Practical Tax Preparation Training Manual

Purpose of This Manual

This manual is designed to teach **practical tax preparation skills through hands-on practice**.

It contains **16 progressive practices** covering the most common situations encountered in individual, self-employed, rental, GST/HST, and small-business/corporate tax preparation.

Solid Tax has more than 15 years of tax preparation experience and serves thousands of clients each year. This manual is built from that practical experience. We have organized and prioritized the topics based on the types of tax situations that tax preparers regularly encounter, combined with tax research, CRA guidance, software experience, and AI-assisted research and analysis.

The goal is not simply to teach tax rules. The goal is to develop the ability to **take a client's information, identify the tax issues, prepare the return correctly, optimize the result where appropriate, and recognize when further research or professional judgment is required.**

What You Will Learn

The 16 practices progress from basic personal tax returns to more complicated individual, self-employed, rental-property, GST/HST, and corporate situations.

Practice 1 – Basic T1 Tax Return

T4 employment income, T5 investment income, RRSP, T5008 investment transactions, tuition and Home Buyers' Plan.

Practice 2 – Understanding Marginal Tax Rates

Tax brackets, marginal tax rates, deductions, credits and how changes in income affect tax.

Practice 3 – RRSP and Retirement Planning

RRSP deductions, spousal RRSPs, pension income, pension splitting, CPP, OAS and HBP repayment.

Practice 4 – Tax Credits and Dependants

Eligible dependant, caregiver amounts, disability-related credits, tuition transfers, child care and Quebec RL-1 considerations.

Practice 5 – Tax Return Optimization

Applying deductions, credits, transfers and family tax-planning opportunities to improve the overall tax result.

Practice 6 – Senior Tax Returns

Pension income, pension splitting, age-related credits, OAS recovery tax and tax optimization for senior couples.

Practice 7 – Moving Expenses and Home Ownership

Moving expenses, principal residence reporting, Home Buyers' Plan repayment and child-care expenses.

Practice 8 – Employment Expenses and Foreign Assets

Employment expenses, T2200-related claims, vehicle and home-office expenses, foreign investment income, foreign tax credits and foreign-property reporting.

Practice 9 – Rental Property

Rental income and expenses, ownership allocation, building and furniture CCA, Airbnb/home rental and Quebec tax slips.

Practice 10 – Sale of Rental Property

Partial-year rental income, CCA recapture, terminal loss, capital gains, Schedule 3, principal residence exemption and subsection 45(2).

Practice 11 – Self-Employed and Advanced Individual Tax Issues

T2125 business income , and more complex individual tax situations and the integration of multiple tax issues in one return.

Practice 12 – Self-Employed and GST/HST

T2125 business income, vehicle expenses, business-use percentage, CCA, GST/HST collected, ITCs and GST/HST treatment of passenger vehicles.

Practice 13 – Self-Employed and GST/HST Quick Method

Business income from different provinces and the United States, zero-rated sales, Quick Method remittances, home-office expenses, equipment and CCA.

Practice 14 – Corporation with Dividends

Basic T2 preparation, Schedule 100, Schedule 125, Schedule 8, Schedule 50, corporate income tax, dividends and comparison with self-employment.

Practice 15 – Corporation with Salary

Salary versus dividends, payroll, CPP/EI, employer costs, corporate deductions and owner-manager compensation.

Practice 16 – Advanced Corporation Tax

Corporate investment income, eligible and non-eligible dividends, GRIP, ERDTOH/NERDTOH, dividend refunds, Capital Dividend Account, non-capital losses and capital losses.

How to Use This Manual

Learn by Doing

Tax preparation is a **skill**, and skills are developed through practice.

For this reason, this manual does not begin with long explanations of tax law and theory. Instead, each practice gives you a realistic client situation and asks you to work through the return.

The basic learning process is:

Read the client's information → Prepare the return → Review the result → Understand why → Correct mistakes → Repeat

You will learn tax concepts while using them. This makes it easier to understand not only **what the rule is**, but also **when it matters and how to apply it**.

Use the Tax Software

Whenever possible, complete each practice in the tax software rather than calculating everything manually.

Learn to:

- determine where information should be entered;
- follow information from worksheets and schedules to the T1 or T2;
- review calculations produced by the software;
- identify results that do not look reasonable;

- understand why the software produced a particular result; and
- verify important calculations when necessary.

The software performs calculations. **The tax preparer must understand what information to enter, whether the result makes sense, and what needs further investigation.**

Use Research and AI

You are not expected to memorize every tax rule.

When you encounter something unfamiliar:

Identify the issue → Research it → Check CRA guidance → Use AI to help explain or analyze it → Verify important conclusions → Apply the answer to the client's situation

Knowing **how to find and apply the correct information** is more useful than trying to memorize thousands of tax rules.

Why We Use a Practice-Based Approach

Tax information has become easier to obtain. CRA publishes extensive guidance, tax software performs increasingly sophisticated calculations, and AI can quickly explain tax concepts, compare alternatives and assist with research and problem solving.

But access to information is not the same as having a professional skill.

Real clients do not normally arrive with a perfectly organized tax problem. They bring tax slips, receipts, emails, incomplete information, unusual transactions and questions such as:

“Can I claim this?”
“Which spouse should claim it?”
“I sold my rental property. What do I need to report?”
“Should I take salary or dividends?”
“Why do I owe this much tax?”

The tax preparer's job is to turn that real-world information into a properly prepared tax return.

That requires more than knowledge. It requires the ability to **identify the problem, ask the right questions, find missing information, apply the tax rules, use the software, review the result, and explain it to the client.**

That is the skill this manual is designed to develop.

The Training Principle

Throughout the manual, keep three questions in mind:

WHAT

What needs to be reported, claimed, calculated or investigated?

HOW

How do you enter it, calculate it, verify it and complete the return?

WHY

Why is it treated this way, and how does it affect the client's tax result?

The emphasis is intentionally:

Practice first → Understanding follows → Skill develops through repetition

The objective is not to know every answer from memory. It is to become capable of **solving real tax preparation problems accurately, efficiently and independently.**