

Tax

1. Taxable entities include individuals corporations + trusts
2. Tax based on residency
3. Person = taxable entity
4. Basis of taxable income determined by ITA
- 5 to 7 later of normal due date and 6 mos from the date of death

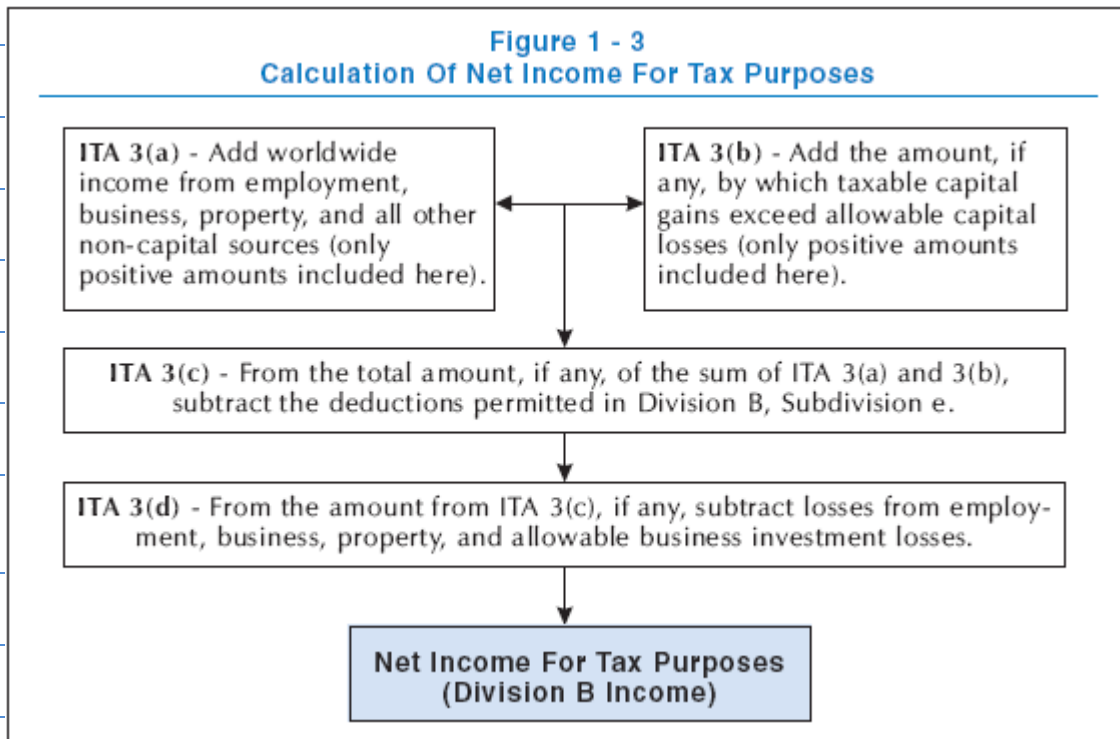
	Normal due date	Death + 6 mos
5	June 15/12 * (self employed)	June 5/12
6	April 30/12	Aug 1/12 *
7	April 30/12 *	Feb 16/12

8 $7500/4 = 1875$

9 $15000/4 = 3750$

10 Bonus was of a one time nature

11 No penalty under GAAR itself - GAAR is a provision to allow CRA to ignore abusive transactions in the calculation of tax



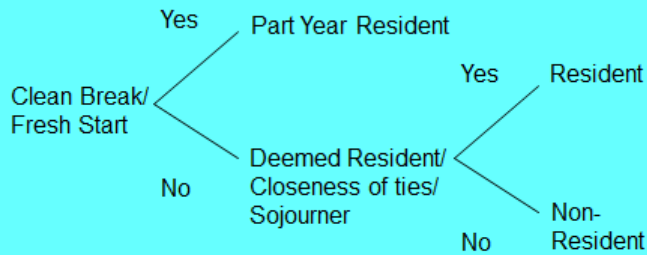
13. Taxable Canadian Property applies to how part year residents are taxed not in determining residency

14 a - defⁿ of a part year resident

15 b - Seems Karen has no ties to Canada

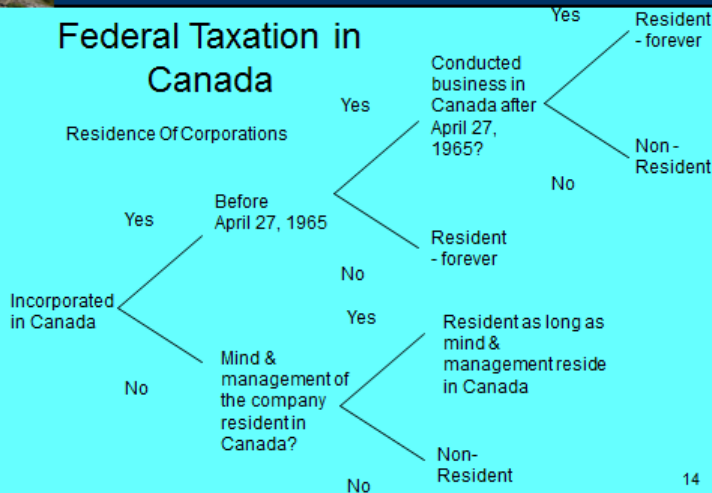
Federal Taxation in Canada

- Residence of individuals



Federal Taxation in Canada

Residence Of Corporations



16 d

17 c

18 Bob - deemed Sojourner

Charles - deemed emperor of
Cdn Govt

Dick - hasn't broken ties
with Canada

19 c

20 d - the legal kind

21 b - tax deferral is delaying the point of tax

22 a - a true reimbursement is not taxable

23 b

24 Calculation is by day
Approximation

$$80,000 \times 2/12 \times 4\% = 533$$

$$80,000 \times 6/12 \times 3\% = 1200$$

1733

$$\text{Less } 80,000 \times 8/12 \times 2\% \quad 1067$$

666

=

25

Choice.

Commission Expenses limited

to commission income

$$(17,000 \times 1/2) + (90\% \times 10,000)$$

Max 5,000

Travel expenses $90\% \times 10,000$

This is higher. \rightarrow 9,000

Fuel 4000
Ins 750
Rep 2250
Lease 3000
10,000

26 c

27 a as long as its
reasonable

28	Salary	30,000
	Commission	19,500
	Bonus	<u>3000</u>
		52,500
	Travel	(2500)
	Accommodations	(1000)
	Meals $1/2 \times 500$	(250)
	Travel Allow 200×12	<u>2400</u>
		51,150

29 a correct

b tax free group disability

c ✓ subsidized meals

d ✓ dental

30 + 31 Lower of current
prescribed rate and that
at the time loan was
made.

30 Employment benefit

$50,000 \times 4\% \times 6/12$ 1000

Repaid $50,000 \times 3\% \times 6/12$ (750)

net 250

Div. C

Home loan $25,000 \times 4\% \times 6/12$
max (250)
0

31

$$200,000 \times 5\% = 10,000$$

Div. C

$$\begin{array}{r} \text{Home loan } 25,000 \times 5\% \\ \hline (1250) \\ \hline 8750 \end{array}$$

32. b.

33 d (currently based on 2000 $\times 15\%$)

34 b

35 b

36 Tax Income 5000

CCA max

$$C18 \quad (15,000)$$

$$C112 \quad (25,000)$$

$$\hline (35,000)$$

↳ LCF

37 a

38 + 39

$$500,000 \times 0.9 \times 0.8 = 360,000$$

↑ 1/2 yr rule Yr. 1

UCC end of yr. 2.

38	UCC beg	360,000
	Add	
Lower of Cost + proceeds	Disp (370,000)	
	(370,000)	(370,000)
	Avail for CCA	(10,000)
	Recapture	<u>10,000</u>
	UCC end	0

39	UCC Beg	360,000
	Add	
	Disp (350,000)	
	(350,000)	(350,000)
	Avail for CCA	10,000
	No assets left	
	Terminal Loss	(10,000)
	UCC End	<u>0</u>

40 Max 30,000 CI 10.1

$$30,000 \times \frac{1}{2} \times 30\% = 4500$$

41 $\frac{45,000}{5} = 9000 / yr \times \frac{1}{2} = 4500$

min 5 max 70
normally remaining lease term
+ 1 renewal period

42 C/14 S/L

$$\frac{70,000}{15} \times \frac{31}{365} = 396$$

43 $125,000 \times 4\% = 5000$

no 1/2 rule on a non arms length transaction if CCA was claimed by transferor.

44 d

45 CCA on equipment

Sept 1 → Dec 31

$$40,000 \times 20\% \times \frac{1}{2} \times \frac{122}{365}$$

$$= 1336.99$$

46	L	B	Total
Proceeds	180,000	1340,000	520,000
ACB	80,000	240,000	320,000
UCC		196,000	

Cap gain	100,000	100,000
Recapture		44,000

47

Employment	20,000
Business 12-28	(16,000)
Prop 1400 - 2000	<u>(600)</u>
W I F T P	3400
No Non Capital Loss	

48

b

49

Income before Tax	1400
Warranty Reserve	150
CCA Cl 8 $2500 \times 20\%$	(500)
Cl 10 $1900 \times 30\%$	<u>(570)</u>
M+E $90 \times 1/2$	45
Amortization (P+L)	<u>1000</u>
	1525

50

Income before tax				2300
Amortization				800
Can't use LIFO for tax				
	LIFO	FIFO	Costs	
IB	125	170	15	- 15
- IE	- 145	- 155	- 10	10
CCA	C1 8	1950 × 20%		- 390
	10	1300 × 30%		- 390
Interest on Tax				50
Political Contributions				10
				<u>2375</u>

51 d

52 c

53 a

54 d

55	Proceeds	85,000
	ACB (50-5)	- 45,000
	Selling Costs	- <u>1,000</u>
	Capital Gain	39,000
	Taxable Cap Gain	
	1/2	19,500

56

Capital Gain Proceeds	400,000
A & B	<u>150,000</u>
Capital Gain	250,000

Capital Gain Reserve

Lesser of

- Statutory

$$(4 - 0) \times \frac{1}{5} \times 250,000 = 200,000$$

- Reasonable

$$\frac{400,000 - 150,000}{400,000} \times 250,000 = 156,250$$

57

Recalculate Reserve - Lower of.

- Statutory

$$(4 - 1) \times \frac{1}{5} \times 250,000 = 150,000$$

- Reasonable

$$\frac{125,000}{400,000} \times 250,000 = 78,125$$

58

Cap Gain	300,000
Acq	- 170,000
Sell.	- 10,000
Capital Gain	<u>120,000</u>

Capital Gain Reserve

Lower of

Statutory

$$(4 - 0) \times \frac{1}{5} \times 120,000 = 96,000$$

96,000

Reasonable

$$\frac{280,000}{300,000} \times 120,000 = 112,000$$

Capital Gain

27,000

Taxable Capital Gain
 $\frac{1}{2}$

12,000

Sq		Price	Cost	Capital (Gain) Loss
	Painting LPP	2500	800 1000	1500
	Stamp LPP	600 1000	1200	-200
	Motor PUP	900 1000	100 1000	0
	Desk PUP	1300	1950	Nil
				1300

60 b

61 b

62 c earned but may not be paid

63

	A	B	Total
Profit/Loss	43000	(27000)	16000
Minus CCA			(16000)
			0

64 a

65 Δ 2005 to 2011

$$10,000 \times 125\% = 12500$$

$$\text{Tax} \quad \underline{29\%}$$

$$3625$$

$$\text{DTC } \frac{2}{3} (12500 - 10,000) \quad \underline{(1667)}$$

$$\underline{1958}$$

66

Federal

$$16,000 \times 125\% = 20,000$$

$$\text{Fed Tax} \quad \underline{293}$$

$$580$$

$$\text{DTC} \quad \frac{2}{3} \times (20,000 - 16,000) \quad \underline{(2667)}$$

$$\text{Net Fed Tax} \quad 3133$$

Prov.

$$20,000$$

Prov Tax Rate.

$$\times 17.5\%$$

$$\underline{3500}$$

Prov. DTC.

$$6.21\% \times 20,000$$

$$\underline{(1242)}$$

$$\underline{2258}$$

$$\Sigma \text{ Tax} \approx 5391$$

$$\text{Net } 16,000 - 5391 = 10609$$

67

$$16,000 \times 138\% \\ \text{Fed}$$

22 080

29%

6403

$$\text{DTC} \quad \frac{6}{11} \quad (22080 - 16000) \\ \text{Net Federal}$$

(3316)

3087

Prov.

22080

Prov. Tax

17.5%

3864

$$\text{Prov DTC} \quad 31\% \quad (22080 - 16,000)$$

(1885)

1979

$$16,000 - 3087 - 1979 = 10934$$

68

$$30,000 \times 5\% = 1500$$

Gross Up

125%

1875

Fed Tax

29%

$$WTC \frac{2}{3} (1875 - 1500) = 543.75$$

(250.00)

$$1500 - 293.75 = 1206.25$$

293.75

69

Employment

Business

Property (DE)

TCG - ACL

≥ 0

Other.

Net Income for Tax

Div. C Dedⁿ

Dividends Received

Taxable Income.

70 d Gross after year end

71 Δ in control

Net capital losses expire.

ABIL and property losses
expire.

72 b.

73 d

74 1770 of the least
of.

Taxable Income 210,000

c Active Business Income 150,000

Statutory Limit 50,000

75 c

76 Business (250,000)

Net TCW 45,000

ABIL (15,000)

Worn Capital Loss (220,000)

77 d

78 d

79

(includes recapture)	Business (ABI)	183,000
	TCG	<u>2,000</u>
	Net Income for Tax	185,000
	Donations (Div. C Corp)	<u>-2500</u>
	Taxable Income	182500

Statutory 50,000 - 116,500

Lowest 182500 x 17% = 31025

80 ABI 125,000 *

 Tax Inc 175,000

 Statutory 500,000

81 b

Leuit of

82.	• For ⁿ Invest	55,000
	Cdn Invest	<u>45,000</u>
	$26\frac{2}{3}\%$ ×	100,000

* Tax Income - Income eligible
for SBD

$$250,000 - 200,000 = 50,000$$

$$13,333 \Rightarrow 26\frac{2}{3}\% \times 50,000$$

• Taxes Payable

83

$$\text{Part IV} \quad 20,000 \times 33\frac{1}{3}\% = 6667$$

Optional

Apply non capital losses
to reduce Part IV

$$(3,000 + 7,000) \times 33\frac{1}{3}\% \quad \begin{array}{r} (3333) \\ \hline 3334 \end{array}$$

84 RDTOIT from last yr. 25,000

Last yrs d.e. refund

$$15,000 \times 33\frac{1}{3}\% \quad (5,000)$$

$$\text{Refundable Part I} \rightarrow \begin{array}{r} 10,000 \\ \hline 30,000 \end{array}$$

85 b.

86

Refundable Pt | tax

Least of

• $6\frac{2}{3}\% \times (45,000 + 21,000)$ 4400

• $6\frac{2}{3}\% \times (280,000 - 210,000)$ 4667

87 Generally the range is bounded by tax value + fair value.

tax

40,000

Fmv

280,000

88

d.

