



Rotman Commerce UNIVERSITY OF TORONTO

RSM 424 H1F

Canadian Income Taxation II

Fall 2018

Course Meets on Tuesdays (9 a.m. to 11 a.m.) in WW120. A one-hour tutorial immediately follows the lecture in WW121 (11 a.m. to noon).

Course coordinator: Joan Kitunen, FCPA, FCA
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Instructor: Matthew Roman, CPA, MTax
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Webpage: <http://portal.utoronto.ca>
Office Hours: Tuesdays (8 am to 9 am) in WW120. Please email the instructor in advance if you plan to show up before 8:30.

Mission

This is the second in a two-course series in Canadian federal income taxation. The course is designed to give the student an understanding of more complex issues of Canadian income tax law and tax planning. Topics include computation of corporate taxes, corporate reorganizations, business acquisitions and divestitures, partnerships, joint ventures, and trusts.

Course Prerequisite

RSM 324H1

After taking this course students are expected to be able to

- identify tax issues,
- determine the tax implications of the issues identified,
- calculate income taxes payable for a corporation,
- analyse the alternatives and make recommendations, and
- prepare the appropriate communication.

The two course sequence (RSM324 & RSM424) has been designed to provide participants with coverage of all the tax topics in the CPA Competency Map Knowledge Supplement.

Required Readings

Canadian Income Taxation – Planning and Decision Making, with CONNECT PrePak by Buckwold/Kitunen, published by McGraw-Hill Ryerson, **2018-2019** edition. The text is available for purchase at the bookstore.

Income Tax Act. Students are NOT required to purchase a copy of the Income Tax Act. The Act will be referenced in the text and in the lectures. You can access a copy of the Act at <http://edu.knotia.ca.myaccess.library.utoronto.ca/Home.aspx> or at <http://laws-lois.justice.gc.ca/eng/acts/i-3.3/>

Current Readings in Taxation, provided by the instructor. 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.

Tax Related Web Sites

Canada Revenue Agency (CRA): www.cra.gc.ca
Canadian Tax Foundation (CTF): www.ctf.ca
Chartered Professional Accountants Canada (CPAC): <http://cpacanada.ca/>
Department of Finance Canada: 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
Connect Assignments (4)	10%	Sept 25, Oct 9, Oct 30, Nov 20
Term Test	35%	Oct 16
Group Assignment	10%	Nov 13
Final Exam	<u>40%</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 tutorials and to contribute to discussions, both in class, tutorial, and online.

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

- Complete the assigned Readings, Questions, Problems and Cases.
- Be prepared to discuss the prepared solutions and readings.

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

Discussion Board: The discussion board on the Blackboard portal will be set up for discussions. Questions related to course material should be posted to the discussion board. Students in the course are expected to answer the questions. The answers will be monitored by a teaching assistant. Questions related to course administrative matters should be emailed to the course instructor.

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?

Participation marks can also be earned by providing constructive feedback on the course textbook to the instructor. For example, were there parts of the required readings that were unclear or contained ambiguous? Is there an area where another example would be helpful? We are particularly interested in receiving feedback on the brand new Chapter 22.

Connect Assignments: These are online assignments that are to be completed by each student on assigned dates within a 12-hour period. The assignments should take no longer than 20 minutes. Please ensure that you have access to **CONNECT before the second class.**

Term test and Final Examination: The term test will examine material covered in the first five classes 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.

Class Schedule

Class	Date	Topic
1	Sept 11	<p>Corporations – An Introduction</p> <ul style="list-style-type: none"> • Relationship between the Corporation and its Shareholders • Determination of Taxable Income • Calculation of Corporate Tax (excluding Manufacturing & processing deduction) • The Integration of Corporate and individual Taxation <p>Readings: Chapter 11</p>
2 & 3	Sept 18 & Sept 25	<p>Organization, Capital Structures and Income Distributions of Corporations</p> <ul style="list-style-type: none"> • Corporate capitalization – Debt or Equity • Transferring Assets to a Corporation • Corporate Distributions to Shareholders • Technical Information on Transferring Assets to a Corporation <p>Readings: Chapter 12 including Supplement; Chapter 6 Part II – K and L)</p>

4 & 5	Oct 2 & Oct 9	<p>Canadian-Controlled Private Corporations</p> <ul style="list-style-type: none"> • Definition and Basic Principles • Taxation of Income Earned by a Canadian-Controlled Private Corporation (excluding SR&ED) • Benefits of Incorporations • Dividend Policy • Loans to Shareholders • Limitations of the Small Business Deduction • Overall Tax Calculation for a Canadian-Controlled Private Corporation <p>Readings: Chapter 13</p>
6	Oct 16	<p align="center">**TERM TEST**</p> <p align="center">Time & Location: TBA</p>
7	Oct 23	<p>Introduction to GST/HST</p> <ul style="list-style-type: none"> • General Rules with Respect to Carrying on a Business • Input Tax Credits • Streamlined Methods for Calculating Net Tax • Rules with Respect to Real Property • Special Situations • Administrative Matters <p>Readings: Chapter 22 (except Part IV and Part VI A)</p>
8 & 9	Oct 30 & Nov 6	<p>Business Acquisitions and Divestitures- Assets versus Shares</p> <ul style="list-style-type: none"> • Assets versus Shares • Implications for the Vendor • Implications for the Purchaser • The Relationship Between Asset Price and Share Price • The Decision to Purchase • Basic Principles and Methods of Business Valuations <p>GST/HST implications on asset sales</p> <ul style="list-style-type: none"> • Sale of a Business as a Going Concern <p>Readings: Chapters 18, Chapter 22 (Part VI A.)</p>
10	Nov 13	<p>Business Acquisitions and Divestitures – Tax Deferred Sales</p> <ul style="list-style-type: none"> • Corporate reorganizations • Tax-Deferred Sales and Acquisitions • Sale of a Closely Held Corporation <p>Use of Holding companies</p> <p>Readings: Chapters 19, Chapter 14 (Part II)</p>

11	Nov 20	<p>Liability for Tax</p> <ul style="list-style-type: none"> • Resident Individuals and Corporations • Non-Resident Individuals and Corporations • Decision making and the Residence Issue <p>Fundamentals of Tax Planning</p> <ul style="list-style-type: none"> • General anti-avoidance rule <p>Readings: Chapters 3 (Part II); and Chapter 2</p>
12	Nov 27	<p>Partnerships</p> <ul style="list-style-type: none"> • The Standard Partnership – Definition and Format • Taxation of Partnership Operations <ul style="list-style-type: none"> ◦ Partnership Income and Losses ◦ The Partnership Interest <p>Joint Ventures</p> <p>Trusts</p> <ul style="list-style-type: none"> • The Trust Entity • Tax Treatment of Trusts <ul style="list-style-type: none"> ◦ Determination of Taxable Income and Tax <p>Readings: Chapter 15 (Part I & II (A&B)); Chapter 16 (Part II); and Chapter 17 (Part I & II (A&B))</p>
	Dec 8 to 21	Final Examination – To be scheduled by the Registrar

Last Date to drop course from Academic Record and GPA: **Monday November 5, 2018**

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.

Documentation submitted in support of petitions for missing tests and assignments must be original; no faxed or scanned copies will be accepted.

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 later report of illness made by the student to a 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%.

Late Assignments

The Group assignment is due at the beginning of tutorial on the date specified in the course outline. Late submissions will normally be penalized by 10% if the assignment is not received on the specified date, at the specified time. A further penalty of 10% 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:

accessibility.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 following the 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 UT mail + email address. You are responsible for ensuring that your UT mail + 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 <http://www.portalinfo.utoronto.ca/content/information-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.