



# **Rotman** Commerce UNIVERSITY OF TORONTO

## Course Outline

### **RSM 324 H1S**

Canadian Income Taxation I

Winter 2015

Course Meets: **L0101** Tuesdays 10-12 WO 35 followed by tutorial 12-1 SS 1086 (Orzech);

**L5101** Wednesdays 6-8 WO 20 followed by tutorial 8-9 WO 20 (Douglas).

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Course coordinator: J. A. Kitunen, FCPA, FCA. [kitunen@rotman.utoronto.ca](mailto:kitunen@rotman.utoronto.ca)

Instructor: Cara Orzech, CPA, CGA *Off Campus*

E-Mail: [cara.orzech@utoronto.ca](mailto:cara.orzech@utoronto.ca)

Webpage: <http://portal.utoronto.ca>

Office Hours: Tuesdays (Time & Location TBA)

Instructor: Scott Douglas, CPA, CMA *Off Campus*

E-Mail: [scott.douglas@utoronto.ca](mailto:scott.douglas@utoronto.ca)

Webpage: <http://portal.utoronto.ca>

Office Hours: Wednesdays (Time & Location TBA)

### **Course Scope and Mission**

This is the first of two courses in federal income tax law. This course emphasizes the fundamentals of the Canadian tax system. Included are topics, such as, effective tax rates for corporations and individuals, integration, business income, capital gains and losses, to name a few. A key objective of this course is to assist students in learning to read, interpret and apply provisions of the *Income Tax Act* (Canada) (the "ITA") to practical problems and cases.

The two course sequence (RSM324 & RSM424) has been designed to provide participants with coverage of all the tax topics listed in the Chartered Professional Accountant Competency Map.

After taking this course students are expected to be able to

- identify tax issues,
- use the ITA to determine the tax implications of the issues identified,
- analyse the alternatives,
- communicate issues, tax implications, alternatives and recommendations.

Students should not attempt to memorize specific tax provisions. Tax laws change. Therefore, students must develop the ability to find, read, and interpret provisions in the ITA.

## Course Prerequisites

RSM 220H1

## Required Readings

- 1) *Canadian Income Taxation – Planning and Decision Making, 2014-2015* edition with **CONNECT PrePak**, by Buckwold/Kitunen, published by McGraw-Hill Ryerson.

Included with the text is access to *Profile*, Intuit's highly regarded professional tax preparation software.

- 2) *The Practitioner's Income Tax Act, 46th* edition, published by Carswell (Thomson Reuters).
- 3) *Current Readings in Taxation*. Readings will be assigned during the term with the objective of highlighting current discussions on topics covered in this course. Sources will include Canadian Tax Focus, the Canadian Tax Journal & Conference Reports provided by the Canadian Tax Foundation, as well as newspaper and magazine articles.

## Supplemental Materials:

**KNOTIA Tax Suite Premium.** This online tax research infobase includes - income tax (*FITAC-Platinum*), GST/HST (*EARL*), and provincial tax databases (*PERL*), as well as daily news updates (*Knotia News*). This package enables students to access the most up-to-date tax law, court cases, and administrative practices. These databases are accessed using your UTOR ID and password via the following URL: <http://edu.knotia.ca.myaccess.library.utoronto.ca/Home.aspx> Note that Ernst & Young's Guide to Tax Research and Writing and the CICA Handbook are also available through this website.

## Tax Related Web Sites

Canada Revenue Agency (CRA): [www.cra.gc.ca](http://www.cra.gc.ca)

Canadian Tax Foundation (CTF): [www.ctf.ca](http://www.ctf.ca)

Chartered Professional Accountants Canada (CPAC): <http://cpacanada.ca/>

Department of Finance Canada: [www.fin.gc.ca](http://www.fin.gc.ca)

## Evaluation and Grades

Grades are a measure of the performance of a student in individual courses. Each student shall be judged on the basis of how well he or she has command of the course materials.

<u>Work</u>		<u>Due Date</u>
Participation	5%	Ongoing
Quizzes (5)	10%	Bi-weekly (weeks 2, 4, 8, 10, 12)
Term Test	30%	February 11
Assignments (2)	10%	January 27/28 and March 24/25
Final Exam	<u>45%</u>	During Faculty of Arts & Science Final Exam Period
	<u>100%</u>	

## **COURSE FORMAT AND EXPECTATIONS**

We expect our students to be highly motivated in learning the subject matter and to dedicate adequate time to the course each week. Students are expected to be prepared for class and to contribute to discussions, both in class and online. New topics will be discussed in each class using the ITA and Key Concept Questions from the text. Problems and cases from the text will be assigned for discussion during the following class. The ITA will be used throughout the entire class.

Students are to bring the *Buckwold/Kitunen* text and the ITA to all classes. To prepare for each class, students should:

- Complete the assigned Readings, Questions, Problems and Cases.
- Bring the solutions prepared to class be ready to discuss the readings and solutions.

It is recommended that students form study groups and work together to prepare for class.

*Discussion Board:* The discussion board on the Blackboard portal will be set up for weekly discussions. Please post your questions on the discussion board and they will be answered by fellow classmates or a teaching assistant.

*Participation:* The 5% grade component for participation is being awarded as an additional incentive for students to do the readings and problems/cases assigned each week and to actively participate in class discussions. Learning and retention can be increased substantially through active discussion.

Some of the behaviors that contribute to effective participation are captured in the questions that follow:

- 1) Is the participant a good listener?
- 2) Are the points that are made relevant to the discussion? Are they linked to the comments of others?
- 3) Do the comments show evidence of preparation for the class?
- 4) Is there a willingness to share knowledge and ideas with other class members?
- 5) Do comments clarify important aspects of earlier comments and lead to a clearer statement of the concepts being covered?

*Quizzes:* The quizzes will be held online through CONNECT bi-weekly, commencing in the 2<sup>nd</sup> week of classes. A non programmable calculator and the ITA are allowed as aids.

*Assignments:* There are two assignments. One assignment is a written communication based on tax court cases. This assignment gives students an opportunity to further develop their comprehension and communication skills. The other assignment involves the preparation of a personal tax return. Each assignment is worth 5% of the final grade.

*Term test and Final Examination:* The term test will examine material covered in the first five weeks of the course and is one hour and 45 minutes in length. Material covered during the entire term is examinable on the final examination which is three hours in length. Students are allowed to use a non-programmable calculator and the ITA as aids during the term test and final examination. It is the responsibility of each student to bring to the test and exam his/her personal calculator and ITA.

## Rules for the ITA

### Permitted:

- Underlining and highlighting are permitted in the ITA.
- Tabs may be used but must be blank or contain an ITA section number, only. Maximum tab size of 1.5 cm x 5 cm will be enforced.

### NOT Permitted:

- Writing in the ITA. This includes margins and blank areas of pages.
- inserting additional pages or post-it notes.

In the event invigilators suspect a breach of the above rules, the offending reference material will be confiscated for detailed review. The confiscated reference material will not be replaced. The candidate will be permitted to continue to write the remainder of the examination. All suspected cases of academic dishonesty will be investigated by the following procedures outlined in the *Code of Behaviour on Academic Matters*.

## Weekly Schedule

Class #	Date	Topic	Text reading(s)
1	Jan 6/7	Introduction Personal tax rates (General, Capital gains, Dividends) Corporate tax rates for business income Integration (Business income) Taxation year Sources and types of income Net Income and Taxable Income Sources of Tax Law Structure and interpretation of the ITA Existence of tax conventions and treaties Income from Office or Employment - Employee or self-employed - Taxable benefits	Chapter 3 (pp. 31-41)          Chapter 4 (pp. 64-82)
2	Jan 13/14	Income from Office or Employment - Taxable benefits, continued - Deductions allowed and limitations	Chapter 4 (pp. 82-111)

3	Jan 20/21	<p>Business Income:</p> <ul style="list-style-type: none"> <li>• Legal Form and Structure <ul style="list-style-type: none"> <li>○ Sole proprietorship</li> <li>○ Corporation</li> <li>○ Joint Ventures</li> <li>○ Partnerships</li> </ul> </li> <li>• Business income versus Capital</li> <li>• Basic rules and principles</li> <li>• Exceptions to the general rules</li> <li>• Inclusions</li> <li>• Deductions - limitations</li> <li>• Professionals</li> <li>• Farming</li> <li>• Partnerships</li> <li>• Ceasing to Carry on Business</li> </ul> <p>GST/HST:</p> <ul style="list-style-type: none"> <li>• Liability for tax</li> <li>• Input tax credits</li> <li>• Registration</li> <li>• Collection and remittance</li> </ul>	<p>Chapter 1 (pp. 4-6)</p> <p>Chapter 5</p> <p>Chapter 3 (pp. 48– 50) Appendix A</p>
4	Jan 27/28	<p>Capital Cost Allowance (CCA)</p> <ul style="list-style-type: none"> <li>• General principles and definitions <ul style="list-style-type: none"> <li>- Undepreciated capital cost (UCC)</li> <li>- Recaptured capital cost allowance</li> <li>- Terminal loss</li> <li>- Acquisition and disposition of depreciable property</li> <li>- Capital cost allowance classes</li> </ul> </li> </ul> <p>Cumulative eligible capital (CEC)</p> <ul style="list-style-type: none"> <li>• General rules</li> <li>• Calculation of CEC</li> <li>• Acquisition and disposition of eligible capital property</li> </ul> <p><b>Assignment #1 due</b></p>	<p>Chapter 6</p> <p>Chapter 6</p>

5	Feb 3/4	<p>Stakeholder relationships</p> <ul style="list-style-type: none"> <li>• Non-arm's length and related persons</li> <li>• Affiliated persons</li> </ul> <p>Capital Cost Allowance (CCA)</p> <ul style="list-style-type: none"> <li>• Special rules <ul style="list-style-type: none"> <li>- Exchanges of property – replacement</li> <li>- Change in use, non-arm's length</li> <li>- Passenger vehicle – luxury</li> <li>- Deemed capital cost – inducement</li> <li>- Expenses of representation</li> <li>- Disposition of a building and land</li> <li>- Loss on certain transfers</li> <li>- Available for use</li> <li>- Consideration – FMV rules</li> <li>- Short taxation year</li> </ul> </li> </ul>	<p>Chapter 6 (pp. 198)</p> <p>Chapter 6</p>
6	Feb 11	<b>**Term Test**</b>	
	Feb 17/18	Reading Week – no class	
7	Feb 24/25	<p>Property Income (Interest, dividends, rent, royalties)</p> <p>Calculation of Tax for Individuals:</p> <ul style="list-style-type: none"> <li>• Tax payable under Part I</li> <li>• Tax payable under Part 1.2</li> <li>• Non-refundable tax credits</li> <li>• Refundable tax credits</li> <li>• Alternative minimum tax</li> </ul> <p>Rules applicable to all taxpayers:</p> <ul style="list-style-type: none"> <li>• Political contributions credit</li> </ul>	<p>Chapter 7</p> <p>Chapter 10 (pp. 377-end; <b>excluding</b> Final Returns of Deceased Taxpayers)</p> <p>Chapter 10 (pp. 384)</p>
8	Mar 3/4	<p>Taxable capital gains and allowable capital losses</p> <ul style="list-style-type: none"> <li>• General rules, definitions, and computation</li> <li>• Identical property rule</li> <li>• Proceeds of disposition- allocation</li> <li>• Inadequate consideration, gifting</li> <li>• Election – disposition of Canadian securities</li> <li>• Business investment loss</li> <li>• Capital gains reserves</li> <li>• Principal residence</li> </ul>	Chapter 8

9	Mar 10/11	<p>Taxable capital gains, continued</p> <ul style="list-style-type: none"> <li>• Listed personal property</li> <li>• Small business share rollover</li> <li>• Personal use property</li> <li>• Special rules</li> <li>• Dispositions to affiliated persons</li> <li>• Options and convertible property</li> <li>• Adjusted cost base – inclusions and deductions</li> </ul>	Chapter 8
10	Mar 17/18	<p>Deferred Income Plans:</p> <p>a) Registered Retirement Savings Plans (RRSP)  b) Tax-Free Savings Accounts (TFSA)  c) Registered Education Savings Plans (RESP)  d) Registered Disability Savings Plans (RDSP)</p> <p>Other sources of income inclusions and deductions</p> <ul style="list-style-type: none"> <li>• Indirect payments</li> <li>• Interest-free or low interest loans</li> <li>• Retiring allowance and termination payments</li> <li>• Support payments</li> <li>• Annuity payments</li> <li>• Transfer of retirement income and sheltered amounts</li> <li>• Moving expenses</li> <li>• Child care expenses</li> <li>• Disability support deduction</li> </ul>	<p>Chapter 9 (pp.319-328)</p> <p>Chapter 9 (pp.315-319)</p>
11	Mar 24/25	<p>Determination of Taxable Income:</p> <ul style="list-style-type: none"> <li>• Losses</li> <li>• Capital Gains Deduction</li> </ul> <p>Succession and Estate planning:</p> <ul style="list-style-type: none"> <li>• Transfer of property to spouse</li> <li>• Transfer of property to children</li> <li>• Income splitting and attribution rules</li> </ul> <p>Tax Planning for Corporations and Individuals:</p> <ul style="list-style-type: none"> <li>• Tax on split income (kiddie tax)</li> </ul> <p><b>Assignment #2 due</b></p>	<p>Chapter 10 (pp. 366-377)</p> <p>Chapter 9 (pp. 330-336)</p>
12	Mar 31/ Apr 1	<p>Administration of the Income Tax System:</p> <ul style="list-style-type: none"> <li>• Filing deadlines and requirements</li> <li>• Notice of assessment, interest and penalties, failures and omission</li> <li>• Objections to assessments and appeal process</li> </ul>	Chapter 3 (pp. 41-48)

Final Exam	Apr 8 – 30	<b>Final Examination – To be scheduled by the Registrar</b>	
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Last Date to drop course from Academic Record and GPA: March 8, 2015.

## **POLICY AND PROCEDURE**

### **Missed Tests and Assignments (including midterm examinations)**

Students who miss a test or assignment for reasons entirely beyond their control (e.g. illness) may submit a request for special consideration. Provided that notification and documentation are provided in a timely manner, and that the request is subsequently approved, no academic penalty will be applied.

In such cases, students must notify Rotman Commerce on the date of the missed test (or due date in the case of course work) and submit supporting documentation (e.g. [Verification of Student Illness or Injury form](#)) to the Rotman Commerce Program Office within **48 hours** of the originally scheduled test or due date. Students who do not provide Rotman Commerce or the instructor with appropriate or sufficient supporting documentation will be given a grade of 0 (zero) for the missed test or course deliverable.

**Note that the physician’s report must establish that the patient was examined and diagnosed at the time of illness, not after the fact. Rotman Commerce will not accept a statement that merely confirms a report of illness made by the student and documented by the physician.**

For this course, specifically, if the term test is missed with acceptable documentation, the weighting of the final exam will be increased to 75%. If a quiz (or quizzes) is/are missed with acceptable documentation, the weighting of the remaining quizzes may be increased, at the instructor’s discretion.

### **Late Assignments**

Assignments are due at the beginning of class (the class in which the student is registered) on the date specified in the course outline. Late submissions will normally be penalized by 20% if the assignment is not received on the specified date, at the specified time. A further penalty of 20% will be applied to each subsequent day. Students who, for reasons beyond their control, are unable to submit an assignment by its deadline must obtain approval from the instructor for an extension. Supporting documentation will be required as per the policy on missed tests and assignments.



## **Accessibility Needs**

The University of Toronto is committed to accessibility. If you require accommodations for a disability, or have any accessibility concerns about the course, the classroom or course materials, please contact Accessibility Services as soon as possible:

[disability.services@utoronto.ca](mailto:disability.services@utoronto.ca) or <http://www.accessibility.utoronto.ca/>.

## **Academic Integrity**

Academic Integrity is a fundamental value essential to the pursuit of learning and scholarships at the University of Toronto. Participating honestly, respectfully, responsibly, and fairly in this academic community ensures that the UofT degree that you earn will continue to be valued and respected as a true signifier of a student's individual work and academic achievement. As a result, the University treats cases of academic misconduct very seriously.

### *The University of Toronto's Code of Behaviour on Academic Matters*

<http://www.governingcouncil.utoronto.ca/policies/behaveac.htm> outlines the behaviours that constitute academic misconduct, the process for addressing academic offences, and the penalties that may be imposed. You are expected to be familiar with the contents of this document. Potential offences include, but are not limited to:

In papers and assignments:

- Using someone else's ideas or words without appropriate acknowledgement.
- Submitting your own work in more than one course without the permission of the instructor.
- Making up sources or facts.
- Obtaining or providing unauthorized assistance on any assignment (this includes collaborating with others on assignments that are supposed to be completed individually).

On test and exams:

- Using or possessing any unauthorized aid, including a cell phone.
- Looking at someone else's answers
- Misrepresenting your identity.
- Submitting an altered test for re-grading.

Misrepresentation:

- Falsifying institutional documents or grades.
- Falsifying or altering any documentation required by the University, including (but not limited to), medical notes.

All suspected cases of academic dishonesty will be investigated by the following procedures outlined in the *Code of Behaviour on Academic Matters*. If you have any question about what is or is not permitted in the course, please do not hesitate to contact the course instructor. If you have any questions about appropriate research and citation methods, you are expected to seek out additional information from the instructor or other UofT resources such as College Writing Centres or the Academic Success Centre.

## **Email**

At times, the course instructor may decide to communicate important course information by email. As such, all UofT students are required to have a valid UTmail+ email address. You are

responsible for ensuring that your UTmail+ email address is set up AND properly entered on the ROSI system. For more information please visit <http://help.ic.utoronto.ca/category/3/utmail.html>

Forwarding your utoronto.ca email to a Hotmail, Gmail, Yahoo or other type of email account is not advisable. In some cases, messages from utoronto.ca addresses sent to Hotmail, Gmail or Yahoo accounts are filtered as junk mail, which means that important messages from your course instructor may end up in your spam or junk mail folder.

### **Blackboard and the Course Page**

The online course page for this course is accessed through Blackboard. To access the course page, go to the UofT Portal login at <https://portal.utoronto.ca/> and log in using your UTORid and password. Once you have logged in, look for the My Courses module where you'll find the link to all your course websites. If you don't see the course listed here but you are properly registered for the course in ROSI, wait 48 hours. If the course does not appear, go to the Information Commons Help Desk in Robarts Library, 1st floor, for help, or explore the Portal Information and Help at [www.portalinfo.utoronto.ca/students](http://www.portalinfo.utoronto.ca/students) and review the Frequently Asked Questions.

### **Recording Lectures**

Lectures and course materials prepared by the instructor are considered by the University to be an instructor's intellectual property covered by the Canadian Copyright Act. Students wishing to record a lecture or other course material in any way are required to ask the instructor's explicit permission, and may not do so unless permission is granted (note: students who have been previously granted permission to record lectures as an accommodation for a disability are, of course, excepted). This includes tape recording, filming, photographing PowerPoint slides, Blackboard materials, etc.

If permission is granted by the instructor (or via Accessibility Services), it is intended for the individual student's own study purposes and does not include permission to "publish" them in anyway. It is absolutely forbidden for a student to publish an instructor's notes to a website or sell them in any other form without formal permission.