

Video 6: Understanding income tax

Chapter 4: Glossary terms

Income

The money you earn from various sources like a job or even investments

Income tax

Tax levied by the government on earnings to pay for infrastructure and services, such as health care and education

Progressive tax

Tax system in which the tax rate increases as the taxable amount increases

Tax credit

Tax incentive that allows taxpayers to subtract from the income taxes they owe. It's different from a tax deduction, which lowers your taxable income, while a tax credit directly lowers your tax bill

Tax deductions

An amount that taxpayers can subtract from their total income to arrive at their taxable income, i.e., contributions to RRSP and FHSA. Tax reductions reduce a person's overall tax bill

Taxable income

The portion of a person's income that is subject to taxation by the government. It is the amount used to determine a person's tax bracket and marginal tax rate. It is calculated as total income minus tax deductions

Total income

Any income you've earned that is subject to federal and provincial tax