



**ACC 425 INTRODUCTION TO TAXATION (3 credit hours)
Fall 2009**

Class Schedule:

**Monday – Friday 9:00 AM – 12:00 Noon
Sept. 30 – Oct. 30, 2009**

Instructor Information:

David Adams, BBA, MBA, CA, CPA, CMA (Hon.)

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Calendar Description:

This course provides an introduction to personal and corporate Canadian income tax systems. The impact of taxes on business decisions will be examined. Students will be required to analyze personal and business tax problems and apply the concepts learned to resolve these situations. (*Prerequisite ACC 200*)

Objectives of the Course:

The objectives for the course are as follows:

1. Students will gain an understanding the procedures and administration of the Canadian Income Tax Act.
2. Students will be able to determine the residency status and liability for tax for individuals and corporations.
3. Students will be able to understand and calculate income from employment, business and property for individuals including CCA calculations.
4. Students will be able to determine capital gains and losses and understand the requirements for reporting these for individuals.
5. Students will calculate other income and deductions and compute net income for individuals.

6. Students will be able to determine taxable income and taxes payable for individuals
7. Students will gain a basic understanding of the calculation of taxable income and taxes payable for Canadian corporations.

Required Textbooks and Resources:

Byrd, C., & Chen, I. (2009). *Canadian Tax Principles–2008/2009 ed.* Toronto: Pearson

Byrd, C., & Chen, I. (2009). *Canadian Tax Principles: Study Guide '2008/2009 ed.* Toronto: Pearson Education.

Canadian Income Tax Act (available on CD with course text)

ProFile professional tax software (included on CD with course text)

Course Requirements & Class Attendance:

The course combines *lectures and in-class problem solving*. To effectively work on problems in class you will need to read the assigned chapter prior to class. **Class attendance and keeping up to date on the material is critical to be successful in this course.** Assigned problems are required to be passed in for each chapter. To learn and understand the material you need to read each chapter thoroughly and complete the assigned problems. Several of the assignment problems will involve use of the tax software included with the course text.

The midterm and final exams will be designed to test the conceptual understanding and procedural application of the material covered during the course, and will be patterned after the in-class and assigned exercises and problems. The following is a summary of all evaluation methods and relative weights for the course:

Evaluation Method	Weight	Date	Material/Due Date
Individual Assignments	20%	Assigned Weekly	TBA
Midterm Exam	30%	TBA	Chapters 1, 2, 4, 5, 9
Final exam	50%	TBA	Chapters 1 – 12, 14, 20

Note: A minimum of 40% on the Final Exam is a requirement for successful completion of each course.

Examinations:

Graded final examinations will be available for supervised review at the request of the student.

Grading Scale:

The available letters for course grades are as follows:

<u>% Grade</u>	<u>Letter Grade</u>	<u>Description</u>
95% to 100%	A+	
90% to 94%	A	Excellent
85% to 89%	A-	
80% to 84%	B+	
76% to 79%	B	Good
72% to 75%	B-	
68% to 71%	C+	
64% to 67%	C	Satisfactory
60% to 63%	C-	
55% to 59%	D+	
50% to 54%	D	Minimal Pass
0% to 49%	F	Failure

Other Information:

It is the responsibility of all students to become familiar with and adhere to the academic policies as stated in the current Student Handbook and Academic Calendar. In particular, students are to note academic regulation #34 - Academic Dishonesty.

Personal information, that is information about an individual that may be used to identify that individual, may be collected as a requirement as part of taking this class. Any information collected will only be used and disclosed for the purpose for which the collection was intended. For further information contact the Privacy Compliance Officer at privacy@ambrose.edu.

Summary of Material to be Covered:

Chapter Topic

- 1** **Introduction and liability for taxes**
- Income tax: History, objectives, and legislative process
 - Structure and interpretation of the *Income Tax Act*
 - Learning to use the ITA
 - Other tax reference materials
 - Liability for Part I tax (residents vs. non-residents)
 - Steps in computing income tax
 - Alternative income concepts
 - Computation of income
 - Net income vs. taxable income
 - Tax planning
 - Tax avoidance vs. evasion
 - Tax deferral & tax reduction
 - Income splitting

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Income from office or employment

- Definition of income from office and employment
- Ethical concerns in tax planning for employees
- Employee vs. self employed
- Amounts included in employment income
 - salaries & wages
 - fringe benefits
 - GST on taxable benefits
 - Board & lodging
 - Automobile benefits
 - Allowances
 - EI benefits
 - Employee loans
 - Stock options
 - Other inclusions
- Deductions in computing employment income

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Retirement Savings

- RRSP's
 - Limits, deduction calculations
 - Undeducted RRSP contributions
 - Withdrawals
 - Home Buyers' Plan, Lifelong Learning Plan
 - Departure from Canada or death
- Registered Pension Plans
 - Contributions – employer & employee
 - Retirement options
- RRIFs
- Deferred profit sharing plans
- Individual pension plans

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Income from a business

- General principles & definition of business income
 - Business income vs. capital gains
 - Business income vs. GAAP income
- Amounts included in computing business income
- Restrictions on deductions
 - Reasonableness
 - Meals & entertainment
 - Automobile leasing costs
- Permitted deductions
- Taxation year
- Special business income
 - Farmers, professionals

- 4** **Capital Cost Allowance and Cumulative Eligible Capital**
- Tax depreciation system (compare tax and accounting)
 - Transactions between persons not dealing at arm's length
 - Capital cost allowance
 - Overview
 - Classes
 - Half year rule
 - Tax planning
 - Disposition of depreciable assets
 - Capital gains
 - Recapture
 - Eligible capital property

MIDTERM EXAM (30%)

- 6** **Income from property**
- Income from property: Introduction
 - Interest
 - Dividends
 - Rental income
 - Income trusts
 - Mutual funds
 - Shareholder benefits
 - Other income
 - Stock dividends
 - Capital dividends
 - Foreign source income
 - Deductions from property income and other deductions
 - Attribution rules

- 7** **Capital Gains & Losses**
- Introduction to capital gains
 - Capital property and disposition
 - General rules for determining taxable capital gains and allowable capital losses
 - Specific provisions for capital gains and capital losses
 - Principal residence
 - Personal use property
 - Listed personal property
 - Foreign currency
 - Special rules: Change in use and exchanges of property
 - Non-arms length transfers
 - Deferral on replacement property
 - Deemed dispositions

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Other Income & Deductions

- Other income
 - Pension benefits
 - Retiring allowances
 - Scholarships & research grants
 - Social assistance & WCB payments
 - Universal Child Care benefits
- Other deductions
 - CPP on self employment income
 - Moving expenses
 - Child care expenses
 - Disability
- Related deductions & inclusions
 - EI benefits
 - Pension income splitting
 - Spousal & child support
- RESPs & RDSPs
- Tax Free Savings Accounts (TFSA)

3, 14 (624 – 634), 10 (437 – 449) Taxable Income & Taxes Payable for Individuals

- Deductions in computing taxable income
- Deductions in computing taxable income — losses
- Capital gains deduction
- Computing Part I tax
- Refundable and non-refundable tax credits
- Social benefits repayment
- Computing tax under Part I.2, alternative minimum tax, and split income
- Administration and enforcement

11, 12, 13, 14 (634 – 637) Taxable Income & Taxes Payable for Corporations

- Types of corporations
- Calculating net income and taxable income
- Federal basic tax, general rate reduction, and tax abatement
- Associated corporations and the small business deduction
- Other deductions in calculating tax payable
- Refundable tax on CCPC's investment income
- Part IV tax
- Integration principle and distribution of corporate surpluses
- Capital dividend account
- Incorporated and unincorporated business
- Shareholder-manager remuneration
- Returns & payments for corporations

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International Issues in Taxation

- Part-year residents
- Non-residents: Tax payable under Part I
- Non-residents: Tax payable under Part XIII
- Tax conventions & double taxation
- Other international tax matters
- Ethical concerns in international transactions

FINAL EXAM (50%)