a $2,000 over-contribution buffer (no penalty, but not deductible). The excess above it is taxed at 1% per month, and T1-OVP must be filed within 90 days after the end of the calendar year.
Separate monthly tax on non-resident TFSA contributions	TFSA non-resident contribution tax (ITA s.207.03)	Any new money contributed to a TFSA while the holder is a non-resident of Canada is subject to a tax of 1% per month on the full contribution starting in the month of deposit, whether or not unused room exists.
Three-year spousal RRSP attribution rule	spousal RRSP attribution rule (ITA s.146(8.3))	On a spousal withdrawal, the lesser of the amounts the contributor deposited to any spousal RRSP in the year of withdrawal and the two preceding taxation years, and the actual withdrawal, is attributed back to the contributor as income.
FHSA maximum participation period and closing at the end	maximum participation period / deemed income inclusion	An FHSA must be closed on the earliest of the 15th anniversary of opening, age 71, or the end of the year after the first withdrawal. If it is not closed, the balance is included in income in full on December 31; a transfer to an RRSP/RRIF is tax-free.
HBP limit of $60,000 and the five-year grace period	Home Buyers' Plan (HBP) / 5-year repayment grace period	The HBP withdrawal limit is now $60,000. For someone who first withdraws in 2026, the first repayment year is pushed to 2031, and repayment is then spread over 15 years.
RRIF minimum at 71 and the withholding exemption	RRIF minimum amount / withholding tax exemption	By the end of the year the holder turns 71, the RRSP must be converted to a RRIF. From the next year the minimum is the opening market value times a statutory factor (a younger spouse's age may be chosen), and that minimum is by law not subject to withholding tax.
Announced 2027 RRSP dollar limit	2027 RRSP dollar limit (announced)	Announced for 2027 (status: published by CRA, for the 2027 tax year, with no effect on 2026 returns): the annual RRSP dollar limit is $35,390. By formula it equals the prior year's money purchase limit, so it is known a year ahead.

Self-test cues (Cornell left column)

1. How do you calculate the 2026 RRSP deduction limit from 2025 earned income and the PA?
2. Why does withdrawing from a TFSA and putting the money back in the same year directly trigger the 1% per month excess tax?
3. What does the absence of a 60-day window for the FHSA mean, and what should a taxpayer arrange before the maximum participation period ends?
4. Why does a spousal RRSP deposit in December lock the money for 11 months less than a deposit in the following January?
5. How is the statutory RRIF minimum calculated, and why do financial institutions not withhold tax on it?

Summary: In three sentences, summarize: how the three registered accounts are taxed differently at contribution, growth and withdrawal; the core 2026 limits and the 1% per month penalties for excess and non-resident contributions; and the key timelines for spousal attribution, the end of the FHSA participation period, and the RRIF conversion at 71.

Chapter 16 · Rental Income Reporting: Form T776, CCA Restrictions, Recapture vs. Capital Gains, and BC SVT

Real property | P2 Hold steady | Rental income (T776) · 2 mock questions

Read with these questions: If net rental income for the year is too low, can depreciation be claimed to create a paper loss against salary?; After a large repair spend on a home, how do you tell what is fully deducted in the year from what is depreciated over several years?; When a rental property is sold, how do recaptured CCA and a capital gain fundamentally differ for tax?; After obtaining the BC speculation and vacancy tax 6–month rental exemption, must you still report on the federal return?

How it is tested

- Current expense versus capital expenditure: tests how to characterize spending on repairs and maintenance of the property. The key skill is telling a current expense that merely restores the original condition apart from a capital expenditure that brings a substantial improvement or extends the life of the property, and knowing that a large renovation must be depreciated over several years.
- The CCA limit and the net–income cap: tests the CCA limit for an individual's rental properties. The key skill is the hard rule that, after combining the net income of all of the taxpayer's rental properties, CCA can never create or increase a loss, and the logic that the unclaimed amount stays in UCC.
- Recapture and capital gain on the sale of a rental property: tests the two separate calculations when a rental property is sold. The key skill is comparing proceeds of disposition with the opening UCC, where the excess is recaptured CCA included in income at 100% (or a terminal loss), and the part above original cost is a capital gain included at the current 1/2 inclusion rate.
- Disallowed expenses for non–compliant short–term rentals and the holding–period flipping rule: tests the 90 consecutive day short–term rental threshold and the 2026 proportional denial rule with no grace period, and the flipping rule under which the gain on a rental residence held fewer than 365 consecutive days is deemed business income.
- BC speculation and vacancy tax versus federal income tax: tests the latest 2026 rates of 1% for citizens and 3% for foreign owners, the exemption for renting for 6 months in the calendar year, and the parallel regime in which a provincial exemption never replaces the federal T776 filing duty.

Traps (watch for the signal)

Using CCA to create or increase a rental loss to offset other income: The question gives net rental income lower than the maximum CCA available and asks for the most CCA that can be claimed for the year, or asks how total income is computed.

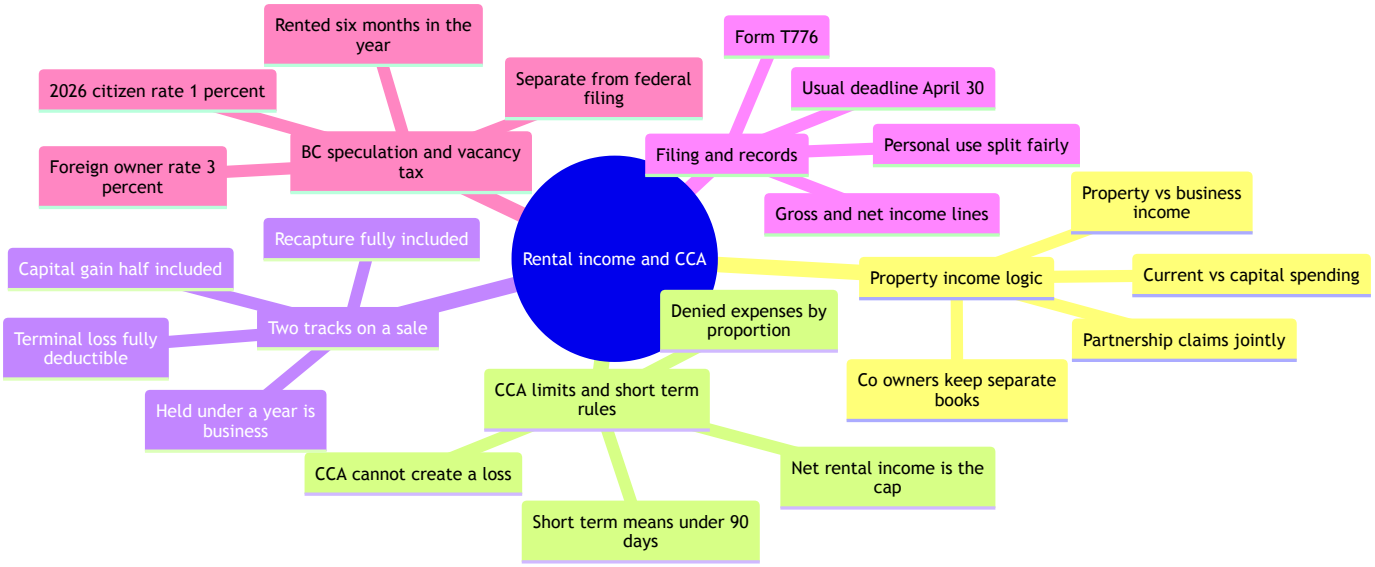
Taxing the whole gain on a sale at the 50% capital gain inclusion rate: The question gives the original capital cost of the building, the opening UCC and a sale price above original cost, and asks for the total or the components included in income for the year of disposition.

Remembering the short–term rental threshold as 30 days or assuming a 2026 grace period: The question gives the number of days of a tenancy (such as 45 or 60 days), a missing local government short–term rental registration or licence, and asks whether the expenses are deductible or what proportion is denied.

Confusing the CCA reporting rules for co–ownership and for a partnership: The question has two co–owners (not partners) holding a rental home, one in a high tax bracket who wants to claim CCA and the other in a zero bracket who does not.

Assuming a BC speculation and vacancy tax rental exemption removes the federal filing: The question says an owner in BC rented for 6 months and obtained the SVT rental exemption, and asks about the federal T1 or T776 filing requirement.

Mind map


Rental income and CCA
BC speculation and vacancy tax
Rented six months in the year
2026 citizen rate 1 percent
Foreign owner rate 3 percent
Separate from federal filing
Filing and records
Form T776
Usual deadline April 30
Personal use split fairly
Gross and net income lines
Property income logic
Property vs business income
Current vs capital spending
Partnership claims jointly
Co owners keep separate books
Two tracks on a sale
Recapture fully included
Capital gain half included
Terminal loss fully deductible
Held under a year is business
CCA limits and short term rules
Denied expenses by proportion
CCA cannot create a loss
Short term means under 90 days
Net rental income is the cap

Chapter 16Key points (cover the right two columns to self-test)

Key points	Exam term	Rule / number
Property income versus business income	income from property vs income from business	Rental income is characterized by the tax law as passive property income. Unlike business income, which carries market risk, it cannot freely use CCA to create a loss that offsets other income.
Dividing line between current expense and capital expenditure	current expense vs capital expenditure	Spending that merely restores the home to its original state is a current expense, fully deductible in the year. Spending that brings a substantial improvement beyond the original condition or extends its useful life is a capital expenditure and is depreciated over several years.
CCA claims under co-ownership versus a partnership	co-ownership vs partnership CCA claims	Under co-ownership each co-owner keeps separate books on his or her own share of capital cost and decides whether to claim CCA. In a partnership the capital property belongs to the partnership as a whole and CCA must be claimed uniformly.
Gross negligence penalty	gross negligence penalty (ITA s.163(2))	For a knowing or reckless, serious misstatement of expenses, CRA may impose a gross negligence penalty equal to 50% of the tax understated, plus interest.
CCA limit and the ban on creating a rental loss	restriction on claiming CCA to create or increase rental loss	CCA an individual may claim in the year on rental properties is capped at net rental income after other expenses, combined across all rental properties. CCA cannot be used to create or increase a loss, and the unclaimed amount stays in UCC.
Proportional denial of non-compliant short-term rental expenses	denial of non-compliant short-term rental expenses	Every tenancy of fewer than 90 consecutive days falls within the short-term rental definition. If the local registration or permit was not obtained, there is no grace period for the 2026 tax year, and expenses are denied in proportion to the non-compliant days.
Recapture and capital gain on the disposition of a building, calculated separately	recaptured CCA vs capital gain on disposition	When a rental building is disposed of, the excess of proceeds (capped at original cost) over UCC is included in income in full as recaptured CCA. Only the part above original cost is a capital gain, included at the current 1/2 inclusion rate.
365-day flipping rule for rental residential property	residential property flipping rule for rental properties	The gain on a rental residential property held fewer than 365 consecutive days is taxed in full as deemed business income, and a loss is unilaterally reduced to nil, unless one of the nine statutory life events, such as death or relocation, applies.
T776 line numbers and filing deadline	Form T776 line 12599, line 12600 & filing deadlines	Gross rental income from real property goes on Line 12599 and net income or loss on Line 12600. For an individual with no self-employment income, the filing deadline is still April 30 of the next year, and rental income does not extend the filing period.
BC SVT rates and the tenancy exemption	BC SVT tax rates and tenancy exemption	For the 2026 tax year the BC speculation and vacancy tax is 1% for residents and 3% for foreign owners. Renting for 6 months in the calendar year exempts a property from SVT, but never removes the federal T776 filing duty.

Self-test cues (Cornell left column)

1. Why does the law characterize rental income as property income and forbid using CCA to create or increase a loss?
2. What is the core test for deciding whether a repair to a home is a current expense or a capital expenditure?
3. When a rental building is sold, how do recaptured CCA and a capital gain differ in basis and inclusion rate?
4. What is the statutory day threshold for a non-compliant short-term rental in the 2026 tax year, and how has the grace period for filing changed from 2024?
5. Can the 6-month rental exemption from the BC speculation and vacancy tax (SVT) remove the federal T776 rental income filing, and why?

Summary: In one sentence, summarize: the T776 filing process for rental income, the bottom line separating current expenses from capital expenditures, the rules that CCA cannot create a loss and the two-track calculation on disposition, and the independent, parallel relationship between federal income tax and the BC speculation and vacancy tax.

Chapter 17 · Principal Residence Exemption, Change in Use Elections, and Residential Property Flipping Rules

Real property | P2 Hold steady | Principal residence and flipping · 2 mock questions

Read with these questions: If a property held for ten years was lived in for only five, how is the taxable capital gain on sale calculated by the formula?; To postpone the deemed disposition when a home becomes a rental and keep designating it for four more years, what are the statutory conditions?; When a rental property moves back to personal use and a 45(3) election is made, what is the latest time to file and what line must never be crossed?; How is the assignment of a pre-sale contract in under 365 days characterized and reported under federal income tax law?

How it is tested

- Substituting into the formula and counting exempt years: tests the elements of the principal residence exemption formula A – (A x B / C) – D, in particular the residency precondition for the plus one rule, the choice of which overlapping years to designate given one property per family per year, and the taxable capital gain when the home was not a principal residence for the whole period.
- Change in use and the nature of the elections: tests the deemed disposition (s.45(1)) when a home moves between personal use and rental, in particular the filing time points for the 45(2) and 45(3) elections, the four-year cap (and the s.54.1 employer relocation exception), and how claiming CCA fatally undermines eligibility for a 45(3) election.
- Partial rental and the deemed disposition exemption: tests CRA's three conditions (ancillary use, no structural change, no CCA claimed) for keeping the whole home exempt when part of it is rented, and the trade-off between claiming depreciation for tax savings and losing principal residence status.
- The federal 365-day flipping rule and the nine life events: tests the 365 consecutive day holding threshold, the characterization of an assignment of a pre-sale contract as a right, the rule that the gain is fully business income and a loss is reduced to nil, and the qualifying relocation and other life event exceptions.
- Federal income tax versus the BC flipping tax: BC's 730-day declining rate, the primary residence deduction of up to $20,000 available only after a 365-day holding, and the requirement that the life event exemption be filed within 90 days after the disposition.

Traps (watch for the signal)

Thinking a home lived in is exempt without reporting: The question has "sold after living in it the whole time but the taxpayer did not mention it on the return", asks "whether it can be left unreported", or tests the amount of the late-filing penalty.

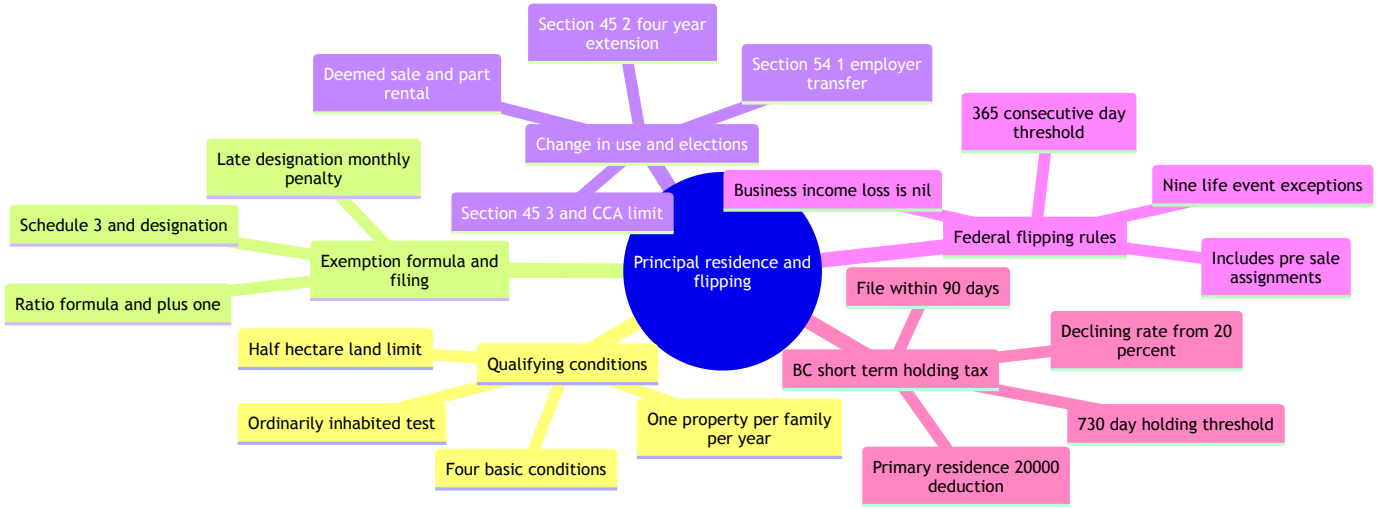
Claiming CCA during the rental period breaks the 45(3) election: The question has "claimed capital cost allowance (CCA) during the rental period", "later moved back to live in it and wants to make a 45(3) election", or asks whether the deferral is valid.

Remembering the 45(3) election deadline simply as the year of sale: The question has "CRA issued a written request to file the election letter", or tests the specific option for the latest filing time for a 45(3) election.

Thinking an undelivered pre-sale unit is not a flip: The question has "signed a pre-sale condo contract and assigned it before completion", "gain on assigning a pre-sale contract" or "never received the keys".

Applying the federal automatic exemption to the BC flipping tax: The question has "sold after holding fewer than 730 days because of a life event", "the taxpayer did not file separately with the BC Ministry of Finance within 90 days", or tests the procedure for claiming the exemption.

Mind map


Principal residence and flipping
Change in use and elections
Section 45 2 four year extension
Deemed sale and part rental
Section 54 1 employer transfer
Section 45 3 and CCA limit
Exemption formula and filing
Late designation monthly penalty
Schedule 3 and designation
Ratio formula and plus one
Qualifying conditions
Half hectare land limit
Ordinarily inhabited test
Four basic conditions
One property per family per year
Federal flipping rules
Business income loss is nil
365 consecutive day threshold
Nine life event exceptions
Includes pre sale assignments
BC short term holding tax
File within 90 days
Declining rate from 20 percent
730 day holding threshold
Primary residence 20000 deduction

Chapter 17Key points (cover the right two columns to self-test)

Key points	Exam term	Rule / number
Principal residence exemption ratio formula and the plus one year	principal residence exemption formula & plus one rule	The exempt gain is A x B / C, where B is the number of years designated as a principal residence while the owner was a Canadian tax resident, plus one. The plus one year is not available to an owner who acquired the property after October 2, 2016 and was a non-resident in the year of acquisition.
Exemption requires reporting and designation	designation on Form T2091(IND) & Schedule 3	From the 2016 tax year, disposing of a principal residence requires ticking Line 17900 of Schedule 3 and filing the T2091(IND) designation, and an unreported disposition loses the exemption outright. The penalty for a late designation is the lesser of $8,000 and $100 for each complete month late.
Ordinarily inhabited test and the half-hectare land limit	ordinarily inhabited & 1/2 hectare limit	A principal residence requires that the owner, spouse or child ordinarily inhabited it in the year (a vacation home can qualify). The default land limit is 1/2 hectare (1.24 acres), and the excess must be shown to be necessary for the use and enjoyment of the home.
One property per family unit per year	one property per family unit per year	Since 1982, a family unit (the owner, a spouse or common-law partner, and unmarried minor children) may designate only one property as a principal residence for any year.
Change in use and the three conditions for partial rental without a deemed disposition	change in use & partial rental concession	A change in use is a deemed disposition and reacquisition at fair market value. When part of a home is rented, no deemed disposition arises if three conditions are met: ancillary use, no structural change, and no CCA claimed.
45(2) election: personal use to rental, four-year cap	subsection 45(2) election	Filing a signed letter in the year of change from personal use to rental makes the 45(2) election, which postpones the deemed disposition and extends the principal residence designation by up to 4 years without actual residence. No CCA may be claimed during that time. An employer relocation that meets s.54.1 can go beyond the 4-year limit.
45(3) election: rental to personal use, and the filing deadline	subsection 45(3) election	A 45(3) election on moving back from rental to personal use must be filed by signed letter by the earlier of 90 days after a CRA request and the filing deadline for the year of disposition. It can designate up to 4 years before moving in, but if CCA was claimed in any earlier year, the election is treated as never made.
Federal 365-day flipping rule and assignment of rights	residential property flipping rule (365 days)	The gain on a residential unit, or a right to buy a home (an assignment of a pre-sale contract), held fewer than 365 consecutive days is taxed in full as deemed business income and a loss is reduced to nil, unless one of the nine life event exceptions applies, such as death, involuntary termination or a qualifying relocation.
BC 730-day flipping tax and the primary residence deduction	BC home flipping tax & primary residence deduction	Disposing of BC residential property held fewer than 730 days incurs a declining flipping tax of up to 20%. A primary residence held at least 365 days can deduct up to $20,000. A life event exemption must be filed separately within 90 days after the disposition.

Self-test cues (Cornell left column)

1. In the principal residence exemption formula, what do the numerator and denominator stand for, and when does the plus one year rule not apply?
2. When part of a taxpayer's home is rented, which three conditions avoid a deemed disposition, and what is the fatal result of claiming CCA?
3. How do the 45(2) and 45(3) elections differ in filing time, the cap on designated years, and the CCA restriction?
4. How does the federal 365-day residential flipping rule characterize the gain, and does an assignment of a pre-sale contract fall under it?
5. How does the BC flipping tax differ from the federal rule in the holding threshold, rate calculation and the filing requirement for life event exemptions?

Summary: In one sentence, summarize: the ratio calculation logic of the principal residence exemption, the filing timing and CCA ban for the two change-in-use elections, and the scope and filing requirements of the federal 365-day and BC 730-

day flipping rules.

Chapter 18 · Newcomers to Canada: Residency Determination, First-Year Tax Return, and Foreign Property Rules

Residency | P1 Must score | Newcomers to Canada · 3 mock questions

Read with these questions: If someone stays more than 183 days but has a home and health coverage in Canada, should they file as a factual resident or a deemed resident?; For a newcomer who lands mid-year, how is the first-year basic personal amount prorated by days and rate on the T1?; When foreign assets are deemed acquired on the landing date and the cost is stepped up, how is the T1135 filing duty determined in the second year?; Why does filing a return not automatically catch up the first-year CGEB and Canada child benefit (CCB), and why must the SOI be filed?

How it is tested

- The three-step residency determination and characterizing factual ties: tests the weight of significant residential ties (a home, spouse, dependants) against secondary ties, and strictly tests the statutory order of "decide factual residence first, and look at the 183-day sojourn rule for a deemed resident only if that fails". Also tests the major differences between the two kinds of resident in the scope of tax (resident period versus worldwide income for the whole year) and the 48% federal surtax.
- First-year non-refundable credit tiers and daily proration: tests the first tier of actual amounts (CPP/EI/tuition) under ITA s.118.91, the second tier of amount-based credits (the basic personal amount prorated by resident days / 365) and the limits of the third tier, the 90% rule for the non-resident period, using the 2026 tax year amount of $16,452 and the 14% credit rate for precise arithmetic.
- Deemed acquisition and the T1135 foreign property threshold: tests how the cost step-up rule in ITA s.128.1(1)(c) carries through to later capital gains and to the T1135 filing threshold (cost amount over $100,000), the fact that the first-year filing exemption (s.233.7) is available only to a person who first becomes resident, and the information return penalty of $25 per day, capped at $2,500, for a missed filing.
- First-year benefit applications and the SOI process in practice: tests that the CGEB (formerly the GST/HST credit) requires an RC151 filed by the newcomer and is not paid retroactively on its own, that a work or study permit holder can receive the CCB only after 18 months and with a valid permit in the 19th month, and that the statement of world income (SOI) for the two years before landing counts only toward benefit thresholds and is not taxed.
- Mirror rules on emigrating and the filing checklist: tests determining the departure date (the latest-date principle), the deemed disposition on leaving, the T1161 list of properties threshold (fair market value over $25,000), and

Traps (watch for the signal)

Confusing immigration status with tax residency: The question has "holds a PR card but leaves right after a brief landing", "holds a work or study permit but is not yet a permanent resident", or tests the statutory starting point for reporting worldwide income.

Reversing the order of deemed resident and factual resident: The question has "rented or bought a home in Canada and settled for more than 183 days", or asks whether the s.250(1) deemed resident provision or the 48% federal surtax applies.

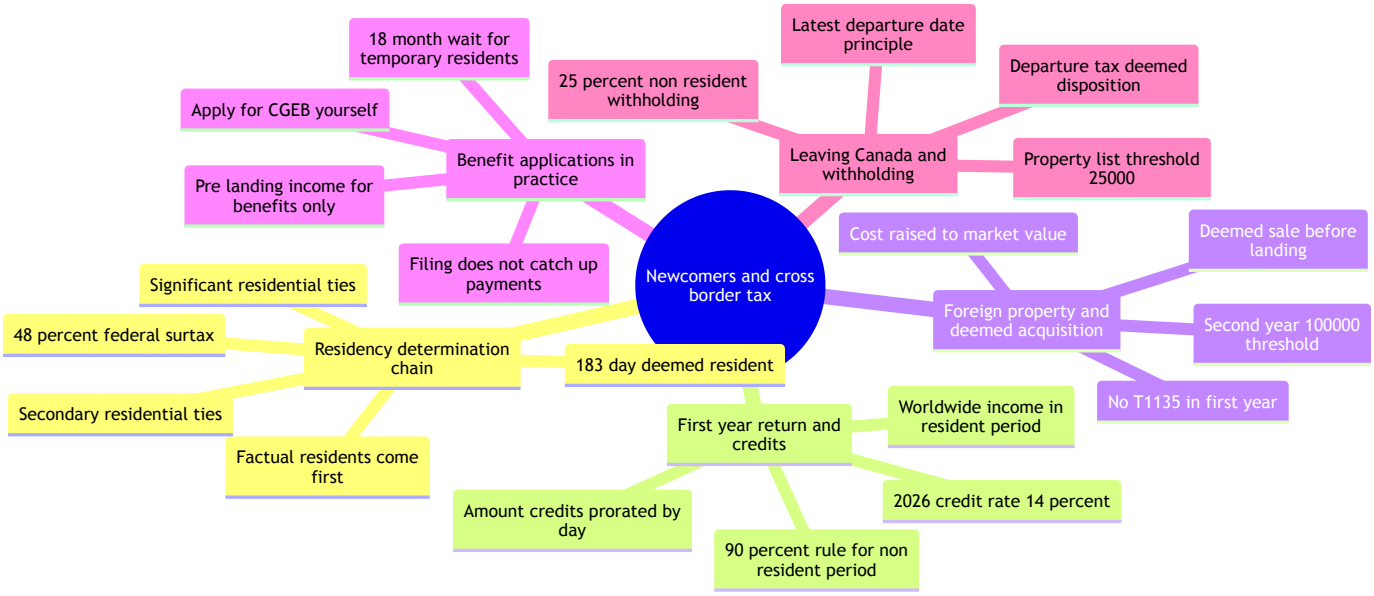
Claiming the full basic personal amount in the first year: The question has "landed on a certain date mid-year and became a resident", "compute the basic personal amount claimable on T1 line 30000", or "compute the tax the credit actually reduces".

Using the original purchase price for the T1135 threshold and the gain: The question gives both the original purchase cost of foreign assets and their fair market value on the landing date, and asks "whether a T1135 must be filed in the second year" or "the ACB for computing the capital gain on a sale".

Assuming filing a return automatically catches up the CGEB and refusing to file the SOI: The question has "a newcomer did not file an RC151 and hopes filing a return will bring back payments", "asks whether income for the two years before landing will be taxed in Canada", or a case where the benefit approval is stuck.

the division of legal liability for non–resident withholding (25% withholding under s.212 and 25% of gross proceeds withheld on a sale of a home under s.116).

Mind map



Chapter 18Key points (cover the right two columns to self-test)

Key points	Exam term	Rule / number
Three-step residency chain and factual residents first	factual resident vs. deemed resident hierarchy	Tax residency must first be tested by significant and secondary residential ties to see whether the person is a factual resident. A factual resident is taxed on worldwide income for the resident period and gets provincial credits. Only a person who is not a factual resident and sojourns 183 days or more is a deemed resident, taxed for the whole year and subject to the 48% federal surtax.
Significant and secondary residential ties	significant and secondary residential ties	Significant ties include a home, a spouse or common-law partner and dependants (having any one usually settles the matter). Secondary ties include personal property, bank accounts, a driver's licence and provincial health coverage, and are weighed together, with provincial health coverage carrying great weight.
First-year amount-based non-refundable credits prorated by days	proration of non-refundable tax credits	Amount-based credits of a part-year resident, such as the basic personal amount, are claimed in proportion to resident days divided by 365. For the 2026 tax year the federal basic personal amount maximum is $16,452 and the credit rate is a uniform 14% (BC maximum is $13,216, at a rate of 5.60%).
Non-resident-period credits and the 90% rule	all or substantially all rule (90% rule)	If a newcomer's Canadian-source income in the non-resident period before landing is 90% or more of net world income for that period, amount-based credits may be claimed in full for that period, and an income statement must be attached.
Deemed acquisition on the landing date and the cost step-up rule	deemed disposition and acquisition at FMV	Under ITA s.128.1, a newcomer is deemed to dispose of all assets at market value immediately before becoming a resident and to reacquire them at once, so the cost base is stepped up to market value on the landing date and pre-landing appreciation is entirely free of Canadian tax.
T1135 specified foreign property threshold and the first-year exemption	Form T1135 specified foreign property threshold	Form T1135 must be filed if the total cost amount of specified foreign property held at any time in the year exceeds $100,000. It is not required in the year the person first becomes a resident (s.233.7), and from the second year the landing-date market value is used as the cost amount for the threshold test.
Penalties for late-filing T1135 and the longer reassessment period	penalties for late-filing Form T1135	The late-filing penalty for T1135 is $25 per day (minimum $100, maximum $2,500). For knowing or grossly negligent failures it is $500 per month (maximum $12,000). Failure to report foreign income and the form also extends the normal reassessment period by 3 years.
Applying for the newcomer CGEB yourself and the SOI	Canada Groceries and Essentials Benefit & SOI	The former GST/HST credit was renamed the CGEB from July 2026. A newcomer must file the RC151 application (filing a return does not catch it up) and must report world income for the two years before landing (SOI) to determine benefits. That income is not taxed at all.
Departure date and the T1161 list of properties threshold	departure date & Form T1161 threshold	The departure date is the latest of the date the person leaves, the date family members leave and the date new country tax residency is acquired. Excluding cash and similar excluded assets, a market value over $25,000 requires filing the T1161 list of properties, and Canadian passive income after leaving is subject to 25% withholding.

Self-test cues (Cornell left column)

1. How do a factual resident and a 183-day deemed resident differ fundamentally in the order of determination, the scope of tax, provincial credits and the 48% federal surtax?
2. When a newcomer files the first-year T1, which non-refundable credits are claimed in full at the actual amount? How is the basic personal amount prorated by days and the 2026 credit rate?
3. What is the deemed acquisition on the landing date (s.128.1), and how does it affect the capital gain on later disposition of foreign assets and the T1135 threshold?
4. What procedures must be met to apply for the CGEB and the CCB child benefit, and what special 18-month wait applies to temporary residents?
5. When a person leaves and becomes a non-resident, how is the departure date determined, and what are the threshold and basis for the T1161 list of properties?

Summary: In one sentence, summarize: the three-step logic for a newcomer's tax residency, the daily proration rule for the first-year basic personal amount, how the deemed acquisition of assets on the landing date carries through to the second-year T1135 threshold, and the self-application requirement for benefits together with the mirror rules on leaving.

Chapter 19 · Determining Canadian Residency Status: Factual Residence, Deemed Residence, and Treaty Tie-Breakers

Residency | P2 Hold steady | Determining residency · 2 mock questions

Read with these questions: If someone rents and studies in Canada and stays the full 183 days, should they file as a factual resident or as a deemed resident?; Under the old exam wording, how many secondary residential ties had to be gathered to settle residence?; Can daily cross-border commuting to work between Canada and the US count toward the 183-day sojourn deemed residence?; Why is the actual tax burden of a deemed resident in BC usually higher than that of a factual resident?; When returning to the country of origin to re-establish a home, how should the departure date be determined?

How it is tested

- The three-tier ladder of residential ties and the priority of factual residents: tests the decisive, exclusive power of significant residential ties (a home, spouse, dependants), the statutory ladder of "settle factual ties first, count the 183-day sojourn for a deemed resident only if that fails", and the common error of treating a work permit holder or student who rents and lives in Canada as a deemed resident.
- Weighing the secondary-ties list and the "six-item threshold" in exam wording: tests the difference between the old exam wording of "at least six secondary ties" and CRA's current official position of "looked at collectively, with unequal weights". Candidates must identify the exam-wording decision table when answering and also understand the weighting analysis of strong and weak ties in practice.
- Elements of the 183-day sojourn rule and the cross-border commuter exception: tests the three concurrent elements of ITA s.250(1)(a) (no significant ties, 183 days, not decided against by a treaty), in particular the core distinction between "any part of a day counts as a day" and "daily Canada-US cross-border commuting is not a sojourn (zero days)".
- Treaty tie-breaker deemed non-residence and the legal consequences of applying all provisions: tests the reverse-valve mechanism in ITA s.250(5). When the treaty Article IV tie-breaker awards residence to the other contracting state, the person is immediately deemed non-resident, and "for all purposes of the Act" the whole set of departure tax deemed disposition and Part XIII withholding is triggered.
- Provincial attribution (the December 31 rule) and the 48% federal surtax compared: tests completing the four lines of residence information on page 1 of the T1, and the proportional formula in which the 48% federal surtax for a deemed resident replaces provincial tax. Compares the burden of a BC factual resident (5.60% lowest rate plus a

Traps (watch for the signal)

Reversing the order and counting days first: The question has a student or work permit holder who "rents and lives in Canada for more than 183 days", and the options lure you to apply s.250(1) deemed residence and add the 48% federal surtax.

Confusing immigration status with tax residency: The question stresses that the person "holds only a temporary work permit and has not yet obtained permanent residence" or "holds a maple leaf card but has left Canada and settled elsewhere", and asks about the scope of tax obligations.

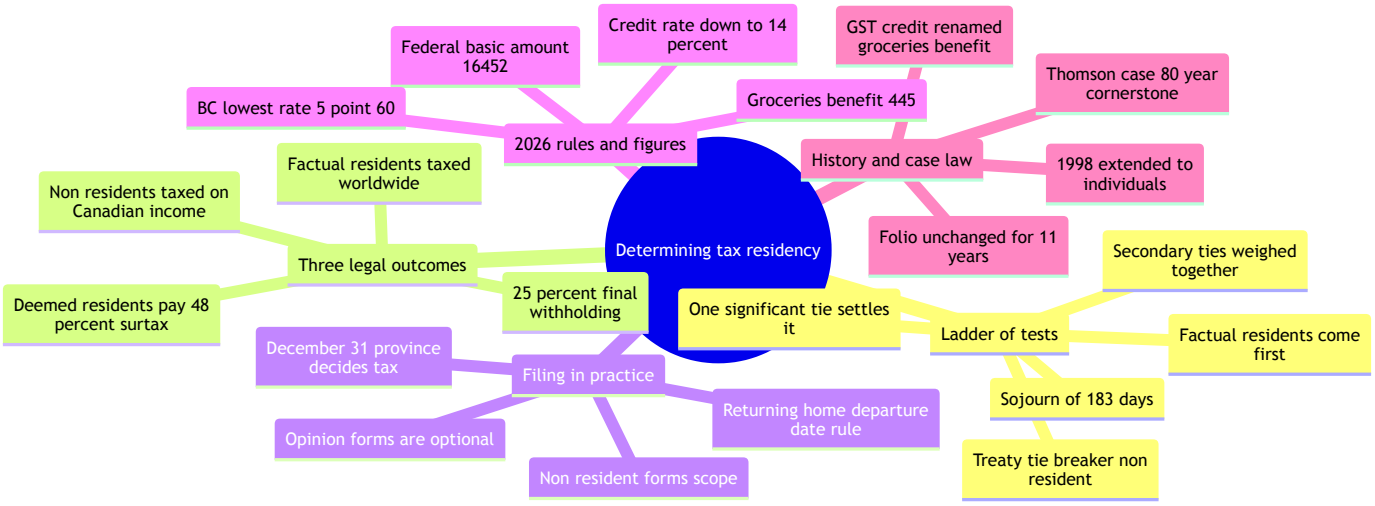
Mechanically applying the six secondary ties count threshold: The question lists several weak ties (such as a business card, an email address, a phone registration) or five core strong ties (such as work, health coverage, a driver's licence), and tests the standard for judging secondary ties or the difference in wording.

Mistaking deemed residence for a way to save tax: The question asks about the difference in the burden of provincial tax and surtax between a deemed resident and a BC factual resident, or asks to compute the marginal rate and credit amount.

Treating Part XIII withholding tax as an ordinary refundable amount: The question has a non-resident who receives a Canadian dividend or pension with 25% withheld, and asks whether it can all be refunded through an ordinary T1 filing.

$13,216 BPA credit) with a deemed resident (6.72% surtax and zero provincial credits).

Mind map



Chapter 19Key points (cover the right two columns to self-test)

Key points	Exam term	Rule / number
Residency as a question of fact and the order of the ladder of tests	factual residency and hierarchy of tests	Tax residency is a question of fact and not of nationality. It must be tested strictly in the statutory order of "settle factual residents first by residential ties, and only if that fails count the 183-day sojourn to determine a deemed resident".
Significant residential ties and the finality of the test	significant residential ties	Significant residential ties are only three: a home (available for living is enough), a spouse or common-law partner, and dependants. Having any one of them usually makes the person a factual resident, with no need to count days of sojourn.
Secondary residential ties: exam wording versus practice wording	secondary residential ties & looked at collectively	The old exam wording answers by gathering at least six secondary ties, while CRA's current official position has no numeric threshold and requires the ties to be looked at collectively, with unequal weights.
The 183-day sojourner rule and the commuter exception	183-day sojourner rule & commuter exception	A person with no significant ties in Canada and not awarded to another state by a treaty who sojourns 183 days in a year (a part of a day counts as a day) is a deemed resident, but a Canada-US daily commuting day does not count toward the sojourn at all.
Deemed residents in special roles and the dependant child threshold	deemed resident government roles & dependant child threshold	Canadian Armed Forces members posted abroad and embassy and consular staff are deemed residents, and their accompanying dependant children whose net world income for the year does not exceed that year's federal basic personal amount ($16,452 for the 2026 tax year) are also deemed residents.
Non-resident Part XIII tax and arm's length interest	Part XIII tax & arm's length interest exemption	Passive income of a non-resident such as dividends and rent is subject to the statutory 25% final Part XIII withholding (only s.216 rent and s.217 pensions may file for a refund), but interest on arm's length loans is generally exempt.
Full effect of treaty tie-breaker deemed non-residence	deemed non-resident under ITA s.250(5)	A dual resident awarded to the other contracting state under Article IV of a tax treaty is deemed non-resident under Canadian tax law for all provisions, which immediately triggers the deemed disposition departure tax and Part XIII withholding.
December 31 province of residence and the 48% federal surtax	December 31 provincial residency & federal surtax	Provincial tax is fixed entirely by the province of residence on December 31. A deemed resident pays a 48% federal surtax on non-provincial income in place of provincial tax, and because the person lacks the provincial basic personal amount and credits, the burden in BC is usually higher.
Legal nature of Forms NR73 and NR74	Form NR73 / NR74 advisory opinion status	NR73 and NR74 are administrative opinion forms by which a taxpayer asks CRA for a residency determination, not mandatory returns. When the facts are clear no application is needed, and the person simply files and keeps the evidence of residence.
Departure date exception for returning to the country of origin	departure date exception for returning to origin country	When a taxpayer leaves Canada to return to the country of origin and re-establish a home there, the departure date is the day the person leaves Canada, and family members who leave later to deal with the property do not postpone the taxpayer's statutory departure date.

Self-test cues (Cornell left column)

1. How do you use the statutory ladder to tell a factual resident from a 183-day deemed resident, and why can you not count days first?
2. What is the difference between significant ties and secondary ties, and how does the old exam wording conflict with current practice?
3. Why does a daily cross-border commuter who crosses hundreds of times not count as sojourning 183 days, and how are part days counted?
4. Why does a deemed resident paying the 48% federal surtax usually pay more tax in BC than a factual resident?
5. When returning to the country of origin to re-establish a home, how is the departure date fixed, and does family staying behind to sell the home postpone it?

Summary: In one sentence, summarize: the factual-ties-first ladder for Canadian tax residency, the 183-day sojourn rule and the commuter exception, the effect of treaty tie-breaker deemed non-residence, and the difference between the 48% surtax and BC provincial tax.

Chapter 20 · Navigating Assessments, Objections, and Appeals: From the Three Parts of an NOA to the Tax Court of Canada

Procedure | P3 Skim | Assessment, objection and appeal · 1 mock questions

Read with these questions: How is the statutory deadline for an individual to object after receiving a notice of assessment calculated?; Can an omission through neglect still be examined after the 3-year normal reassessment period has passed?; Does receiving a CRA review letter mean a full audit?; How do the 10-year caps differ between changing an old return and applying for relief of penalties and interest?; What is the dispute amount threshold of the Tax Court informal procedure, and what are its hearing features?

How it is tested

- Computing the individual's objection deadline as the later of two dates: tests the statutory formula in section 165(1)(a) of the Income Tax Act. The special rule for individuals and a graduated rate estate is the later of "one year after the filing due date" and "90 days after the NOA is mailed", which distinguishes the plain 90 days for corporations from that for individuals.
- Start of the normal reassessment period and the statutory exceptions: tests that the 3-year normal reassessment period for an individual and a CCPC starts from the date the original NOA is issued, the statutory conditions of neglect, carelessness, wilful default or fraud that lead to an unlimited reassessment, and the combined elements (failing to file the T1135 and also failing to report foreign income) that add 3 years for a total of 6.
- Types of CRA review letters and the limits of an audit: tests the differences in timing and subject among the Pre-assessment Review (before the NOA), the Processing Review (after the NOA) and the Matching Program (third-party matching), and the core line between a review and a full audit in procedural nature, preparation of materials and response strategy.
- The 10-year refund cap for changing a return versus the 10-year anchor for taxpayer relief: tests the hard cap by which Change my return / T1-ADJ refunds are limited to 10 calendar years counted from the tax year, and compares it with the dual anchors of taxpayer relief (RC4288), which looks back 10 years from the year of application for penalties (by the tax year they relate to) and for interest (by the calendar year it accumulated).
- The Tax Court informal procedure threshold and the effect of litigation: tests the $25,000 threshold of disputed tax and penalties under section 18 of the Tax Court of Canada Act (unchanged for three years and not indexed to inflation), the rule on voluntarily limiting an excess amount, the waiver of the filing fee and relaxed rules of evidence, and that an informal judgment has no binding precedential effect and may be appealed to the Federal Court on only four grounds.

Traps (watch for the signal)

Mechanically applying the 90-day objection deadline: The question gives an individual (not a corporation) taxpayer's filing due date (April 30 or June 15) and the mailing date of the notice of assessment, and asks for the statutory deadline to file a Notice of Objection.

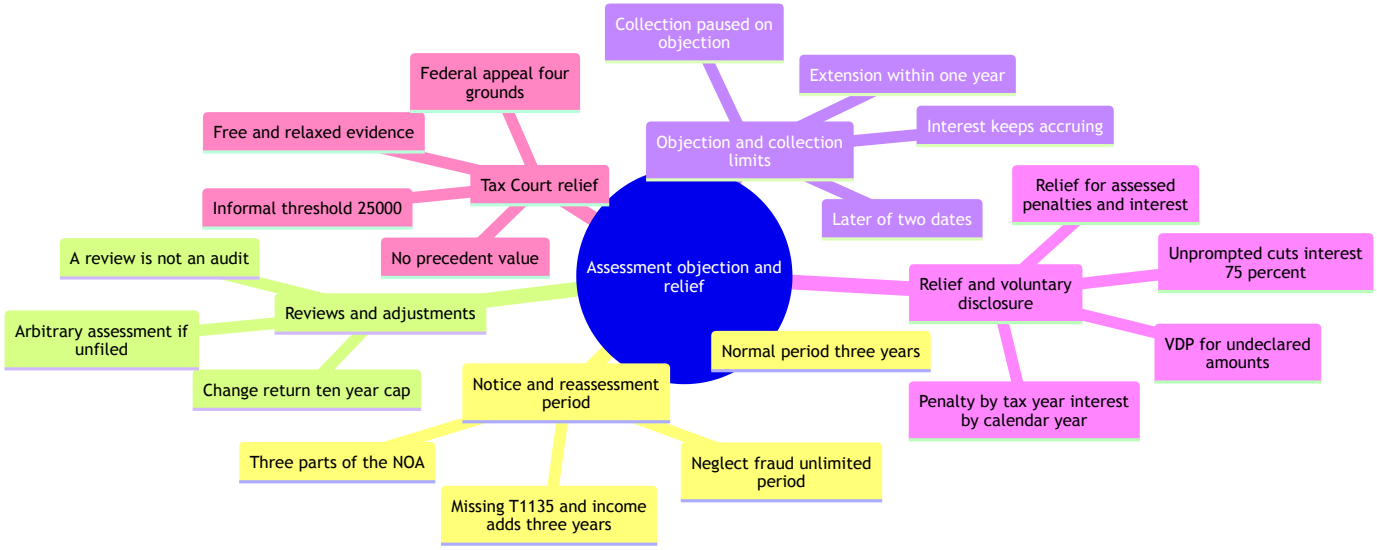
Treating the normal reassessment period as an unconditional umbrella: The question mentions that 3 years have passed since the assessment, but that the taxpayer was careless or omitted facts in the filing, or failed both to file a T1135 and to report the foreign income, and asks whether CRA can still reassess.

Confusing a review with a full audit: The question has a Pre-assessment Review, a Processing Review or a Matching Program, and asks about the legal nature of the procedure the taxpayer faces and the first response.

Confusing the 10 years for changing a return with the 10 years for relief: The question involves an application to adjust a refund for an old tax year many years back, or an application for relief of interest accumulated on a balance owing from many years ago, and asks whether the 10-year statutory window limits it.

Confusing relief on an assessed amount with voluntary disclosure of undeclared tax: The question describes a taxpayer who failed to report income for many years and has not been contacted by CRA, or one who was correctly billed penalties and interest by CRA but was late because of circumstances beyond control such as serious illness, and asks whether to use VDP or Form RC4288.

Mind map


Assessment objection and relief
Objection and collection limits
Collection paused on objection
Extension within one year
Interest keeps accruing
Later of two dates
Tax Court relief
Federal appeal four grounds
Free and relaxed evidence
Informal threshold 25000
No precedent value
Relief and voluntary disclosure
Relief for assessed penalties and interest
Unprompted cuts interest 75 percent
VDP for undeclared amounts
Penalty by tax year interest by calendar year
Reviews and adjustments
A review is not an audit
Arbitrary assessment if unfiled
Change return ten year cap
Notice and reassessment period
Normal period three years
Three parts of the NOA
Missing T1135 and income adds three years
Neglect fraud unlimited period

Chapter 20Key points (cover the right two columns to self-test)

Key points	Exam term	Rule / number
Nature of an assessment and independence of the tax liability	statutory nature of assessment under ITA s.152(3)	Tax liability does not depend on whether an assessment is correct or whether one was ever made. An assessment is an administrative act that can be reopened repeatedly, not a judicial judgment that settles the matter once.
Start of the normal reassessment period and the individual's 3-year rule	normal reassessment period under ITA s.152(3.1)	The normal reassessment period for an individual and a Canadian-controlled private corporation (CCPC) is 3 years, starting from the date the original NOA or notification that no tax is payable is issued, not from the date the return is filed.
Unlimited reassessment for neglect, wilful default and fraud	misrepresentation exception to statute bar under ITA s.152(4)(a)(i)	Where there is a misrepresentation attributable to neglect, carelessness or wilful default, or fraud, a CRA reassessment is not subject to the 3-year limit, and establishing a gross negligence penalty is not a precondition.
Extended reassessment period when both the T1135 and the income are missing	extended reassessment period for foreign property under ITA s.152(4)(b.2)	When a taxpayer fails to file the T1135 and also fails to report the income from that foreign property, the reassessment period is extended by 3 years beyond the normal 3 years, for a total of 6 years.
Individual objection deadline: the later of two dates	notice of objection deadline under ITA s.165(1)(a)	The objection deadline for an individual and a graduated rate estate is the later of one year after the filing due date for the year and 90 days after the NOA is issued, and an extension can be applied for within one year after the deadline.
Ways to change a return and the hard 10-year refund cap	10-calendar-year limit for refunds under ITA s.152(4.2)	A return can be adjusted online or on paper only after the NOA has been received, and no refund is paid on an adjustment request that goes back more than 10 calendar years.
Collection pause and interest during an objection	collection restrictions and interest accrual under ITA s.225.1	After an objection is filed, CRA pauses enforced collection against an individual, but for a large corporation and a tax shelter donation the pause is only 50%, and interest on the tax owing keeps accruing at the prescribed rate.
Dual 10-year anchors for relief of penalties and interest	taxpayer relief 10-year limitation anchors under Form RC4288	Counting back 10 years from the year of the RC4288 application, a penalty is cut off by the filing period of the tax year it relates to and interest by the calendar years in which it actually accumulated. It applies only to amounts correctly assessed but excusable.
The $25,000 threshold of the Tax Court informal procedure	informal procedure threshold under Tax Court of Canada Act s.18	A dispute in which the federal tax plus penalties in dispute do not exceed $25,000, or the loss in dispute does not exceed $50,000, can elect the informal procedure, with no filing fee and a judgment that is not a binding precedent.

Self-test cues (Cornell left column)

1. How is the statutory deadline for an individual to file a formal objection after receiving a notice of assessment set, and how does it differ from a corporation's?
2. What is the anchor for the start of the individual's 3-year normal reassessment period, and under which statutory exceptions can CRA reassess without limit?
3. When do the Pre-assessment Review, the Processing Review and the Matching Program each occur, and what does each check?
4. How do the 10-year refund cap for changing a return and the 10-year penalty and interest window for RC4288 taxpayer relief fundamentally differ in their starting point?
5. What is the dispute threshold of the Tax Court of Canada informal procedure, what are its hearing features and what is the effect of its judgment?

Summary: In one sentence, summarize the whole chain of relief: reading the three parts of the NOA, the objection deadline taken as the later of two dates, collection paused but interest still charged, and then taxpayer relief and the Tax Court $25,000 threshold.