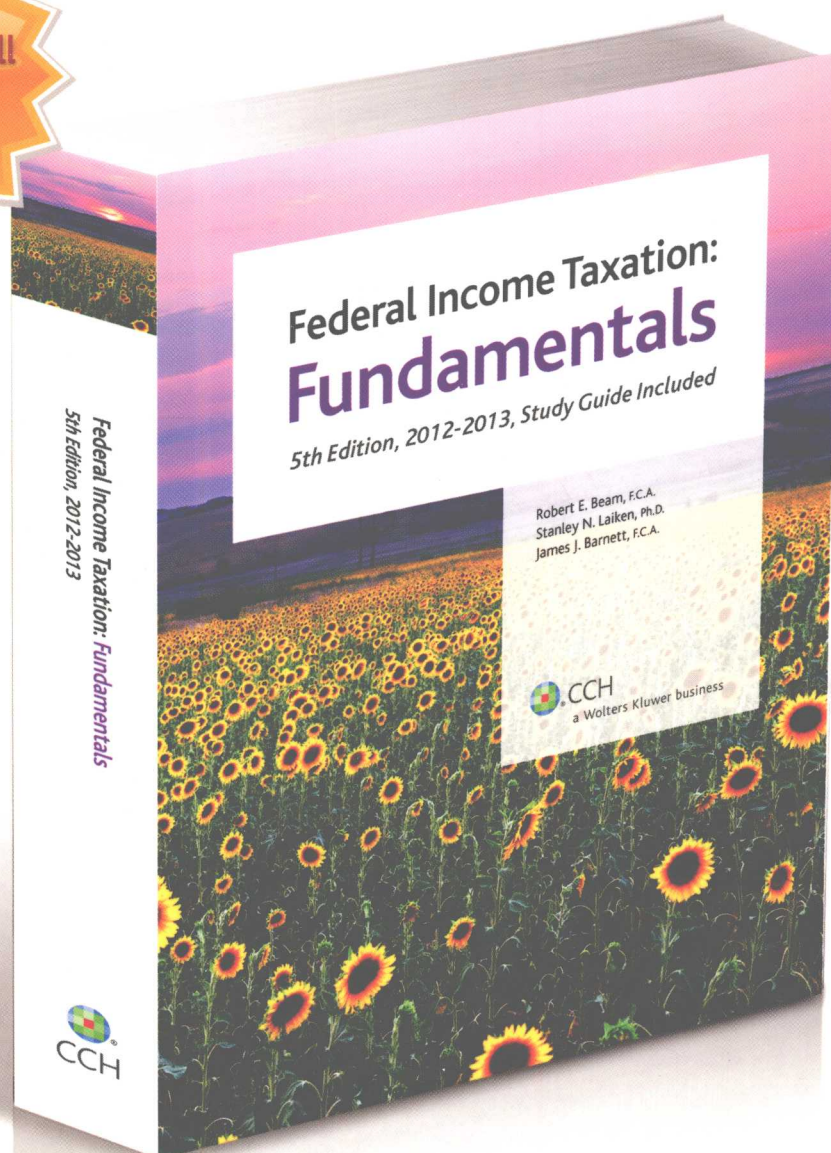


Federal Income Taxation: Fundamentals

2012-2013

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Federal Income Taxation: Fundamentals Study Guide

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Knowledge Reference List

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Inclusions	Subparagraphs 56(1)(a), (i), (ii), (iii), (iv); paragraphs 56(1), (a.2), (b), (c.2), (d), (d.2), (h), (i), (j), (l.1), (n), (n.1), (o), (q), (q.1), (t), (u), (v); subsections 56(3), (6)	¶6,320 Legal and accounting fees ¶9,010 Benefits in the Nature of Pensions ¶9,030 Retiring Allowances and Other Payments on Termination of Employment ¶9,040 Support Receipts and Payments ¶9,045 Overview ¶9,050 Spousal support ¶9,055 Child Support ¶9,060 Legal fees in connection with support payments ¶9,070 Annuity Payments ¶9,100 Education Assistance Payments ¶9,110 Other Inclusions ¶9,135 Child Care Benefit ¶9,140 Restrictive Covenants [Proposed] ¶9,145 Inclusion ¶9,150 Exclusion ¶9,155 Schematic of the system for restrictive covenants ¶9,200 Amounts not included in computing income and exempt entities ¶9,210 Specific examples
Indirect payments	Subsections 56(2), (4)	¶9,120 Indirect Payments ¶9,125 Overview ¶9,130 Conditions
Interest-free or low-interest loans	Subsections 56(4.1), (4.2)	¶13,070 Shareholder Benefits and Loans
Maintenance	Section 56.1	¶13,070 Shareholder Benefits and Loans
Deductions	Paragraphs 60(a), (b), (c.2), (i), (j.1), (j.2), (j), (o), (o.1), (p), (q), (v.1), (w), (y); sections 60.03, 60.1, 62, 63, 64	¶9,310 Capital Element of Annuity ¶9,445 Overpayments included in income ¶9,450 Objections and appeals ¶9,455 Legal fees to establish a right ¶9,460 OAS clawback ¶9,470 Moving Expenses ¶9,475 Deductible Expenditures under Moving Expenses ¶9,480 Flat-rate deductions by administrative practice ¶9,485 Eligible relocation ¶9,490 Child Care Expenses ¶9,495 Eligibility ¶9,500 Limitations ¶9,505 Deduction Calculation for Child Care Expenses

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Knowledge Reference List		Textbook Coverage
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Deductions — (<i>cont'd</i>)	Paragraphs 60(a), (b), (c2), (i), (j.1), (j.2), (l), (o), (o.1), (p), (q), (v.1), (w), (y); sections 60.03, 60.1, 62, 63, 64 — (<i>cont'd</i>)	¶9,510 Encouragement for parent to attend school ¶9,515 Application ¶9,520 Disability Support Deduction ¶9,530 Expenses of residents absent from Canada
9. Estate Planning and Introduction to Tax Planning		
Death of a taxpayer — Basic rules	Subsections 69(1.1), 70(2), (3), (3.1), (4), (5), (5.1), (6), (6.2); paragraph 70(1)(a)	¶7,500 Death of a Taxpayer ¶7,510 Deemed Disposition on Death ¶14,350 Rights or things
Reserves for year of death	Section 72	
Charitable donations	Subsections 118.1(1), 118.1(4), 118.1(5)	¶10,245 Total Charitable Gifts
Income splitting — Income attribution rules		¶6,075 The reason for attribution rules ¶6,080 Definition of related persons ¶6,085 Transactions subject to income attribution ¶6,090 Avoiding income attributions ¶6,095 Anti-avoidance rules relating to attribution ¶6,100 More types of income subject to attribution ¶6,102 “Second generation” income from property ¶6,105 Loans or transfers to a non-arm’s length individuals who are 18 years of age or older ¶6,110 Summary of income attribution rules ¶7,430 Attribution Rules ¶7,435 Capital gains on spousal transfers or loans ¶7,440 Recapture ¶7,445 Summary of provisions ¶9,015 Income Splitting — Canada Pension Plan ¶9,020 Income Splitting — Pension Income ¶6,070 Income Attribution Rules
Transfers or loans to a spouse	Section 74.2; subsections 74.1(1), 82(2)	¶6,070 Income Attribution Rules
Transfers or loans to a minor	Subsection 74.1(2)	¶6,070 Income Attribution Rules
Repayment of existing indebtedness	Subsection 74.1(3)	¶6,070 Income Attribution Rules
Transfers or loans to a trust or corporation	Section 74.3; subsections 74.4(1), (2), (3)	¶13,390 Attribution through a corporation ¶13,395 Imputed interest
Spouses living apart	Subsections 74.5(3), (4)	¶6,070 Income Attribution Rules
Exceptions to attribution rules	Subsections 74.5(1), (2), (13); paragraph 74.5(12)(a)	¶6,070 Income Attribution Rules
Tax on split income (“kiddie tax”)	Section 120.4	¶6,115 Tax on split income earned by persons under 18 years of age (“kiddie tax”) ¶13,400 Income-Splitting Tax (“kiddie tax”)
Arm’s length and affiliated persons	Subsections 251(1), (2), (3), (4), (6); section 251.1	¶7,400 Non-Arm’s Length Transfers and the Attribution Rules Revisited ¶7,410 Non-arm’s length transfers ¶7,415 Who does not deal at arm’s length ¶7,420 Transactions with non-arm’s length individuals
Extended meanings — “Child”, “parent”, “spouse”, “former spouse”	Section 252	¶7,400 Non-Arm’s Length Transfers and the Attribution Rules Revisited
10. Financially Troubled Businesses		
Unpaid amounts	Subsections 78(1), (3), (4), (5)	¶13,065 Accrued bonuses and other amounts
General rules for debt forgiveness	Section 80	¶4,034 Forgiveness of Debt Rules

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11. Business Combinations and Corporate Reorganizations		
Planning opportunities — Capital gains deduction	Subsection 110.6(1)	¶7,030 Capital Gains Deduction ¶10,060 Capital Gains Deduction ¶10,061 Historical overview ¶10,065 The qualified farm property CGD ¶10,066 The qualified fishing property CGD ¶13,340 Qualified Small Business Corporation Share (QSBCS) ¶13,345 Small business corporation (SBC) ¶13,350 Basic QSBCS rules applied to a single corporation ¶13,355 Modification of the asset test (stacking rule)
12. Partnerships and Their Members		
Limited partnerships — At-risk rules	Subsections 96(2.1), (2.2)	¶6,250 Depreciation-Based or Similar Tax Shelters
Information returns	Section 233.1	¶14,335 Foreign reporting requirements ¶19,600 Information reporting
13. Computation of Taxable Income Deductions		
Employee stock options	Paragraphs 110(1)(d), (d.1), (d.01); subsection 110(2.1)	¶10,015 Employee Stock Options
Worker's compensation, social assistance, etc.	Paragraph 110(1)(f)	¶10,020 Deduction for certain receipts
Home relocation loan	Paragraph 110(1)(j); subsection 110(1.4)	¶10,025 Home relocation loan
Lump-sum payments	Sections 110.2, 120.31	¶10,520 Tax Reduction on Retroactive Lump-Sum Payments
Charitable gifts	Sections 110.2, 120.31	¶10,245 Total Charitable Gifts ¶11,050 Charitable Donations ¶11,140 Unused charitable contributions
Gifts of capital property	Subsection 110.1(3)	¶8,135 Non-arm's length transfer of depreciable property
Capital gains deduction	Subsections 110.6(1), (2), (2.1), (4)	¶13,360 Capital Gains Deduction ¶13,365 Overview ¶13,370 Computation of deduction ¶13,375 Allowable business investment losses ¶13,380 Cumulative net investment loss (CNIL) ¶13,385 Other related provisions
Losses deductible	Paragraphs 111(1)(a), (b), (c), (d), (e); subsection 111(8); section 111.1	¶7,270 Capital Losses — General ¶10,030 Loss Carryovers ¶10,032 Legislative intent and government policy ¶10,035 Non-capital loss carryovers ¶10,045 Farm loss ¶10,070 Ordering of Division C Deductions ¶10,075 General ordering rules for Division C ¶10,080 Ordering of section 111 loss carryovers ¶11,060 Loss Carryovers ¶11,065 Non-capital loss ¶11,085 Choice to deduct net capital losses to preserve non-capital losses
Net capital losses	Subparagraph 111(1.1)(a)(i); paragraph 111(1.1)(b)	¶10,040 Net capital loss carryovers ¶11,075 Net capital losses
Net capital losses in year of death	Subsection 111(2)	¶7,500 Death of a Taxpayer

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Limitations on deductibility and change in control	Subsections 111(3), (4), (5), (5.1), (5.2), (5.3), (5.5); paragraphs 249(4)(a), (b), (d)	¶7,500 Death of a Taxpayer ¶11,080 Restrictions and ordering of deductions ¶11,090 Acquisition of Control of a Corporation and Its Effect on Losses ¶11,095 Conceptual overview ¶11,100 Deemed year-end ¶11,110 Accrued or unrealized losses on accounts receivable ¶11,115 Accrued or unrealized losses on depreciable capital property ¶11,120 Accrued or unrealized losses on eligible capital property ¶11,125 Accrued or unrealized losses on non-depreciable capital property ¶11,130 Elective capital gains and recapture ¶11,135 Allowable business investment losses and losses from property ¶11,145 Deductibility of non-capital losses after an acquisition of control ¶11,150 Loss carryback rules ¶11,155 Summary and application
Taxable dividend received by corporation resident in Canada	Paragraph 112(1)(a)	¶11,020 Deduction of Taxable Dividends ¶11,025 Purpose ¶11,030 Dividends paid from untaxed income ¶11,035 "After-tax financing" ¶11,040 Dividends paid on shares subsequently sold for a loss
14. Rules Applicable to Individuals		
Tax payable under Part I	Sections 114, 117 Subsection 115(1)	¶10,135 Marginal Tax Rates ¶10,410 Ordering of Credits ¶10,090 Taxable Income of Non-Residents ¶10,100 Computation of Tax for Individuals ¶10,110 Basic Computation of Tax ¶10,115 Tax rates ¶10,120 Annual indexing adjustment ¶10,125 Overview of tax credit and tax calculation system ¶10,130 Provincial and territorial tax ¶19,140 Deductions and Credits Allowed a Non-Resident
Non-refundable tax credits	Personal, age, pension, and other credits	Section 118
	Other tax credits	Sections 118.01, 118.02, 118.03; subsections 118.1(1), (2), (3), (5.1), (5.2), (5.3), (6), (7), (7.1), 118.2 (1), (2), (2.5); sections 118.3, 118.4; paragraphs 118.5(1)(a), (b); subsections 118.6(1), (2), (2.1); sections 118.61, 118.62, 118.7
		¶10,140 Section 118 Tax Credits ¶10,145 Married or common-law partnership credit ¶10,155 Child amount ¶10,160 Single status — Basic personal tax credit ¶10,165 Caregiver credit for in-home care of relative ¶10,170 Infirm dependant credit ¶10,180 Age credit ¶10,185 Pension income amount ¶10,190 Canada employment credit ¶10,195 Summary of personal tax credits ¶14,360 Personal tax credits ¶10,150 Equivalent to Married status for wholly dependent person credit ¶10,200 Adoption Expense Tax Credit ¶10,210 Public Transit Passes Credit ¶10,220 Children's Fitness Credit ¶10,225 First-Time Home Buyers' Credit and Disability Home Purchase Credit ¶10,230 Charitable Gifts Credit ¶10,235 Basic Rules ¶10,240 Income limit and carryforward ¶10,250 Gifts of publicly traded securities ¶10,255 Total cultural gifts ¶10,260 Tickets to events ¶10,265 Total Crown gifts ¶10,270 Total ecological gifts ¶10,280 Medical Expense Credit ¶10,285 Calculation of the credit ¶10,290 Medical expenses

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Non-refundable tax credits — (<i>cont'd</i>)	Other tax credits — (<i>cont'd</i>)	¶10,295 Notch provision for dependants ¶10,300 Credit for Mental or Physical Impairment (Disability Credit) ¶10,320 Tuition, Education, and Textbook Credits ¶10,325 Tuition Fees ¶10,330 Education credit ¶10,335 Textbook credit ¶10,340 Carryforward ¶10,350 Credit for interest on student loans ¶10,360 Credit for Employment Insurance Premiums and CPP Contributions ¶10,370 Transfer of Unused Credits to Spouse or Common-Law Partner ¶10,400 Credits for Part-Year and Non-Residents ¶19,200 Part-Year Residents ¶19,210 Income, Deductions, and Credits ¶19,220 Deemed Acquisition on Entering Canada ¶19,230 Deemed Disposition on Leaving Canada ¶1,260 Ordering Rules ¶1,260 Ordering Rules ¶10,005 Calculation of Taxable Income ¶10,420 Income not earned in a province ¶10,340 Carryforward ¶10,385 Dividend Tax Credit ¶10,390 Election to transfer dividends to spouse ¶10,430 Credit for Employment Outside Canada
	Transfer of unused credits	Sections 118.8, 118.81, 118.9
	Part-year and non-resident	Sections 118.91, 118.94
	Ordering of credits	Section 118.92
	Credits in separate returns	Section 118.93
	Income for the year	Subsections 120(1), (3), (4)
	Minimum tax carry-over	Section 120.2
	Dividend tax credit	Section 121
	Overseas employment tax credit	Subsection 122.3
Refundable tax credits	Goods and services tax credit	Section 122.5
	Refundable medical expense supplement	Section 122.51
	Child tax benefit	Section 122.6, 122.61
	Working income tax benefit	Subsections 122.7(1), (2), (3), (6)
		¶10,440 Refundable GST/HST Credit ¶10,450 Refundable Medical Expense Supplement ¶10,460 Refundable Canada Child Tax Benefit ¶10,470 Working Income Tax Benefit (WITB) ¶10,475 Overview ¶10,480 WITB supplement for persons with disabilities ¶10,485 WITB prepayment
Minimum tax		Sections 127.5, 127.51, 127.52, 127.53, 127.54, 127.55 ¶10,540 Minimum Tax ¶10,545 Minimum Amount ¶10,550 Adjusted taxable income ¶10,555 Basic exemption ¶10,560 Basic minimum tax credit ¶10,565 Minimum tax carryforward ¶10,570 Impact of the minimum tax
Changes in residence		Subsections 128.1(1), (4)
15. Rules Applicable to Corporations		
Basic rate for corporations	Section 123	¶11,160 Taxable Income of a Corporation in General ¶11,210 Objectives of Provisions Affecting Taxation of Corporations ¶11,220 General Rates for Corporations ¶11,225 Overview of rates and credits ¶11,235 Effect of provincial corporate tax rates ¶11,240 Effect of corporation type ¶11,245 General rate reduction ¶12,000 Issues Addressed by Integration ¶12,020 Objectives of Integration ¶12,030 The Major Tool for Integration in the ITA ¶12,035 The concept ¶12,040 Application of the concept in theory ¶12,275 Corporate tax rate incentives to incorporate in general ¶12,280 Specific tax savings (cost) and deferral (prepayment) possibilities ¶12,500 Comprehensive Summary of Types of Corporate Income and Federal Corporate Income Tax Rates