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CHAPTER TWO SOLUTIONS

Solution to Assignment Problem Two - 1

Need For Instalments

Instalments are required when an individual's "net tax owing" exceeds $3,000 in the current year and in either of the two preceding years. In somewhat simplified terms, "net tax owing" is defined as the combined federal and provincial taxes payable, less amounts withheld under ITA 153. Mr. Boardman's net tax owing figures are as follows:

2015 = $750 ($62,350 - $61,600)
2016 = $16,020 ($29,760 - $13,740)
2017 = $4,980 ($52,370 - $47,390) Estimated

As Mr. Boardman's net tax owing in 2017 (the current year) and his net tax owing in 2016 (one of the two preceding years) is greater than $3,000, he is required to make instalment payments.

Amounts

If Mr. Boardman bases the first two quarterly payments on the 2015 net tax owing, they would only be $187.50 each ($750 ÷ 4). However, the payments for the last two quarters would be $7,822.50 each {[$16,020 - (2)($187.50)] ÷ 2}, resulting in total instalment payments of $16,020.

A preferable alternative would be to base the payments on the estimated net tax owing for 2017. These payments would be $1,245 each ($4,980 ÷ 4), for a total of $4,980.

Payment Dates

The quarterly payments would be due on March 15, June 15, September 15, and December 15 of 2017.

Solution to Assignment Problem Two - 2

Part A

Under ITA 157(1), Ledux Inc. would have three alternatives with respect to the calculation of its instalment payments. The alternatives and the relevant calculations are as follows:

> **Current Year Base** The instalment payments could be 1/12th of the estimated Tax Payable for the current year. In this case the resulting instalments would be $16,945.42 per month ($203,345 ÷ 12).
>
> **Preceding Year Base** The instalment payments could be 1/12th of the Tax Payable in the immediately preceding taxation year. The resulting instalments would be $17,963.92 ($215,567 ÷ 12).
>
> **Preceding And Second Preceding Years** The third alternative would be to base the first two instalments on 1/12th of the Tax Payable in the second preceding year and the remaining instalments on 1/10th of the Tax Payable in the preceding year, less the total amount paid in the first two instalments.
>
> In this case, the first two instalments would be $16,118.33 ($193,420 ÷ 12) each, a total of $32,236.66. The remaining 10 instalments would be $18,333.03 [($215,567 - $32,236.66) ÷ 10] each. The total instalments under this approach would be $215,567.

While the third approach would provide the lowest payments for the first two instalments, the payments would total $215,567. As this is larger than the $203,345 total when the instalments are based on the current year's estimated Tax Payable, the use of the current year's Tax Payable approach would be the best alternative.

Part B

If the Company failed to make instalment payments towards the 2017 taxes payable, it would be liable for interest from the date each instalment should have been paid to the balance due date, March 31, 2017.

Assuming the actual 2017 taxes payable are $203,345, it would be the least of the amounts described in ITA 157(1), and interest would be calculated based on the current year instalment alternative. The rate charged would be the one prescribed in ITR 4301 for amounts owed to the Minister, the regular base rate plus 4 percentage points.

There is a penalty on large amounts of late or deficient instalments. This penalty is specified in ITA 163.1 and is equal to 50 percent of the amount by which the interest owing on the late or deficient instalments exceeds the greater of $1,000 and 25 percent of the interest that would be owing if no instalments were made. While detailed calculations are not required, we would note that this penalty would clearly be applicable in this case.

Interest on the entire balance of $203,345 of taxes payable would be charged beginning on the balance due date, March 31, 2017, two months after the end of the 2017 taxation year. The rate charged would be the one prescribed in ITR 4301 for amounts owed to the Minister, the regular base rate plus 4 percentage points.

There is also a penalty for late filing. If no return is filed by the filing due date of July 31, 2017, the penalty amounts to 5 percent of the tax that was unpaid at the filing date, plus 1 percent per complete month of the unpaid tax for a maximum period of 12 months. This penalty is in addition to any interest charged due to late payment of instalments or balance due. In addition, interest would also be charged on any penalties until such time as the return is filed or the instalments (balance due) paid.

The late file penalty could be doubled to 10 percent, plus 2 percent per month for a maximum of 20 months for a second offence within a three year period.

Solution to Assignment Problem Two - 3

Case 1

Bronson's net tax owing in each of the three years is as follows:

2015 = Nil ($7,843 - $8,946) Note that a negative number is not used here.
2016 = $3,190 ($12,862 - $9,672)
2017 = $3,851 ($14,327 - $10,476 Estimated

As his net tax owing is expected to exceed $3,000 in 2017 and was more than $3,000 in 2016, the payment of instalments is required.

Instalments under the three acceptable alternatives would be as follows:

Alternative 1 Using the estimated net tax owing for the current year would result in quarterly instalments of $962.75 ($3,851 ÷ 4), for a total amount of $3,851.

Alternative 2 Using the net tax owing for the previous year would result in quarterly instalments of $797.50 ($3,190 ÷ 4), for a total amount of $3,190.

Alternative 3 Using the net tax owing for the second previous year would result in the first two instalments being nil. The remaining two instalments would be $1,595 [($3,190 - 0) ÷ 2], a total of $3,190.

The best alternative would be Alternative 3. While the total instalments under this alternative are the same as under Alternative 2, this option offers some deferral as the first two instalments are nil.

The required instalments would be due on September 15 and December 15, 2017.

Case 2

Bronson's net tax owing in each of the three years is as follows:

2015 = Nil ($8,116 - $8,946) Note that a negative number is not used here.
2016 = $4,174 ($13,846 - $9,672)
2017 = $3,066 ($13,542 - $10,476) Estimated

As his net tax owing is expected to exceed $3,000 in 2017 and was more than $3,000 in 2016, the payment of instalments is required.

Instalments under the three acceptable alternatives would be as follows:

Alternative 1 Using the estimated net tax owing for the current year would result in quarterly instalments of $766.50 ($3,066 ÷ 4), for a total amount of $3,066.

Alternative 2 Using the net tax owing for the previous year would result in quarterly instalments of $1,043.50 ($4,174 ÷ 4), for a total amount of $4,174.

Alternative 3 Using the net tax owing for the second previous year would result in the first two instalments being nil. The remaining two instalments would be $2,087 [($4,174 - 0) ÷ 2], a total of $4,174.

The best choice would be Alternative 1. While the first two instalments are lower under Alternative 3, the total for the year under Alternative 3 is $1,108 ($4,174 - $3,066) higher.

The required instalments would be due on March 15, June 15, September 15, and December 15, 2017.

Case 3

Bronson's net tax owing in each of the three years is as follows:

2015 = $4,200 ($13,146 - $8,946)
2016 = $3,170 ($12,842 - $9,672)
2017 = $3,200 ($13,676 - $10,476) Estimated

As his net tax owing is expected to exceed $3,000 in 2017 and was more than $3,000 in both 2015 and 2016, the payment of instalments is required.

Instalments under the three acceptable alternatives would be as follows:

Alternative 1 Using the estimated net tax owing for the current year would result in quarterly instalments of $800 ($3,200 ÷ 4), for a total amount of $3,200.

Alternative 2 Using the net tax owing for the previous year would result in quarterly instalments of $792.50 ($3,170 ÷ 4), for a total amount of $3,170.

Alternative 3 Using the net tax owing for the second previous year would result in the first two instalments being $1,050 ($4,200 ÷ 4) each, a total of $2,100. The remaining two instalments would be $535 [($3,170 - $2,100) ÷ 2], a total of $1,070. When combined with the first two instalments, the total for the year would be $3,170 ($2,100 + $1,070).

In terms of minimizing instalments, the best choice is Alternative 2. While the total amount is $3,170, the same amount as under Alternative 3, there is some deferral with the first two payments being smaller.

The required instalments would be due on March 15, June 15, September 15, and December 15, 2017.

Solution to Assignment Problem Two - 4

Case One

1. As the corporation's tax payable for both the current and the preceding year exceeds \$3,000, instalments are required. As the corporation is a small CCPC, instalments will be quarterly.

2. The three acceptable alternatives would be as follows:
   - Quarterly instalments of \$43,085 (\$172,340 ÷ 4) based on the current year estimate.
   - Quarterly instalments of \$46,635 (\$186,540 ÷ 4) based on the first preceding year.
   - One instalment of \$38,410 (\$153,640 ÷ 4) based on the second preceding year, followed by three instalments of \$49,376.67 [(\$186,540 - \$38,410) ÷ 3], a total of \$186,540.

3. The best alternative in terms of minimum instalments would be four instalments of \$43,085, for total payments of \$172,340. The instalments are due on March 31, June 30, September 30, and December 31, 2017.

Case Two

1. As the corporation's tax payable for both the current and the preceding year exceeds \$3,000, instalments are required. As the corporation is a small CCPC, instalments will be quarterly.

2. The three acceptable alternatives would be as follows:
   - Quarterly instalments of \$43,085 (\$172,340 ÷ 4) based on the current year estimate.
   - Quarterly instalments of \$40,855 (\$163,420 ÷ 4) based on the first preceding year.
   - One instalment of \$38,410 (\$153,640 ÷ 4) based on the second preceding year, followed by three instalments of \$41,670 [(\$163,420 - \$38,410) ÷ 3], a total of \$163,420.

3. The best alternative would be one payment of \$38,410, followed by three payments of \$41,670. While the total instalments are the same \$163,420 in both the second and third alternatives, the third alternative is preferable because the first payment is lower. This provides a small amount of tax deferral.

   The instalments are due on March 31, June 30, September 30, and December 31, 2017.

Case Three

1. As the corporation's tax payable for both the current and the preceding year exceeds \$3,000, instalments are required. As the corporation is not a small CCPC, monthly instalments are required.

2. The three acceptable alternatives would be as follows:
   - Monthly instalments of \$14,361.67 (\$172,340 ÷ 12) based on the current year estimate.
   - Monthly instalments of \$15,545 (\$186,540 ÷ 12) based on the first preceding year.
   - Two monthly instalments of \$12,803.33 (\$153,640 ÷ 12) based on the second preceding year, followed by 10 monthly instalments of \$16,093.33 {[(\$186,540 - (2)(\$12,803.33)] ÷ 10}, a total of \$186,540.03.

3. The best alternative in terms of minimum instalments would be 12 instalments of \$14,361.67, resulting in a total of \$172,340 of instalment payments.

   The instalments would be due on the last day of each month, beginning in January, 2017.

Case Four

1. As the corporation's tax payable for both the current and the preceding year exceeds $3,000, instalments are required. As the corporation is not a small CCPC, monthly instalments are required.

2. The three acceptable alternatives would be as follows:

   - Monthly instalments of $14,361.67 ($172,340 ÷ 12) based on the current year estimate.
   - Monthly instalments of $13,618.33 ($163,420 ÷ 12) based on the first preceding year.
   - Two monthly instalments of $12,803.33 ($153,640 ÷ 12) based on the second preceding year, followed by 10 monthly instalments of $13,781.33 {[$163,420 - (2)($12,803.33)] ÷ 10}, a total of $163,420.

3. The best alternative would be two payments of $12,803.33, followed by ten payments of $13,781.33. While the total instalments are the same $163,420 in both the second and third alternatives, the third alternative is preferable because the first two payments are lower. This provides a small amount of tax deferral.

   The instalments would be due on the last day of each month, beginning in January, 2017.

Solution to Assignment Problem Two - 5

Part A

For individuals, the taxation year is always the calendar year. Individuals without business income are required to file their tax returns no later than April 30 of the year following the relevant taxation year. For individuals with business income, and their spouse or common-law partner, the filing deadline is extended to June 15.

Part B

The general rules are the same for both deceased and living individuals. That is, the return must be filed no later than April 30 of the year following the year of death. If the deceased individual, or his spouse or common-law partner had business income, the due date is June 15 of the year following the year of death.

However, when death occurs between November 1 of a taxation year and the normal filing date for that year's return, representatives of the deceased can file the return on the later of the normal filing due date (April 30th or June 15th of the following year) and six months after the date of death.

Part C

Inter vivos trusts must use the calendar year as their taxation year. As the required tax return must be filed within 90 days of the taxation year end, returns for inter vivos trusts will be due March 31 (March 30 in leap years).

The rules are the same for most testamentary trusts. However, the exception to this is a testamentary trust that has been designated a graduated rate estate (GRE). Such GREs can use a non-calendar fiscal year for up to three years subsequent to the death of the settlor. GRE returns are due 90 days after the date that has been selected as the taxation year end.

Part D

Corporations can use a non-calendar fiscal year as their taxation year. The corporate T2 return must be filed within six months of the end of the taxation year.

Solution to Assignment Problem Two - 6

The following additional information would be relevant in considering Mr. Simon's situation:

A. Determination of the date of the Notice of Reassessment. A notice of objection must be filed prior to the later of:

- 90 days from the date of the Notice of Reassessment; and
- one year from the due date for the return under reassessment.

In this case, the later date is clearly 90 days after the date of the Notice of Reassessment.

B. Determination of the date of the Notice of Assessment for the 2013 taxation year. A three year time limit applies from the date of the Notice of Assessment. As the Notice of Assessment for 2013 could have been sent in early April, 2014, this reassessment could be within the three year limit.

C. Determination of whether Mr. Simon has signed a waiver of the three year time limit or if he is guilty of fraud or misrepresentation. If the reassessment is not within the three year time limit, Mr. Simon would not usually be subject to reassessment. However, if Mr. Simon has signed a waiver of the three year time limit, or if fraud or misrepresentation is involved, he becomes subject to reassessment, regardless of the time period involved.

If the preceding determinations indicate that the reassessment is valid and you decide to accept Mr. Simon as a client, the following steps should be taken:

- You should have Mr. Simon file a Consent Form, T1013, with the CRA which authorizes you to represent him in his affairs with the CRA and/or authorize you to access his file through the online Represent a Client service.
- A notice of objection should be filed before the expiration of the 90 day time limit.
- You should begin discussions of the matter with the relevant assessor at the CRA.

Solution to Assignment Problem Two - 7

Note To Instructor These Cases have been based on examples found in IC 01-1.

Case 1

While the use of the other accountant's business income statements resulted in the tax return that was filed, the tax return preparer would be entitled to the good faith defense since he relied, in good faith, on information provided by another professional on behalf of the client. Therefore, he would not be subject to the preparer penalty.

The third party penalties may be applied to the other accountant if he knew or would be expected to know, but for circumstances amounting to culpable conduct, that the financial statements contained false statements.

Case 2

Since the tax return preparer e-filed the taxpayer's return without viewing the charitable donation receipt, the CRA would consider assessing the tax return preparer with the preparer penalty. Given that the size of the donation is so disproportionate to the taxpayer's apparent resources as to defy credibility, to proceed unquestioningly in this situation would show wilful blindness and thus an indifference as to whether the ITA is complied with.

Case 3

In view of the business that the taxpayer is in, there was nothing in the income statement that would have made the accountant question the validity of the information provided to him. Therefore, he could rely on the good faith reliance exception and would not be subject to the preparer penalty.

Case 4

The accountant would not be subject to the penalties for participating or acquiescing in the understatement of a tax liability. The facts were highly suspect until the accountant asked questions to clear up the doubt in his mind that the client was not presenting him with implausible information. The response addressed the concern and was not inconsistent with the knowledge he possessed.

Case 5

The prospectus prepared by the company contains a false statement (overstated fair market value of the software) that could be used for tax purposes. The company knew or would reasonably be expected to know, but for culpable conduct, that the fair market value of the software was a false statement. The CRA would consider assessing the company and the appraiser with third party civil penalties.

Case 6

The issue here is whether the accountant is expected to know that HST is not payable on wages, interest expense, and zero-rated purchases. It is clear that the accountant should have known that no HST could be claimed on these items. Given this, in filing a claim that includes an HST refund on the preceding items, the accountant made a false statement, either knowingly, or in circumstances amounting to culpable conduct. Consequently, the CRA would consider assessing the accountant with the third party civil penalty, specifically, the preparer penalty.

CHAPTER TWO SOLUTIONS

Solution to Assignment Problem Two - 1

Need For Instalments

Instalments are required when an individual's "net tax owing" exceeds $3,000 in the current year and in either of the two preceding years. In somewhat simplified terms, "net tax owing" is defined as the combined federal and provincial taxes payable, less amounts withheld under ITA 153. Mr. Boardman's net tax owing figures are as follows:

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As Mr. Boardman's net tax owing in 2017 (the current year) and his net tax owing in 2016 (one of the two preceding years) is greater than $3,000, he is required to make instalment payments.

Amounts

If Mr. Boardman bases the first two quarterly payments on the 2015 net tax owing, they would only be $187.50 each ($750 ÷ 4). However, the payments for the last two quarters would be $7,822.50 each {[$16,020 - (2)($187.50)] ÷ 2}, resulting in total instalment payments of $16,020.

A preferable alternative would be to base the payments on the estimated net tax owing for 2017. These payments would be $1,245 each ($4,980 ÷ 4), for a total of $4,980.

Payment Dates

The quarterly payments would be due on March 15, June 15, September 15, and December 15 of 2017.

Solution to Assignment Problem Two - 2

Part A

Under ITA 157(1), Ledux Inc. would have three alternatives with respect to the calculation of its instalment payments. The alternatives and the relevant calculations are as follows:

Current Year Base The instalment payments could be 1/12th of the estimated Tax Payable for the current year. In this case the resulting instalments would be $16,945.42 per month ($203,345 ÷ 12).

Preceding Year Base The instalment payments could be 1/12th of the Tax Payable in the immediately preceding taxation year. The resulting instalments would be $17,963.92 ($215,567 ÷ 12).

Preceding And Second Preceding Years The third alternative would be to base the first two instalments on 1/12th of the Tax Payable in the second preceding year and the remaining instalments on 1/10th of the Tax Payable in the preceding year, less the total amount paid in the first two instalments.

In this case, the first two instalments would be $16,118.33 ($193,420 ÷ 12) each, a total of $32,236.66. The remaining 10 instalments would be $18,333.03 [($215,567 - $32,236.66) ÷ 10] each. The total instalments under this approach would be $215,567.

While the third approach would provide the lowest payments for the first two instalments, the payments would total $215,567. As this is larger than the $203,345 total when the instalments are based on the current year's estimated Tax Payable, the use of the current year's Tax Payable approach would be the best alternative.

Part B

If the Company failed to make instalment payments towards the 2017 taxes payable, it would be liable for interest from the date each instalment should have been paid to the balance due date, March 31, 2017.

Assuming the actual 2017 taxes payable are $203,345, it would be the least of the amounts described in ITA 157(1), and interest would be calculated based on the current year instalment alternative. The rate charged would be the one prescribed in ITR 4301 for amounts owed to the Minister, the regular base rate plus 4 percentage points.

There is a penalty on large amounts of late or deficient instalments. This penalty is specified in ITA 163.1 and is equal to 50 percent of the amount by which the interest owing on the late or deficient instalments exceeds the greater of $1,000 and 25 percent of the interest that would be owing if no instalments were made. While detailed calculations are not required, we would note that this penalty would clearly be applicable in this case.

Interest on the entire balance of $203,345 of taxes payable would be charged beginning on the balance due date, March 31, 2017, two months after the end of the 2017 taxation year. The rate charged would be the one prescribed in ITR 4301 for amounts owed to the Minister, the regular base rate plus 4 percentage points.

There is also a penalty for late filing. If no return is filed by the filing due date of July 31, 2017, the penalty amounts to 5 percent of the tax that was unpaid at the filing date, plus 1 percent per complete month of the unpaid tax for a maximum period of 12 months. This penalty is in addition to any interest charged due to late payment of instalments or balance due. In addition, interest would also be charged on any penalties until such time as the return is filed or the instalments (balance due) paid.

The late file penalty could be doubled to 10 percent, plus 2 percent per month for a maximum of 20 months for a second offence within a three year period.

Solution to Assignment Problem Two - 3

Case 1

Bronson's net tax owing in each of the three years is as follows:

2015 = Nil ($7,843 - $8,946) Note that a negative number is not used here.
2016 = $3,190 ($12,862 - $9,672)
2017 = $3,851 ($14,327 - $10,476 Estimated

As his net tax owing is expected to exceed $3,000 in 2017 and was more than $3,000 in 2016, the payment of instalments is required.

Instalments under the three acceptable alternatives would be as follows:

Alternative 1 Using the estimated net tax owing for the current year would result in quarterly instalments of $962.75 ($3,851 ÷ 4), for a total amount of $3,851.

Alternative 2 Using the net tax owing for the previous year would result in quarterly instalments of $797.50 ($3,190 ÷ 4), for a total amount of $3,190.

Alternative 3 Using the net tax owing for the second previous year would result in the first two instalments being nil. The remaining two instalments would be $1,595 [($3,190 - 0) ÷ 2], a total of $3,190.

The best alternative would be Alternative 3. While the total instalments under this alternative are the same as under Alternative 2, this option offers some deferral as the first two instalments are nil.

The required instalments would be due on September 15 and December 15, 2017.

Case 2

Bronson's net tax owing in each of the three years is as follows:

2015 = Nil ($8,116 - $8,946) Note that a negative number is not used here.
2016 = $4,174 ($13,846 - $9,672)
2017 = $3,066 ($13,542 - $10,476) Estimated

As his net tax owing is expected to exceed $3,000 in 2017 and was more than $3,000 in 2016, the payment of instalments is required.

Instalments under the three acceptable alternatives would be as follows:

Alternative 1 Using the estimated net tax owing for the current year would result in quarterly instalments of $766.50 ($3,066 ÷ 4), for a total amount of $3,066.

Alternative 2 Using the net tax owing for the previous year would result in quarterly instalments of $1,043.50 ($4,174 ÷ 4), for a total amount of $4,174.

Alternative 3 Using the net tax owing for the second previous year would result in the first two instalments being nil. The remaining two instalments would be $2,087 [($4,174 - 0) ÷ 2], a total of $4,174.

The best choice would be Alternative 1. While the first two instalments are lower under Alternative 3, the total for the year under Alternative 3 is $1,108 ($4,174 - $3,066) higher.

The required instalments would be due on March 15, June 15, September 15, and December 15, 2017.

Case 3

Bronson's net tax owing in each of the three years is as follows:

2015 = $4,200 ($13,146 - $8,946)
2016 = $3,170 ($12,842 - $9,672)
2017 = $3,200 ($13,676 - $10,476) Estimated

As his net tax owing is expected to exceed $3,000 in 2017 and was more than $3,000 in both 2015 and 2016, the payment of instalments is required.

Instalments under the three acceptable alternatives would be as follows:

Alternative 1 Using the estimated net tax owing for the current year would result in quarterly instalments of $800 ($3,200 ÷ 4), for a total amount of $3,200.

Alternative 2 Using the net tax owing for the previous year would result in quarterly instalments of $792.50 ($3,170 ÷ 4), for a total amount of $3,170.

Alternative 3 Using the net tax owing for the second previous year would result in the first two instalments being $1,050 ($4,200 ÷ 4) each, a total of $2,100. The remaining two instalments would be $535 [($3,170 - $2,100) ÷ 2], a total of $1,070. When combined with the first two instalments, the total for the year would be $3,170 ($2,100 + $1,070).

In terms of minimizing instalments, the best choice is Alternative 2. While the total amount is $3,170, the same amount as under Alternative 3, there is some deferral with the first two payments being smaller.

The required instalments would be due on March 15, June 15, September 15, and December 15, 2017.

Solution to Assignment Problem Two - 4

Case One

1. As the corporation's tax payable for both the current and the preceding year exceeds $3,000, instalments are required. As the corporation is a small CCPC, instalments will be quarterly.

2. The three acceptable alternatives would be as follows:

   - Quarterly instalments of $43,085 ($172,340 ÷ 4) based on the current year estimate.
   - Quarterly instalments of $46,635 ($186,540 ÷ 4) based on the first preceding year.
   - One instalment of $38,410 ($153,640 ÷ 4) based on the second preceding year, followed by three instalments of $49,376.67 [($186,540 - $38,410) ÷ 3], a total of $186,540.

3. The best alternative in terms of minimum instalments would be four instalments of $43,085, for total payments of $172,340. The instalments are due on March 31, June 30, September 30, and December 31, 2017.

Case Two

1. As the corporation's tax payable for both the current and the preceding year exceeds $3,000, instalments are required. As the corporation is a small CCPC, instalments will be quarterly.

2. The three acceptable alternatives would be as follows:

   - Quarterly instalments of $43,085 ($172,340 ÷ 4) based on the current year estimate.
   - Quarterly instalments of $40,855 ($163,420 ÷ 4) based on the first preceding year.
   - One instalment of $38,410 ($153,640 ÷ 4) based on the second preceding year, followed by three instalments of $41,670 [($163,420 - $38,410) ÷ 3], a total of $163,420.

3. The best alternative would be one payment of $38,410, followed by three payments of $41,670. While the total instalments are the same $163,420 in both the second and third alternatives, the third alternative is preferable because the first payment is lower. This provides a small amount of tax deferral.

   The instalments are due on March 31, June 30, September 30, and December 31, 2017.

Case Three

1. As the corporation's tax payable for both the current and the preceding year exceeds $3,000, instalments are required. As the corporation is not a small CCPC, monthly instalments are required.
2. The three acceptable alternatives would be as follows:

   - Monthly instalments of $14,361.67 ($172,340 ÷ 12) based on the current year estimate.
   - Monthly instalments of $15,545 ($186,540 ÷ 12) based on the first preceding year.
   - Two monthly instalments of $12,803.33 ($153,640 ÷ 12) based on the second preceding year, followed by 10 monthly instalments of $16,093.33 {[($186,540 - (2)($12,803.33)] ÷ 10}, a total of $186,540.03.
3. The best alternative in terms of minimum instalments would be 12 instalments of $14,361.67, resulting in a total of $172,340 of instalment payments.

   The instalments would be due on the last day of each month, beginning in January, 2017.

Case Four

1. As the corporation's tax payable for both the current and the preceding year exceeds $3,000, instalments are required. As the corporation is not a small CCPC, monthly instalments are required.
2. The three acceptable alternatives would be as follows:

   - Monthly instalments of $14,361.67 ($172,340 ÷ 12) based on the current year estimate.
   - Monthly instalments of $13,618.33 ($163,420 ÷ 12) based on the first preceding year.

Solution to Assignment Problem Two - 4

- Two monthly instalments of \$12,803.33 (\$153,640 ÷ 12) based on the second preceding year, followed by 10 monthly instalments of \$13,781.33 {[\$163,420 - (2)(\$12,803.33)] ÷ 10}, a total of \$163,420.

3. The best alternative would be two payments of \$12,803.33, followed by ten payments of \$13,781.33. While the total instalments are the same \$163,420 in both the second and third alternatives, the third alternative is preferable because the first two payments are lower. This provides a small amount of tax deferral.

   The instalments would be due on the last day of each month, beginning in January, 2017.

Solution to Assignment Problem Two - 5

Part A

For individuals, the taxation year is always the calendar year. Individuals without business income are required to file their tax returns no later than April 30 of the year following the relevant taxation year. For individuals with business income, and their spouse or common-law partner, the filing deadline is extended to June 15.

Part B

The general rules are the same for both deceased and living individuals. That is, the return must be filed no later than April 30 of the year following the year of death. If the deceased individual, or his spouse or common-law partner had business income, the due date is June 15 of the year following the year of death.

However, when death occurs between November 1 of a taxation year and the normal filing date for that year's return, representatives of the deceased can file the return on the later of the normal filing due date (April 30th or June 15th of the following year) and six months after the date of death.

Part C

Inter vivos trusts must use the calendar year as their taxation year. As the required tax return must be filed within 90 days of the taxation year end, returns for inter vivos trusts will be due March 31 (March 30 in leap years).

The rules are the same for most testamentary trusts. However, the exception to this is a testamentary trust that has been designated a graduated rate estate (GRE). Such GREs can use a non-calendar fiscal year for up to three years subsequent to the death of the settlor. GRE returns are due 90 days after the date that has been selected as the taxation year end.

Part D

Corporations can use a non-calendar fiscal year as their taxation year. The corporate T2 return must be filed within six months of the end of the taxation year.

Solution to Assignment Problem Two - 6

The following additional information would be relevant in considering Mr. Simon's situation:

A. Determination of the date of the Notice of Reassessment. A notice of objection must be filed prior to the later of:

- 90 days from the date of the Notice of Reassessment; and
- one year from the due date for the return under reassessment.

In this case, the later date is clearly 90 days after the date of the Notice of Reassessment.

B. Determination of the date of the Notice of Assessment for the 2013 taxation year. A three year time limit applies from the date of the Notice of Assessment. As the Notice of Assessment for 2013 could have been sent in early April, 2014, this reassessment could be within the three year limit.

C. Determination of whether Mr. Simon has signed a waiver of the three year time limit or if he is guilty of fraud or misrepresentation. If the reassessment is not within the three year time limit, Mr. Simon would not usually be subject to reassessment. However, if Mr. Simon has signed a waiver of the three year time limit, or if fraud or misrepresentation is involved, he becomes subject to reassessment, regardless of the time period involved.

If the preceding determinations indicate that the reassessment is valid and you decide to accept Mr. Simon as a client, the following steps should be taken:

- You should have Mr. Simon file a Consent Form, T1013, with the CRA which authorizes you to represent him in his affairs with the CRA and/or authorize you to access his file through the online Represent a Client service.
- A notice of objection should be filed before the expiration of the 90 day time limit.
- You should begin discussions of the matter with the relevant assessor at the CRA.

Solution to Assignment Problem Two - 7

Note To Instructor These Cases have been based on examples found in IC 01-1.

Case 1

While the use of the other accountant's business income statements resulted in the tax return that was filed, the tax return preparer would be entitled to the good faith defense since he relied, in good faith, on information provided by another professional on behalf of the client. Therefore, he would not be subject to the preparer penalty.

The third party penalties may be applied to the other accountant if he knew or would be expected to know, but for circumstances amounting to culpable conduct, that the financial statements contained false statements.

Case 2

Since the tax return preparer e-filed the taxpayer's return without viewing the charitable donation receipt, the CRA would consider assessing the tax return preparer with the preparer penalty. Given that the size of the donation is so disproportionate to the taxpayer's apparent resources as to defy credibility, to proceed unquestioningly in this situation would show wilful blindness and thus an indifference as to whether the ITA is complied with.

Case 3

In view of the business that the taxpayer is in, there was nothing in the income statement that would have made the accountant question the validity of the information provided to him. Therefore, he could rely on the good faith reliance exception and would not be subject to the preparer penalty.

Case 4

The accountant would not be subject to the penalties for participating or acquiescing in the understatement of a tax liability. The facts were highly suspect until the accountant asked questions to clear up the doubt in his mind that the client was not presenting him with implausible information. The response addressed the concern and was not inconsistent with the knowledge he possessed.

Case 5

The prospectus prepared by the company contains a false statement (overstated fair market value of the software) that could be used for tax purposes. The company knew or would reasonably be expected to know, but for culpable conduct, that the fair market value of the software was a false statement. The CRA would consider assessing the company and the appraiser with third party civil penalties.

Case 6

The issue here is whether the accountant is expected to know that HST is not payable on wages, interest expense, and zero-rated purchases. It is clear that the accountant should have known that no HST could be claimed on these items. Given this, in filing a claim that includes an HST refund on the preceding items, the accountant made a false statement, either knowingly, or in circumstances amounting to culpable conduct. Consequently, the CRA would consider assessing the accountant with the third party civil penalty, specifically, the preparer penalty.

Practice Exam Solution

Chapter 2 (Procedures And Administration)

Examination Summary

The marks you have received on each question can be added in the final column.

Question	Type Of Question Or Subject	Total Marks	Your Mark
1	Essay Questions	20	
2 - 7	True Or False	9	
8 - 14	Multiple Choice	21	
15	Instalments	50	
Total		100	

Solution 1 (20 Marks)

Part A

As listed in the text, an individual must file a tax return if, in the year, the individual:

- has Tax Payable;
- is requested by the CRA to file a tax return;
- has disposed of a capital property,
- has realized a taxable capital gain;
- and his spouse or common-law partner have elected to split pension income;
- has to contribute to the Canada Pension Plan; or
- has to pay Employment Insurance premiums.

For living individuals, the normal filing date is April 30th of the following calendar year.

However, if the individual or his spouse or common-law partner have business income, the date is extended to June 15th of the following calendar year.

For individuals who die prior to their normal filing date, the required date is the later of:

- the normal filing date and
- six months after the date of death.

Points to a maxiumum of

11

NOTE There are other situations that could be listed that would require a return to be filed.

Part B
The procedures can be outlined as follows:

- The first step would be to contact the CRA to discuss the changes contained in the reassessment.

- If informal discussions do not resolve the issue, the next step would be a notice of objection. This must be filed the later of:
  - one year after the due date for the return (April 30, 2018) or
  - 90 days after the January 10th date of the Notice of Reassessment. This would be April 10, 2018). **11**

- If there is an adverse decision on the notice of objection, Jane can appeal to the Tax Court Of Canada. This has to be done within 90 days of receiving the decision on the notice of objection. She can use the informal procedure or the general procedure.

- Provided she has used the general procedure, a further appeal can be made to the Federal Court Of Appeal. This must be done within 30 days of receiving the Tax Court Of Canada decision.

Your Mark = [(# of grading points ÷ 22)(20%)] = ___%

Solutions 2 Through 7 (9 Marks)

2. True. As the payments are documented and recurring, amounts withheld by the employer can be reduced.
3. False. This individual has until 6 months after the date of death which would be June 29, 2018.
4. True. The penalty would be 5 percent, plus 1 percent for the month of May. Only complete months count in determining this penalty.
5. False. Only Canadian controlled private corporations that claim the small business deduction have 3 months. Other corporations only have 2 months.
6. True.
7. False. The rate is 2 percent higher.

1 grading point for each correct answer. Total 6
Your Mark = [(# of grading points ÷ 6)(9%)] = ___%

Solutions 8 Through 14 (21 Marks)

8. C. June 15, 2018.

9. A. An individual is required to file an income tax return if their only source of income is business income, even if no tax is payable.

10. C. $504 [($5,600)(5% + 4%)].

11. D. The return would be due on March 31, 2018, six months after the taxation year end.

12. A. October 31, 2017, two months after the year end.

13. C. The notice of objection must be filed the later of one year after the due day for the return (April 30, 2019), and 90 days after the date of the Notice of Assessment (August 10, 2018).

14. A. If the informal procedure has been used in the Tax Court Of Canada, no further appeal is allowed.

1 grading point for each correct answer. Total 7
Your Mark = [(# of grading points ÷ 7)(21%)] = ___%

Solution 15 (50 Marks)

Case One

1. The net tax owing for the years 2015 through 2017 would be calculated as follows:

2015 $**5,682** ($56,742 - $51,060)
2016 $**6,620** ($22,785 - $16,165)
2017 $**3,985** ($64,457 - $60,472)

As the net tax owing for the current year and one of the two preceding years exceeds $3,000, instalment payments are required. **31**

2. The three acceptable alternatives would be as follows:

- Quarterly instalments of $996.25 ($3,985 ÷ 4) based on the current year estimate.
- Quarterly instalments of $1,655.00 ($6,620 ÷ 4) based on the first preceding year.
- Two quarterly instalments of $1,420.50 ($5,682 ÷ 4), followed by two quarterly instalments of $1,889.50 {[$6,620 - (2)($1,420.50)] ÷ 2]}, for a total of $6,620.

3. The best alternative would be quarterly instalments of $996.25 based on the current year estimate.

   The instalments would be due on March 15, June 15, September 15, and December 15, 2017.

Case Two

1. The net tax owing for the years 2015 through 2017 would be calculated as follows:

2015 $**3,316** ($56,742 - $53,426) **11**
2016 **Nil** ($22,785 - $23,486)
2017 $**5,031** ($64,457 - $59,426)

As the net tax owing for the current year and one of the two preceding years exceeds $3,000, instalment payments are required.

2. The three acceptable alternatives would be as follows:

- Quarterly instalments of $1,257.75 ($5,031 ÷ 4), based on the current year estimate.
- Quarterly instalments of Nil.
- Two quarterly instalments of $829.00 ($3,316 ÷ 4) based on the second preceding year. No further instalments would be required as the net tax owing in the preceding year is nil. 15

3. As the net tax owing for 2016 was nil, using this year as the instalment base would be the best alternative.

   The instalments would be due on March 15, June 15, September 15, and December 15, 2017, if instalments were paid.

Case Three

1. The net tax owing for the years 2015 through 2017 would be calculated as follows:

   2015 **Nil** ($56,742 - $57,101)
   2016 $**3,302** ($22,785 - $19,483)
   2017 $**6,409** ($64,457 - $58,048)

As the net tax owing for the current year and one of the two preceding years exceeds $3,000, instalment payments are required. 29

2. The three acceptable alternatives would be as follows:

- Quarterly instalments of $1,602.25 ($6,409 ÷ 4) based on the current year estimate.
- Quarterly instalments of $825.50 ($3,302 ÷ 4) based on the first preceding year.
- As there was no net tax owing in 2015, the first two quarterly instalments would be nil, followed by two quarterly instalments of $1,651 [($3,302 - Nil) ÷ 2].

3. The best alternative would be the one used by the CRA in its quarterly Instalment Reminders as it provides some tax deferral. No instalments would be required on March 15 or June 15. The two instalments of $1,651 would be required on September 15 and December 15, 2017.

Case Four

1. As the corporation's tax payable for both the current and the preceding year exceeds $3,000, instalments are required.

2. The three acceptable alternatives would be as follows:

- Monthly instalments of $5,371.42 ($64,457 ÷ 12) based on the current year estimate.
- Monthly instalments of $1,898.75 ($22,785 ÷ 12) based on the first preceding year.
- Two monthly instalments of $4,728.50 ($56,742 ÷ 12) based on the second preceding year, followed by 10 monthly instalments of $1,332.80 {[($22,785 - (2)($4,728.50)] ÷ 10}, a total of $22,785. 23

3. The best alternative would be monthly instalments of $1,898.75, a total of $22,785.

   The instalments would be due on the last day of each month, beginning in January, 2017.

Case Five

1. As the corporation's tax payable for both the current and the preceding year exceeds $3,000, instalments are required. As the corporation qualifies as a small CCPC, the instalments will be quarterly.

2. The three acceptable alternatives would be as follows:

 - Quarterly instalments of $16,114.25 ($64,457 ÷ 4) based on the current year estimate.
 - Quarterly instalments of $17,890.00 ($71,560 ÷ 4) based on the preceding year.
 - One quarterly instalment of $14,185.50 ($56,742 ÷ 4), followed by three quarterly instalments of $19,124.83 [($71,560 - $14,185.50) ÷ 3], a total of $71,560.

3. The best alternative would be four quarterly instalments of $16,114.25, for a total of $64,457.

 The instalments are due on March 31, June 30, September 30, and December 31, 2017.

23

Summary Of Maximum Grading Points Available

Case 1 = 31
Case 2 = 26 (11 + 15)
Case 3 = 29
Case 4 = 23
Case 5 = 23

Total = 132

Your Mark = [(# of grading points ÷ 132)(50%)] = ___%

Practice Exam

Chapter 2 (Procedures And Administration)

Instructions To Students

Create An Examination Environment

Your text, the accompanying Study Guide and the Companion Website provide you with a large number of Exercises, Self Study Problems and Supplementary Self Study Problems for which solutions are provided. These problems are designed to assist you with understanding the content of each chapter. In contrast, the goal of this Practice Examination is to help you evaluate your ability to write the examinations in your tax course.

To get the maximum benefit from this Practice Examination, you should write it under examination conditions. It is designed as a 90 minute examination and should be written within that time constraint. You should choose a location where you will not be distracted and set aside 90 minutes of time during which you will not be interrupted.

Materials To Be Used During the Examination

Any materials that you use while writing this Practice Examination should be consistent with the materials that will be available during your tax course examinations. These vary from course to course depending on the instructor and can include the following possibilities:

- you may be provided with the list of “Rates and Other Data” that is found in the front of your *Canadian Tax Principles* textbook and on the Companion Website,
- you may be allowed to bring into the examination room:
    - a copy of the *Income Tax Act*, or
    - a “cheat sheet” with various notes, or
    - your *Canadian Tax Principles* textbook.

You should determine exactly what materials are allowed for your tax examination, either from your course outline or from your instructor. You should then write this Practice Examination using only the materials permitted for your examination.

Types Of Questions

Different instructors use alternative types of questions on their examinations. This examination includes essay questions, true or false questions, and multiple choice questions. However, the majority of the marks on this examination are allocated to problems that are similar to the Exercises , Self Study Problems and Supplementary Self Study Problems that are available through your *Canadian Tax Principles* text.

This content may not be consistent with the types of questions used by the instructor in your course (e.g., an instructor might choose to have an examination that contains only multiple choice questions, or only one comprehensive question). You should take this into consideration when you are evaluating your results on this examination.

Show Your Calculations

We think it is important for students to realize that showing their calculations clearly can result in many part marks, even if the final answer is wrong. Your instructor could have a different approach to marking than the one shown in this solution, but it would be very rare that part marks are not available on more complex questions.

How To Use The Marking Guides

In the solution to this Practice Examination, we have provided information on how we would allocate the marks for each question. In some cases, this allocation is very straightforward. For example, if a 12 mark question consists of 6 multiple choice questions, 2 marks will be allocated to each correct answer.

However, in other situations the allocation process is more complex. Consider, for example, an employment income calculation that has 11 separate components (i.e., salary, RPP contributions and so forth). If 15 grading marks were assigned to this problem, the marking guide could assign 1.36 marks (15 marks divided by 11 components) to each line or, alternatively, award more than one mark to some components. Both of these approaches can be awkward.

To resolve this problem, the marking guides that we provide in these more complex situations will be based on "grading points". In the preceding example, 11 grading points would be assigned to this question — one for each component in the calculation. These "grading points" would then be converted into the relevant mark. Continuing the example, if you had 8 of 11 components in the calculation correct, this result would be converted to a mark as follows:

$$[(8 \div 11)(15\%)] = 10.9\%$$

In the solution for this Practice Examination, these grading points have been identified with highlighting the appropriate number or word(s).

Practice Examination

Examination Content

The content of this examination, along with the marks and times for each question, are found in the following table.

Question	Type Of Question Or Subject	Marks	Time In Minutes
1	Essay Questions	20	18.0
2 - 7	True Or False	9	8.1
8 - 14	Multiple Choice	21	18.9
15	Instalments (Individual And Corporate)	50	45.0
Total		100	90.0

Question 1 (20 Marks)

Provide answers to each of the following questions.

A. Under what circumstances must an individual file an income tax return? If an individual is required to file an income tax return, by what date must it be filed?

B. Jane Dallas filed her 2016 tax return on the April 30, 2017 due date. She received her Notice of Assessment on July 15, 2017. The Notice did not indicate any problems with her return. On January 13, 2019, she receives a Notice of Reassessment, indicating that deductions of $15,000 were being disallowed and that she owed an additional $5,900 in taxes. The reassessment was dated January 10, 2019. Jane does not agree with the reassessment and has asked your advice on how to deal with the situation. Outline the procedures that can be taken by Jane to appeal this assessment.

Questions 2 Through 7 (9 Marks)

2. An individual is required to make deductible spouse support payments on an annual basis. This individual can request that his employer reduce the amount withheld for income taxes.

   True or False?

3. An individual, whose only income is from an unincorporated business, dies on December 29, 2017. This individual's 2017 tax return must be filed by June 15, 2019.

   True or False?

4. An individual whose filing date is April 30, does not file his tax return until June 27. He has not previously missed a filing date. His penalty for late filing would be equal to 6 percent of the tax owing on the filing date.

   True or False?

5. Without regard to the date on which their tax return must be filed, all corporations must pay any balance owing within three months of their year end.

   True or False?

6. For individuals, trusts, and Canadian controlled private corporations, reassessment can occur for up to three years from the date of the mailing of the original assessment.

True or False?

7. The rate used to charge interest on insufficient instalments for individuals is 4 percent higher than the rate used to calculate interest paid to individuals on refunds.

True or False?

Questions 8 Through 14 (21 Marks)

8. Mr. Levin dies on December 5, 2017. While he was an employee of a publicly traded Canadian company, he owned an unincorporated business which was managed by his common-law partner. What is the latest date for filing his 2017 income tax return?

   A. April 30, 2019.
   B. June 5, 2019.
   C. June 15, 2019.
   D. June 30, 2019.

9. With respect to the filing of an individual income tax return, which of the following statements is **NOT** correct?

   A. An individual is required to file an income tax return if their only source of income is business income, even if no tax is payable.
   B. An individual is required to file a tax return if he has an outstanding balance under the home buyers plan.
   C. If an individual has disposed of a capital property during the year, they are required to file an income tax return, even if no tax is payable.
   D. An individual is required to file an income tax return if they owe taxes for the year.

10. Joan Bass, an individual whose only income resulted from pensions, did not pay her net tax owing for 2017 until she actually filed her return on September 10, 2019. Her net tax owing on her balance-due day was $5,600. This is the first time she has late filed her return. How much of a late filing penalty will Joan incur?

    A. Nil.
    B. $280.
    C. $504.
    D. $560.

11. Cheung Trading Inc., a CCPC, has a year end of September 30. For its 2017 taxation year, its income tax return is due on:

    A. November 30, 2017.
    B. December 31, 2017.
    C. April 30, 2019.
    D. March 31, 2019.
    E. None of the above.

12. Brandon Ltd. is a Canadian public corporation with an August 31 year end. For the 2017 taxation year, the Company's taxes must be paid by:

    A. October 31, 2017.
    B. February 28, 2019.
    C. December 31, 2017.
    D. November 30, 2017.

13. Martin Houde is retired and recently divorced. He filed his 2017 tax return on February 3, 2018. He received a portion of the tax refund claimed and a notice of assessment, dated May 12, 2018, which set out the difference between the amount claimed and the amount of the refund. As Martin disagrees with the notice of assessment, he wishes to file a notice of objection. By which of the following dates must he file his notice of objection?

    A. February 3, 2019.
    B. May 12, 2019.
    C. April 30, 2019.
    D. August 10, 2018.
    E. June 15, 2019.

14. Of the following statements related to appeals, which one is **NOT** correct?

    A. If an appeal to the Tax Court Of Canada is not successful, the taxpayer has the right to appeal to the Federal Court Of Appeal.
    B. Under the informal procedure, a taxpayer can represent himself in the Tax Court Of Canada.
    C. The Minister is responsible for the taxpayer's costs if the Minister appeals in a case where the amount of Tax Payable is less than $25,000.
    D. Under the informal procedure, the taxpayer cannot be required to pay court costs in the Tax Court Of Canada.

Question 15 (50 Marks)

For the three years ending December 31, 2017, the taxpayer's combined federal and provincial taxes payable were as follows:

Year Ending December 31	Taxes Payable
2015	$56,742
2016	22,785
2017 (Estimated)	64,457

Case One The taxpayer is an individual whose employer withholds combined federal and provincial taxes of $51,060 in 2015, $16,165 in 2016, and $60,472 in 2017.

Case Two The taxpayer is an individual whose employer withholds combined federal and provincial taxes of $53,426 in 2015, $23,486 in 2016, and $59,426 in 2017.

Case Three The taxpayer is an individual whose employer withholds combined federal and provincial taxes of $57,101 in 2015, $19,483 in 2016, and $58,048 in 2017.

Case Four The taxpayer is a corporation with a December 31 year end. It does not qualify as a small CCPC.

Case Five The taxpayer is a small CCPC with a taxation year that ends on December 31. Assume that its combined federal and provincial taxes payable for the year ending December 31, 2016 were $71,560, instead of the $22,785 given in the problem.

Required: For each of the preceding independent Cases, provide the following information:

1. Indicate whether instalments are required during 2017. Explain your conclusion.
2. Calculate the amount of instalments that would be required under each of the acceptable methods available.
3. Indicate which of the available methods would best serve to minimize instalment payments during 2017 and indicate the date on which they are due.

END OF EXAMINATION

Chapter 2 Self Study Problems

Self Study Problem Two - 1

(Individual Tax Instalments)

The following information relates to Ms. Shannon Birch for tax years ending December 31:

	Federal And Provincial Income Taxes Payable	Income Taxes Withheld By Employer
2015	$23,000	$21,500
2016	$27,000	$15,000
2017 (Estimated)	$21,200	$18,000

Required:

A. Indicate whether Ms. Birch has an obligation to make instalment payments during the 2017 taxation year. Explain your conclusion.

B. If Ms. Birch is required to make instalment payments, indicate the minimum amounts that should be paid and the dates on which the amounts are payable. Your answer should include the calculations for all the alternatives that are available to Ms. Birch, as well as an indication as to which alternative is preferable.

C. Ms. Birch would like your advice as to whether or not she should make the recommended instalment payments. Explain your conclusion.

SOLUTION available in printed and online Study Guide.

Self Study Problem Two - 2

(Corporate Tax Instalments And Balance Due Date)

Amalmor Inc. is a publicly traded company. For its fiscal year ending December 31, 2015, the Company had Taxable Income of $250,000 and paid taxes of $62,500. In 2016, the corresponding figures were $320,000 and $80,000. It is estimated that for the current year ending December 31, 2017, the Company will have Taxable Income of $380,000 and taxes payable of $95,000.

Required: Show all required calculations.

A. Determine the amount of the minimum instalments that must be made by Amalmor Inc. during 2017 and when they would be due. Your answer should include the calculations for all the alternatives that are available to Amalmor Inc., as well as an indication as to which alternative is preferable.

B. How would your answer to Part A differ if Amalmor Inc. was a small CCPC?

C. Indicate when any final payment of tax is due in both Part A and B.

SOLUTION available in printed and online Study Guide.

Self Study Problem Two - 3

(Individual And Corporate Tax Instalments)

For the three years ending December 31, 2017, the taxpayer's combined federal and provincial tax payable was as follows:

Year Ending December 31	Taxes Payable
2015	$72,300
2016	89,400
2017 (Estimated)	78,300

Case One The taxpayer is an individual whose employer withholds combined federal and provincial taxes of $73,700 in 2015, $83,200 in 2016, and $75,000 in 2017.

Case Two The taxpayer is an individual whose employer withholds combined federal and provincial taxes of $65,100 in 2015, $90,100 in 2016, and $71,900 in 2017.

Case Three The taxpayer is a small CCPC with a taxation year that ends on December 31.

Case Four The taxpayer is a publicly traded corporation with a taxation year that ends on December 31. Assume that its combined federal and provincial taxes payable for the year ending December 31, 2016 were $74,500, instead of the $89,400 given in the problem.

Required: For each of the preceding independent Cases, provide the following information:

1. Indicate whether instalments are required during 2017. Provide a brief explanation of your conclusion. This explanation should be provided even if the amount of the required instalments is nil.
2. If instalments are required, calculate the amount of instalments that would be required under each of the acceptable methods available.
3. If instalments are required, indicate which of the available methods would best serve to minimize instalment payments during 2017. If instalments must be paid, indicate the date on which they are due.

SOLUTION available in printed and online Study Guide.

Self Study Problem Two - 4

(Individual And Corporate Tax Instalments)

For each of the following independent Cases, the taxpayer's combined federal and provincial taxes payable amounted to $18,000 for the year ending December 31, 2015, while for the year ending December 31, 2016, the amount payable was $14,400. At the beginning of 2017, it is estimated that federal and provincial taxes payable for the year ending December 31, 2017 will be $13,500. The actual federal and provincial taxes payable for 2017, calculated in March, 2018, is $16,000.

A. The taxpayer is an individual whose only income is rental income.

B. The taxpayer is an individual whose employer withholds combined federal and provincial taxes of $7,000 in 2015, $15,000 in 2016, and $9,000 in 2017.

C. The taxpayer is a small CCPC with a December 31 year end.

D. The taxpayer is a publicly traded corporation with a December 31 year end. Assume that its combined federal and provincial taxes payable for the year ending December 31, 2017 are estimated to be $16,000, instead of the $13,500 given in the problem.

Required: For each of the Cases, state whether instalments are required for the 2017 taxation year, even if one of the methods results in required instalments of nil. Explain your conclusion. If instalments are required, indicate:

- the best alternative for calculating the instalments,
- the amount of the instalments under that alternative showing all calculations, even if the optimum solution is obvious,
- the dates on which the payments will be due, and
- any consequences of the 2017 estimated taxes being lower than the actual taxes payable.

SOLUTION available in printed and online Study Guide.

Self Study Problem Two - 5

(Canadian Taxable Entities)

List the three types of entities that are subject to federal income taxation in Canada and, for each, state:

- how their taxation year is established;
- the filing deadlines for their respective income tax returns;
- how frequently income tax instalments must be made; and
- the dates on which the instalment payments must be made.

SOLUTION available in printed and online Study Guide.

Self Study Problem Two - 6

(Assessment Disputes)

Mr. Norman Coffee has been one of your major clients for years. He is extremely wealthy and has paid his very sizable tax payable (and your fees) for decades without complaint.

On August 15th of the current year, Mr. Coffee receives a Notice of Reassessment indicating that he owes $5,000 of additional taxes, plus interest, for the preceding taxation year. Since you filed the tax return in dispute, Mr. Coffee expects you to deal with the matter quickly.

Required: Indicate the procedures that may be used in dealing with this dispute between the CRA and Mr. Coffee.

SOLUTION available in printed and online Study Guide.

Self Study Problem Two - 7

(Tax Preparer's Penalty)

For each of the following independent cases, indicate whether you believe a penalty would be assessed against the tax return preparer under ITA 163.2. Explain your conclusion.

A. Joan Bridge, a recently qualified CPA, has several clients that have been reassessed with respect to deductions related to their investment in the Large Partners tax shelter. In each case, the CRA has denied loss deductions, claiming that they are based on an overvaluation of the organization's assets. One of these clients has taken the case to the Tax Court of Canada which confirmed the CRA's reassessment. No further appeal was undertaken. Joan has a new client who also has an interest in this same Large Partners tax shelter. Joan prepares this new client's return claiming the same deductions that were disallowed for her other clients.

B. Jack Hodge, a CPA, is paid to EFILE the tax return of Barbra Hicks, a very close friend of his mother. Barbra provides him with a T4 slip indicating that she has $31,000 in employment income. She also indicates that she made a $22,000 contribution to a registered charity, but forgot to bring the receipt to the meeting with Jack. In actual fact, she did not make the donation. Jack files the tax return without questioning her claim after his mother assures him that Barbra is completely trustworthy.

C. Marian Flexor, a CPA, is asked by Jason March to prepare and file his tax return. Jason provides a financial statement for his business activities which shows a significant profit. Included in the statement provided to Marian is a large amount of travel costs, all of which are supported by receipts. After the return is filed, the CRA audits Jason's business activities and finds that more than one-half of the travel costs were personal, rather than business related.

SOLUTION available in printed and online Study Guide.

Chapter 2 Supplementary Self Study (SSS) Problems

The solutions to these Chapter 2 SSS Problems can be found following the SSS Problems for this Chapter.

SSS Problem Two - 1

(Individual Tax Instalments)

In January, 2017, you are asked to provide tax advice to Ms. Leslie Garond. She has provided you with the following information about her combined federal and provincial taxes payable and the income taxes withheld by her employer for the 2015 and 2016 taxation years:

Year	Taxes Payable	Taxes Withheld
2015	$22,000	$9,500
2016	18,000	9,700

For 2017, she estimates that her combined federal and provincial taxes payable will be $14,000 and that her employer will withhold a total of $9,850 in income taxes.

She has asked you whether it will be necessary for her to pay instalments in 2017 and, if so, what the minimum amounts that should be paid are, and when they are due.

Required: Advise Ms. Garond as to whether or not she is required to make instalment payments for 2017. If instalments are required, calculate the alternative amounts that could be paid. Indicate which alternative would be best and the dates on which the payments should be made.

SSS Problem Two - 2

In January, 2017, you are asked to provide tax advice to Mr. Lester Gore. For the three years 2015, 2016, and 2017, he provides the following information on his combined federal and provincial taxes payable, along with information on withholdings by his employer:

Year	Taxes Payable	Taxes Withheld
2015	$15,000	$11,500
2016	10,800	11,750
2017 (Estimated)	17,000	13,000

He has asked you whether it will be necessary for him to pay instalments in 2017 and, if so, what is the minimum he has to pay and when.

Required: Provide the information requested by Mr. Gore. Your answer should include a conclusion on whether or not instalments are required. If instalments are required, indicate the alternative amounts that could be remitted, the best alternative to use, and the dates on which the instalments should be paid.

SSS Problem Two - 3

(Individual And Corporate Tax Instalments)

For the year ending December 31, 2015, the taxpayer's combined federal and provincial taxes payable amounted to $93,000, while for the year ending December 31, 2016, the amount payable was $108,000. It is estimated that federal and provincial taxes payable for the year ending December 31, 2017 will be $82,500.

Case A The taxpayer is an individual whose employer withholds combined federal and provincial taxes of $86,700 in 2015, $109,500 in 2016, and $79,200 in 2017.

Case B The taxpayer is an individual whose employer withholds combined federal and provincial taxes of $91,500 in 2015, $98,700 in 2016, and $78,300 in 2017.

Case C The taxpayer is a small CCPC with a December 31 year end.

Case D The taxpayer is a publicly traded corporation with a December 31 year end. Assume that its combined federal and provincial taxes payable for the year ending December 31, 2015 are estimated to be $78,100, instead of the $93,000 given in the problem.

Required: For each of the preceding independent Cases, provide the following information:

1. Indicate whether instalments are required during the year ending December 31, 2017, including a brief explanation of your conclusion. This explanation should be provided even if the amount of the required instalments is nil.
2. Calculate the amount of instalments that would be required under each of the acceptable methods available.
3. Indicate which of the acceptable methods would best serve to minimize instalment payments during 2017. If instalments must be paid, indicate the date on which they are due.

SSS Problem Two - 4

(Instalments, Interest And Penalties For Corporations)

The fiscal year of the Sloan Company, a public company, ends on October 31. During the year ending October 31, 2015, its federal taxes payable amounted to $168,000, while for the year ending October 31, 2016, the federal taxes payable were $153,000. It is estimated that federal taxes payable for the year ending October 31, 2017 will be $144,000.

Required:

A. Calculate the instalment payments that are required for the year ending October 31, 2017 under each of the alternative methods available. Indicate which of the alternatives would be preferable.

B. If the Company did not make any instalment payments towards its 2017 taxes payable, and did not file its corporate tax return or pay its taxes payable on time, indicate how the interest and penalty amounts assessed against it would be determined (a detailed calculation is not required).

SSS Problem Two - 5

(Tax Preparer's Penalty)

For each of the following independent cases, indicate whether you believe a penalty would be assessed against the tax return preparer under ITA 163.2. Explain your conclusion.

A. Accountant X is asked by Client A to prepare a tax return including a business financial statement to be used in the return. In response to a request by Accountant X for business related documents, Client A supplies information to Accountant X, which includes a travel expense receipt. Accountant X relies on this information provided by Client A and prepares the business statement that is filed with the return. The CRA conducts a compliance audit and determines that Client A's travel expense was a non-deductible personal expense.

B. Accountant X has several clients that have been reassessed in respect of a tax shelter. Accountant X knows that the CRA is challenging the tax effects claimed in respect of the tax shelter on the basis that the shelter is not a business, is based on a significant overvaluation of the related property and is technically deficient in its structure. The Tax Court of Canada, in a test case (general procedures), denies deductions claimed in respect of the tax shelter in a previous year by Client B (a client of Accountant X). Client B's appeal is dismissed. The case is not appealed and Accountant X is aware of the Court's decision. Accountant X prepares and files a tax return on behalf of Client C that includes a claim in respect of the same tax shelter that the Tax Court denied deductions for.

C. Taxpayer Z approaches Tax-preparer X to prepare and EFILE Z's tax return. Taxpayer Z provides X with a T4 slip indicating that Z has $32,000 of employment income. Taxpayer Z advises X that he made a charitable donation of $24,000 but forgot the receipt at home. Z asks that X prepare and EFILE the tax return. In fact, Z never donated anything to a charity. X prepares Z's tax return without obtaining the receipt.

Chapter 2 Supplementary Self Study (SSS) Solutions

SSS Solution Two - 1

Need For Instalments

Instalments are required when an individual's "net tax owing" exceeds $3,000 in the current year and in either of the two preceding years. In somewhat simplified terms, "net tax owing" is defined as the combined federal and provincial taxes payable, less amounts withheld under ITA 153. Ms. Garond's net tax owing figures are as follows:

2015 = $12,500 ($22,000 - $9,500)
2016 = $ 8,300 ($18,000 - $9,700)
2017 = $ 4,150 ($14,000 - $9,850) Estimate

As Ms. Garond's net tax owing in all three of the years exceeds $3,000, she is required to make instalment payments.

Alternative Amounts

There are three possible alternatives for remitting instalments. These are as follows:

- Quarterly instalments of $1,037.50 ($4,150 ÷ 4) based on the current year estimate.
- Quarterly instalments of $2,075.00 ($8,300 ÷ 4) based on the first preceding year.
- Two quarterly instalments of $3,125.00 ($12,500 ÷ 4) based on the second preceding year, followed by two instalments of $1,025.00 {[$8,300 - (2)($3,125)] ÷ 2}.

Best Alternative

The best alternative would be four instalments of $1,037.50.

Payment Dates

The quarterly payments would be due on March 15, June 15, September 15, and December 15.

SSS Solution Two - 2

Need For Instalments

Instalments are required when an individual's "net tax owing" exceeds $3,000 in the current year and in either of the two preceding years. In somewhat simplified terms, "net tax owing" is defined as the combined federal and provincial taxes payable, less amounts withheld. Mr. Gore's estimated net tax owing for the three years under consideration is as follows:

2015 = $3,500 ($15,000 - $11,500)
2016 = Nil ($10,800 - $11,750)
2017 = $4,000 ($17,000 - $13,000) Estimate

As Mr. Gore's net tax owing in 2017 (the current year) and his net tax owing in 2015 (one of the two preceding years) is greater than $3,000, he is required to make instalment payments.

Alternative Amounts

There are three possible alternatives for remitting instalments. These are as follows:

- Quarterly instalments of $875 ($3,500 ÷ 4) based on the current year estimate.
- Quarterly instalments of Nil based on the first preceding year.
- Two quarterly instalments of $875 ($3,500 ÷ 4) based on the second preceding year. No further instalments will be required.

Best Alternative

The best alternative would be four instalments of Nil, i.e. no instalments being paid.

Payment Dates

If payments were required, they would be due on March 15, June 15, September 15, and December 15. However, since the prior year's net tax owing was nil, no instalments are required.

SSS Solution Two - 3

Case A

1. The individual's net tax owing for the relevant three years is as follows:

   2015 $6,300 ($93,000 - $86,700)
   2016 Nil (Withholdings Exceed Tax Payable)
   2017 $3,300 ($82,500 - $79,200)

   As the net tax owing exceeds $3,000 in the current year and one of the two preceding years, instalments are required.

2. The three alternatives would be:

   - Quarterly instalments of $825 ($3,300 ÷ 4) based on the current year estimate.
   - Quarterly instalments of Nil based on the first preceding year.
   - Two quarterly instalments of $1,575 ($6,300 ÷ 4) based on the second preceding year. No further instalments will be required.

3. The best alternative would be quarterly instalments of nil, based on the first preceding year. There was no net tax owing for that year.

Case B

1. The individual's net tax owing for the relevant three years is as follows:

   2015 $1,500 ($93,000 - $91,500)
   2016 $9,300 ($108,000 - $98,700)
   2017 $4,200 ($82,500 - $78,300)

   As the net tax owing exceeds $3,000 in the current year and one of the two preceding years, instalments are required.

2. The three alternatives would be:

   - Quarterly instalments of $1,050 ($4,200 ÷ 4) based on the current year estimate.
   - Quarterly instalments of $2,325 ($9,300 ÷ 4) based on the first preceding year.
   - Two quarterly instalments of $375 ($1,500 ÷ 4) based on the second preceding year, followed by two instalments of $4,275 {[$9,300 - (2)($375)] ÷ 2}.

3. The best alternative would be quarterly instalments of $1,050, for a total of $4,200. This is much lower than the total of $9,300 required under the other two alternatives.

   The instalments are due on March 15, June, 15, September 15, and December 15.

Case C

1. As the corporation's tax payable for both the current and the preceding year exceeds $3,000, instalments are required. As the corporation is a small CCPC, quarterly instalments can be used.

2. The three acceptable alternatives would be as follows:

   - Quarterly instalments of $20,625 ($82,500 ÷ 4) based on the current year estimate.
   - Quarterly instalments of $27,000 ($108,000 ÷ 4) based on the first preceding year.
   - One quarterly instalment of $23,250 ($93,000 ÷ 4) based on the second preceding year, followed by three instalments of $28,250 [($108,000 - $23,250) ÷ 3], a total of $108,000.

SSS Solution Two - 3

3. The best alternative would be quarterly instalments of $20,625 based on the current year Tax Payable estimate. The total would be $82,500, significantly less than the $108,000 total under the other two methods.

   The instalments are due on March 31, June 30, September 30, and December 31.

Case D

1. As the corporation's tax payable for both the current and the preceding year exceeds $3,000, instalments are required. As the corporation is not a small CCPC, monthly instalments are required.
2. The three acceptable alternatives would be as follows:
   - Monthly instalments of $6,875 ($82,500 ÷ 12 based on the current year estimate.
   - Monthly instalments of $9,000 ($108,000 ÷ 12) based on the first preceding year.
   - Two monthly instalment of $6,508.33 ($78,100 ÷ 12) based on the second preceding year, followed by 10 monthly instalments of $9,498.33 {[$108,000 - (2)($6,508.33) ÷ 10]}, a total of $108,000.
3. The best alternative would be monthly instalments of $6,875, based on the current year Tax Payable estimate. The total would be $82,500, significantly less than the $108,000 total under the other two methods.

   The instalments would be due on the last day of each month, beginning in January.

SSS Solution Two - 4

Part A

Under ITA 157(1), the Sloan Company would have three alternatives with respect to the calculation of its instalment payments. The alternatives and the relevant calculations are as follows:

> **Current Year Base** The instalment payments could be 1/12th of the estimated taxes payable for the current year. In this case the resulting instalments would be $12,000 per month ($144,000 ÷ 12).
>
> **Preceding Year Base** The instalment payments could be 1/12th of the taxes payable in the immediately preceding taxation year. The resulting instalments would be $12,750 ($153,000 ÷ 12).
>
> **Preceding And Second Preceding Years** The third alternative would be to base the first two instalments on 1/12th of the taxes payable in the second preceding year and the remaining 10 instalments on 1/10th of the taxes payable in the preceding year less the total amount paid in the first two instalments.
>
> In this case, the first two instalments would be $14,000 ($168,000 ÷ 12) and the remaining 10 instalments would be $12,500 [($153,000 - $28,000) ÷ 10]. The total instalments under this approach would be $153,000.

As the Company has been experiencing a decline in its taxes payable over this three year period, the payments based on the current year's estimated taxes payable would be the most favorable in terms of minimizing cash outflows.

Part B

If the Company failed to make instalment payments towards the 2017 taxes payable, it would be liable for interest from the date each instalment should have been paid to the balance due date, December 31, 2017.

Assuming the actual 2017 taxes payable are $144,000, it would be the least of the amounts described in ITA 157(1), and interest would be calculated based on this instalment alternative. The rate charged would be the one prescribed in ITR 4301 for amounts owed to the Minister, the regular rate plus 4 percentage points.

There is a penalty on large amounts of late or deficient instalments. This penalty is specified in ITA 163.1 and is equal to 50 percent of the amount by which the interest owing on the late or deficient instalments exceeds the greater of $1,000 and 25 percent of the interest that would be owing if no instalments were made. While detailed calculations are not required, we would note that this penalty would be applicable in this case.

Interest on the entire balance of $144,000 of taxes payable would be charged beginning on the balance due date, December 31, 2017. The rate charged would be the one prescribed in ITR 4301 for amounts owed to the Minister, the regular rate plus 4 percentage points.

There is also a penalty for late filing. If no return is filed by the filing date, the penalty amounts to 5 percent of the tax that was unpaid at the filing date, plus 1 percent per complete month of the unpaid tax for a maximum period of 12 months. This penalty is in addition to any interest charged due to late payment of instalments or balance due. In addition, interest would also be charged on any penalties until such time as the return is filed or the instalments (balance due) paid.

The late file penalty could be doubled to 10 percent, plus 2 percent per month for a maximum of 20 months for a second offence within a three year period.

SSS Solution Two - 5

Part A

Accountant X is not liable for participating in an understatement of Client A's taxes payable because Accountant X did not know the expense receipt was personal in nature, and would not be reasonably expected to know, but for circumstances amounting to culpable conduct, that this was the case. This is because X relied in good faith on the information provided by A.

Part B

Based on these facts, Accountant X would be liable for a third party penalty. However, if Accountant X had determined that there was a reasonable basis upon which the Tax Court decision could be overturned by a higher court, the penalty would not apply.

Part C

Based on these facts, if X were to prepare and EFILE Z's return without obtaining the charitable donation receipt, X would be liable for a third party penalty. Given that the size of the donation is so disproportionate to Z's apparent income as to defy credibility, to EFILE the return without verifying the amount of the receipt would show an indifference as to whether the *Act* is complied with or would show a wilful, reckless, or wanton disregard of the law.

2016 Tax Summary (Federal)

Total income	Line	Buddy-Chapter 4 Problem	
Employment *	101	16,500	
Old Age Security	113		
CPP/QPP benefits	114		
Other pensions	115		
Split-pension amount	116		
Universal Child Care Benefit	117		
Employment Insurance	119		
Taxable dividends	120		
Interest	121		
Limited partnership	122		
RDSP	125		
Rental	126		
Taxable capital gains	127		
Support payments	128		
RRSP	129		
Other	130		
Self-employment *	135		
Workers' compensation and social assistance	147		
Total income	150	16,500	

Net income	Line		
RPP	207		
RRSP *	208		
Split-Pension Deduction	210		
Union and professional dues	212		
UCCB repayment	213		
Child care expenses	214		
Disability supports deduction	215		
Business investment loss	217		
Moving expenses	219		
Support payments	220		
Carrying charges and interest	221		
CPP/QPP/PIPP *	222		
Exploration and development	224		
Employment expenses	229		
Social benefits repayment	235		
Other deductions *	231		
Net income	236	16,500	

Taxable income	Line		
Canadian Forces personnel	244		
Home relocation loan	248		
Security options deductions	249		
Other payments deduction	250		
Losses of other years *	251		
Capital gains deduction	254		
Northern residents	255		
Additional deductions	256		
Taxable income	260	16,500	

2017 Estimated	Buddy-Chapter 4 Problem	
GST/HST credit	1,277 00	
Provincial tax credit	404 00	
Child Tax Benefit		
RRSP contribution limit	2,970 00	

* More than one line is considered

Non-refundable tax credits	Line	Buddy-Chapter 4 Problem	
Basic personal amount	300	11,474	
Age amount	301	7,125	
Spouse / eligible dependant *	303	7,634	
Family caregiver amount	367		
Infirm/caregiver *	306	11,455	
CPP/QPP/PPIP/EI *	308	310	
Volunteer firefighters' amount*	362		
Canada employment amount	363	1,161	
Public transit passes amount	364		
Children's arts amount	370		
Home buyers' amount *	369		
Adoption expenses	313		
Pension income amount	314		
Disability amount	316		
Transfers *	318	8,001	
Interest on student loans	319		
Tuition / education	323		
Medical expenses	332	3,430	
Subtotal	335	56,390	
Credit at 15%	338	8,459	
Donations and gifts	349		
Non-refundable tax credits	350	8,459	

Total payable	Line		
Federal tax	404	2,475	
Non-refundable tax credits	350	8,459	
Dividend tax credit	425		
Min. tax carry-over/other *	426		
Basic federal tax	429		
Non resident surtax			
Foreign tax credits / other	405		
Federal tax	406		
Political/inv. tax credit/other *	410		
Labour-sponsored tax credit	414		
Alternative minimum tax	417		
WITB Prepayment (RC210)	415		
Special Taxes	418		
Net federal tax	420		
CPP contributions payable	421		
EI self-employment	430		
Social benefits repayment	422		
Provincial/territorial tax	428		
Total payable	435		

Total credits	Line		
Income tax deducted *	437	500	
QC or YT abatement *	440		
CPP/EI overpayment *	448		
Medical expense supplement	452	858	
WITB (Schedule 6)	453	1,972	
Other credits *	454		
GST/HST rebate	457		
Children's fitness amount	459		
School supply credit	469		
Instalments	476	4,000	
Provincial tax credits	479	150	
Total credits	482	7,480	
Balance owing (refund)		(7,480)	

Combined balance (refund) (7,480)

Protected **B** when completed

Canada Revenue Agency — Agence du revenu du Canada

T1 GENERAL 2016

Income Tax and Benefit Return

Step 1 – Identification and other information

BC 7

Identification

Print your name and address below.

First name and initial: Buddy-Chapter 4 Problem

Last name: Musician

Mailing address: Apt No – Street No Street name: 111 WWW Street

PO Box:

RR:

City: Vancouver

Prov./Terr.: BC

Postal Code: V4H 3W4

Email address

I understand that by providing an email address, I am **registering** for online mail. I **have read** and I **accept the terms and conditions** on page 17 of the guide.

Enter an email address:

Information about your residence

Enter your province or territory of residence on **December 31, 2016**: British Columbia

Enter the province or territory where you **currently** reside if it is not the same as your mailing address above:

If you were self-employed in 2016, enter the province or territory of self-employment: British Columbia

If you **became** or **ceased** to be a **resident of Canada** for income tax purposes **in 2016**, enter the date of:

entry (Month/Day) ________ or **departure** (Month/Day) ________

Information about you

Enter your social insurance number (SIN): 527 000 061

Enter your date of birth (Year/Month/Day): 1949-08-28

Your language of correspondence:
Votre langue de correspondance : English [X] Français [ ]

Is this return for a deceased person?

If this **return** is for a **deceased person**, enter the date of death (Year/Month/Day):

Marital status

Tick the box that applies to your marital status on December 31, 2016

1 [X] Married 2 [ ] Living common-law 3 [ ] Widowed
4 [ ] Divorced 5 [ ] Separated 6 [ ] Single

Information about your spouse or common-law partner (if you ticked box 1 or 2 above)

Enter his or her SIN: 527 000 129

Enter his or her first name: Natasha

Enter his or her net income for 2016 to claim certain credits: 3,840.00

Enter the amount of universal child care benefit (UCCB) from line 117 of his or her return: 3,840.00

Enter the amount of UCCB repayment included on line 213 of his or her return:

Tick this box if he or she was self-employed in 2016: 1 [ ]

Do not use this area					

Do not use this area	172					171				

Residency information for tax administration agreements (For more information, see page 18 in the guide.)

Did you reside in the **Nisga'a Lands** on December 31, 2016? Yes ☐ 1 No ☒ 2

If **yes**, are you a citizen of the **Nisga'a Nation**? Yes ☐ 1 No ☐ 2

Elections Canada (For more information, see page 19 in the guide)

A) Do you have Canadian citizenship? Yes ☒ 1 No ☐ 2

Answer the following question **only if you have Canadian citizenship.**

B) As a Canadian citizen, do you authorize the Canada Revenue Agency to give your name, address, date of birth, and citizenship to Elections Canada to update the National Register of Electors? Yes ☒ 1 No ☐ 2

Your authorization is valid until you file your next tax return. Your information will only be used for purposes permitted under the *Canada Elections Act*, which include sharing the information with provincial/territorial election agencies, members of Parliament, registered political parties, and candidates at election time.

Please answer the following question

Did you own or hold specified foreign property where the total cost amount of all such property, at any time in 2016, was more than CAN$100,000?

See "Specified foreign property" in the guide for more information **266** Yes ☐ 1 No ☒ 2

If **yes**, complete Form T1135 and attach it to your return.

If you had dealings with a non-resident trust or corporation in 2016, see "Other foreign property" in the guide.

Step 2 - Total Income

As a resident of Canada, you have to report your income from all sources both inside and outside Canada.
When you come to a line on the return that applies to you, go to the line number in the guide for more information.

Employment income (box 14 of all T4 slips)			101	16,500 00
Commissions included on line 101 (box 42 of all T4 slips)	102			
Wage loss replacement contributions (see line 101 in the guide)	103			
Other employment income			104	
Old Age Security pension (box 18 of the T4A(OAS) slip)			113	
CPP or QPP benefits (box 20 of the T4A(P) slip)			114	
Disability benefits included on line 114 (box 16 of the T4A(P) slip)	152			
Other pensions and superannuation			115	
Elected split-pension amount (**attach** Form T1032)			116	
Universal Child Care Benefit (UCCB)			117	
UCCB amount designated to a dependant	185			
Employment Insurance and other benefits (box 14 of the T4E slip)			119	
Taxable amount of dividends (eligible **and** other than eligible) from taxable Canadian corporations (**attach** Schedule 4)			120	
Taxable amount of dividends other than eligible dividends, included on line 120, from taxable Canadian corporations	180			
Interest and other investment income (**attach** Schedule 4)			121	
Net partnership income: limited or non-active partners only			122	
Registered disability savings plan income			125	
Rental income	Gross 160		Net 126	
Taxable capital gains (**attach** Schedule 3)			127	
Support payments received	Total 156		Taxable amount 128	
RRSP income (from all T4RSP slips)			129	
Other income	Specify:		130	
Self-employment income				
Business income	Gross 162		Net 135	
Professional income	Gross 164		Net 137	
Commission income	Gross 166		Net 139	
Farming income	Gross 168		Net 141	
Fishing income	Gross 170		Net 143	
Workers' compensation benefits (box 10 of the T5007 slip)	144			
Social assistance payments	145			
Net federal supplements (box 21 of the T4A(OAS) slip)	146			
Add lines 144, 145, and 146 (see line 250 in the guide).		▶	147	
Add lines 101, 104 to 143, and 147		This is your **total income.**	150	16,500 00

Attach only the documents (schedules, information slips, forms, or receipts) **requested in the guide** to support any claim or deduction. Keep all other supporting documents.

Step 3 - Net income

Enter your **total income** from line 150		150	16,500 00
Pension adjustment (box 52 of all T4 slips and box 034 of all T4A slips) 206			
Registered pension plan deduction (box 20 of all T4 slips and box 032 of all T4A slips)	207		
RRSP/pooled registered pension plan (PRPP) deduction (see Schedule 7 and **attach** receipts)	208		
PRPP **employer** contributions (amount from your PRPP contribution receipts) 205			
Deduction for elected split-pension amount (**attach** Form T1032)	210		
Annual union, professional, or like dues (box 44 of all T4 slips, and receipts)	212		
Universal Child Care Benefit repayment (box 12 of all RC62 slips)	213		
Child care expenses (**attach** Form T778)	214		
Disability supports deduction	215		
Business investment loss Gross 228 Allowable deduction	217		
Moving expenses	219		
Support payments made Total 230 Allowable deduction	220		
Carrying charges and interest expenses (**attach** Schedule 4)	221		
Deduction for CPP or QPP contributions on self-employment and other earnings (**attach** Schedule 8 or Form RC381, whichever applies)	222	•	
Exploration and development expenses (**attach** Form T1229)	224		
Other employment expenses	229		
Clergy residence deduction	231		
Other deductions Specify:	232		
Add lines 207, 208, 210 to 224, 229, 231, and 232.	233	▶	
Line 150 minus line 233 (if negative, enter "0"). This is your **net income before adjustments.**		234	16,500 00
Social benefits repayment (if you reported income on line 113, 119, or 146, see line 235 in the guide) Use the federal worksheet to calculate your repayment.		235	•
Line 234 minus line 235 (if negative, enter "0"). If you have a spouse or common-law partner, see line 236 in the guide. This is your **net income.**		236	16,500 00

Step 4 - Taxable income

Canadian Forces personnel and police deduction (box 43 of all T4 slips)	244		
Employee home relocation loan deduction (box 37 of all T4 slips)	248		
Security options deductions	249		
Other payments deduction (if you reported income on line 147, see line 250 in the guide)	250		
Limited partnership losses of other years	251		
Non-capital losses of other years	252		
Net capital losses of other years	253		
Capital gains deduction	254		
Northern residents deductions (**attach** Form T2222)	255		
Additional deductions Specify:	256		
Add lines 244 to 256.	257	▶	
Line 236 minus line 257 (if negative, enter "0") This is your **taxable income.**		260	16,500 00

Step 5 - Federal tax and provincial or territorial tax

Use Schedule 1 to calculate your federal tax and Form 428 to calculate your provincial or territorial tax.

Step 6 - Refund or Balance owing

Net federal tax: enter the amount from line 64 of Schedule 1 (**attach** Schedule 1, even if the result is "0")		420	0.00
CPP contributions payable on self-employment and other earnings (**attach** Schedule 8 or Form RC381, whichever applies)		421	
Employment Insurance premiums payable on self-employment and other eligible earnings (**attach** Schedule 13)		430	
Social benefits repayment (amount from line 235)		422	
Provincial or territorial tax (**attach** Form 428, even if the result is "0")		428	
Add lines 420, 421, 430, 422 and 428.	This is your **total payable.**	435	0.00 •

Total income tax deducted	437	500.00 •	
Refundable Québec abatement	440	•	
CPP overpayment (enter your excess contributions)	448	•	
Employment Insurance overpayment (enter your excess contributions)	450	•	
Refundable medical expense supplement (use the federal worksheet)	452	857.50 •	
Working Income Tax Benefit (WITB) (**attach** Schedule 6)	453	1,972.00 •	
Refund of investment tax credit (**attach** Form T2038(IND))	454	•	
Part XII.2 trust tax credit (box 38 of all T3 slips)	456	•	
Employee and partner GST/HST rebate (**attach** Form GST370)	457	•	
Children's fitness tax credit — Eligible fees 458 ______ X 15.00 % =	459	•	
Eligible educator school supply tax credit — Supplies expenses 468 ______ X 15.00 % =	469	•	
Tax **paid** by instalments	476	4,000.00 •	
Provincial or territorial credits (**attach** Form 479 if it applies)	479	150.00 •	
Add lines 437 to 479. These are your **total credits.**	482	7,479.50 ▶	7,479.50
Line 435 minus line 482 — This is your **refund** or **balance owing**.			(7,479.50)

If the result is negative, you have a **refund**. If the result is positive, you have a **balance owing**.
Enter the amount below on whichever line applies.
Generally, we do not charge or refund a difference of $2 or less.

Refund 484 7,479.50 • **Balance owing** 485 ______ •

For more information on how to make your payment, see line 485 in the guide or go to **cra.gc.ca/payments**. Your payment is due no later than April 30, 2017.

Direct deposit - Enrol or update (see line 484 in the guide)

You do not have to complete this area every year. Do not complete it this year if your direct deposit information has not changed.

To enrol for direct deposit, to update your banking information, or to request that all of your CRA payments you may be receiving or owed be deposited into the same account as your T1 refund, complete lines 460, 461, and 462 below.

By providing my banking information **I authorize** the Receiver General to deposit in the bank account number shown below **any amounts payable** to me by the CRA, until otherwise notified by me. I understand that this authorization will replace all of my previous direct deposit authorizations.

Branch number	Institution number	Account number
460 ______	461 ______	462 ______
(5 digits)	(3 digits)	(maximum 12 digits)

I certify that the information given on this return and in any documents attached is correct, complete, and fully discloses all my income.

Sign here ______________________

It is a serious offence to make a false return.

Telephone (604) 111-1111 Date 2017-02-25

490 X **If a fee was charged for preparing this return, complete the following:**

Name of preparer: ______________________

Telephone: (   )   -

EFILE number (if applicable): 489 C3099

Personal information is collected under the *Income Tax Act* to administer tax, benefits, and related programs. It may also be used for any purpose related to the administration or enforcement of the Act such as audit, compliance and the payment of debts owed to the Crown. It may be shared or verified with other federal, provincial/territorial government institutions to the extent authorized by law. Failure to provide this information may result in interest payable, penalties or other actions. Under the *Privacy Act,* individuals have the right to access their personal information and request correction if there are errors or omissions. Refer to Info Source **cra.gc.ca/gncy/tp/nfsrc/nfsrc-eng.html**, personal information bank CRA PPU 005.

Do not use this area 487 ______ 488 ______ 486 ______ •

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T1-2016 Federal Tax Schedule 1

This is **Step 5** in completing your return. Complete this schedule and **attach** a copy to your return.
For more information, see the related line in the guide.

Step 1 - Federal non-refundable tax credits

Basic personal amount	**claim $11,474**	300	11,474 00	1
Age amount (if you were born in 1951 or earlier) (use federal worksheet)	(**maximum $7,125**)	301	7,125 00	2
Spouse or common-law partner amount (**attach** Schedule 5)	=	303	7,634 00	3
Amount for an eligible dependant (**attach** schedule 5)	=	305		4
Family caregiver amount for infirm children under 18 years of age Number of children born for whom you **are claiming** the family caregiver amount	352 x $ 2,121 =	367		5
Amount for infirm dependants age 18 or older (**attach** Schedule 5)		306		6
CPP or QPP contributions: through employment from box 16 and box 17 of all T4 slips (**attach** Schedule 8 or Form RC381, whichever applies)		308		• 7
on self-employment and other earnings (**attach** Schedule 8 or Form RC381, whichever applies)		310		• 8
Employment Insurance premiums: through employment from box 18 and box 55 of all T4 slips	(**maximum $955.04**)	312	310 20	• 9
on self-employment and other eligible earnings (**attach** Schedule 13)		317		• 10
Volunteer firefighters' amount		362		11
Search and rescue volunteers' amount		395		12
Canada employment amount (If you reported employment income on line 101 or line 104, see line 363 in the guide.)	(**maximum $1,161**)	363	1,161 00	13
Public transit amount		364		14
Children's arts amount		370		15
Home accessibility expenses (**attach** Schedule 12)		398	5,800 00	16
Home buyers' amount		369		17
Adoption expenses		313		18
Pension income amount (use the federal worksheet)	(**maximum $2,000**)	314		19
Caregiver amount (**attach** Schedule 5)		315	11,455 00	20
Disability amount (for self) (Claim **$8,001**, or if you were under age 18, use the federal worksheet)		316		21
Disability amount transferred from a dependant (use the federal worksheet)		318	8,001 00	22
Interest paid on your student loans		319		23
Your tuition, education, and textbook amounts (**attach** Schedule 11)		323		24
Tuition, education, and textbook amounts transferred from a child		324		25
Amounts transferred from your spouse or common-law partner (**attach** Schedule 2)		326		26
Medical expenses for **self, spouse or common-law partner, and your dependent children born in 1999 or later**	330 2,800 00 27			
Enter $2,237 or 3% of line 236, whichever is **less**.	495 00 28			
Line 27 minus line 28 (if negative, enter "0")	2,305 00 29			
Allowable amount of medical expenses for **other dependants** (do the calculation at line 331 in the guide)	331 1,125 00 30			
Add lines 29 and 30.	3,430 00 ▶	332	3,430 00	31
Add lines 1 to 26, and line 31.		335	56,390 20	32
Federal non-refundable tax credit rate			15 %	33
Multiply line 32 by line 33.		338	8,458 53	34
Donations and gifts (**attach** Schedule 9)		349		35
Add lines 34 and 35. Enter this amount on line 48.	**Total federal non-refundable tax credits**	350	8,458 53	36

Step 2 - Federal tax on taxable income

Enter your **taxable income** from line 260 of your return. 16,500 00 37

Complete the appropriate column depending on the amount on line 37.	Line 37 is **$45,282** or less	Line 37 is more than **$45,282** but not more than **$90,563**	Line 37 is more than **$90,563** but not more than **$140,388**	Line 37 is more than **$140,388** but not more than **$200,000**	Line 37 is more than **$200,000**	
Enter the amount from line 37.	16,500 00					38
		45,282 00	90,563 00	140,388 00	200,000 00	39
Line 38 minus line 39 (cannot be negative)	16,500 00					40
	x 15 %	x 20.5 %	x 26 %	x 29 %	x 33 %	40
Multiply line 40 by line 41.	2,475 00					42
	0 00	6,792 00	16,075 00	29,029 00	46,317 00	43
Add lines 42 and 43.	2,475 00					44

Step 3 - Net federal tax

Enter the amount from line 44		2,475 00	45	
Federal tax on split income (from line 5 of Form T1206)	**424**		• 46	
Add lines 45 and 46.	404	2,475 00	▶	2,475 00 47
Enter your total federal non-refundable tax credits from line 36 on the previous page.	350	8,458 53	48	
Federal dividend tax credit	425		• 49	
Minimum tax carryover (**attach** Form T691)	**427**		• 50	
Add lines 48, 49, and 50.		8,458 53	▶	8,458 53 51
Line 47 minus line 51 (if negative, enter "0")		**Basic federal tax**	429	52
Federal foreign tax credit (**attach** Form T2209)			405	53
Line 52 minus line 53 (if negative, enter "0")		**Federal tax**	406	0 00 54
Total federal political contributions (**attach** receipts) **409**	55			
Federal political contribution tax credit (use the federal worksheet) **(maximum $650)**	**410**		• 56	
Investment tax credit (**attach** Form T2038(IND))	**412**		• 57	
Labour-sponsored funds tax credit (see lines 413, 414, 411 and 419 in the guide)				
Net cost of shares of a federally registered fund Net cost **411** Allowable credit	**419**		• 58	
Net cost of shares of a provincially registered fund Net cost **413** Allowable credit	**414**		• 59	
Add lines 56 to 59.	416		▶	60
Federal logging tax credit				
Line 54 minus line 60 (if negative, enter "0") If you have an amount on line 46 above, see Form T1206.			417	61
Working income tax benefit advance payments received (box 10 on the RC210 slip)			**415**	• 62
Special taxes (see line 418 in the guide)			418	63
Add lines 61, 62, and 63. Enter this amount on line 420 of your return.		**Net federal tax**	420	0 00 64

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T1-2016 Amounts for Spouse or Common-Law Partner and Dependants Schedule 5

See the guide to find out if you can claim an amount on line 303, 305, 306, or 315 of Schedule 1. For each dependant claimed, provide the details requested below. **Attach a copy of this schedule to your return**.

Line 303 - Spouse or common-law partner amount

Did your marital status change to other than married or common-law in 2016?

If **yes**, tick this box **5522** ☐ and enter the date of the change. ▶ Month/Day ______

Base amount			11,474.00	1
If you are entitled to the **family caregiver amount**, enter $2,121 (see page 45 in the guide).	5109	+		2
Add lines 1 and 2.		=	11,474.00	3
Spouse's or common-law partner's net income from page 1 of your return		-	3,840.00	4
Line 3 minus line 4 (if negative, enter "0"). Enter this amount on line 303 of your Schedule 1.		=	7,634.00	5

Line 305 - Amount for an eligible dependant

Did your marital status change to married or common-law in 2016?

If **yes**, tick this box **5529** ☐ and enter the date of the change. ▶ Month/Day ______

Provide the requested information and complete the following calculation for this dependant.

First and last name:	Year of birth	Relationship to you	Is this dependant physically or mentally infirm?
Address:		N/A	Yes ☒ No ☐

Base amount			11,474.00	1
If you are entitled to the **family caregiver amount**, enter $2,121 (see page 45 in the guide and read the note below).	5110	+		2
Add lines 1 and 2.		=	11,474.00	3
Dependant's net income (line 236 of his or her return)	5106	-		4
Line 3 minus line 4 (if negative, enter "0"). Enter this amount on line 305 of your Schedule 1.		=		5

Note: if you are entitled to the **family caregiver amount** for this dependant and he or she is a child under 18 years of age, you **must** claim the family caregiver amount on line 367, and **not** on this line.

Line 306 – Amount for an infirm dependant aged 18 or older

Provide the requested information and complete the following calculation for each dependant.

First and last name:	Year of birth	Relationship to you
Address:		N/A

Base amount			1
Infirm dependant's net income (line 236 of his or her return)	-		2
Allowable amount for this dependant: line 1 minus line 2 (if negative, enter "0") **(maximum $6,788)**	=		3

Amounts for Spouse or Common-Law Partner and Dependants

Line 315 – Caregiver amount

Provide the requested information and complete the following calculation for each dependant.

First and last name:	Eunice Musician	Year of birth	Relationship to you	Is this dependant physically or mentally infirm?
Address:	111 WWW Street, Vancouver BC V4H3W4	1929	Mother	Yes ☒ No ☐

Base amount		20,607.00	1
If you are entitled to the **family caregiver amount**, enter $2,121 (see page 45 in the guide and complete box 5112 below).	+	2,121.00	2
Add lines 1 and 2.	=	22,728.00	3
Dependant's net income (line 236 of his or her return)	-	9,500.00	4
Line 3 minus line 4 (if negative, enter "0"). If you are entitled to the **family caregiver amount** on line 2, **the maximum amount is $6,788**. If not, the **maximum is $4,667**.	=	6,788.00	5
If you claimed this dependant on line 305 of Schedule 1, enter the amount you claimed.	-		6
Allowable amount for this dependant: line 5 minus line 6 (if negative, enter "0").	=	6,788.00	7

First and last name:	Earl Musician	Year of birth	Relationship to you	Is this dependant physically or mentally infirm?
Address:	111 WWW Street, Vancouver BC V4H3W4	1927	Father	Yes ☐ No ☒

Base amount		20,607.00	1
If you are entitled to the **family caregiver amount**, enter $2,121 (see page 45 in the guide and complete box 5112 below).	+		2
Add lines 1 and 2.	=	20,607.00	3
Dependant's net income (line 236 of his or her return)	-	7,500.00	4
Line 3 minus line 4 (if negative, enter "0")If you are entitled to the **family caregiver amount** on line 2, **the maximum amount is $6,788**. If not, the **maximum is $4,667**.	=	4,667.00	5
If you claimed this dependant on line 305 of Schedule 1, enter the amount you claimed.	-		6
Allowable amount for this dependant: line 5 minus line 6 (if negative, enter "0").	=	4,667.00	7

Enter, on line 315 of your Schedule 1, the **total** amount you are claiming for all dependants.

Enter the **total** number of dependants for whom you entered $2,121 on line 2 for this calculation. **5112** 1

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T1-2016 Working Income Tax Benefit Schedule 6

For more information, see line 453 in the guide. Complete this schedule and **attach** a copy to your return to claim the working income tax benefit (WITB) if you meet **all** of the following conditions in 2016:

- you were a resident of Canada throughout the year;
- you earned income from employment or business; and
- at the end of the year, you were 19 years of age or older or you resided with your spouse or common-law partner or your child.

The WITB is calculated based on the working income (calculated in Part A below) **and** your adjusted family net income (calculated in Part B below). You can claim the **basic** WITB (Step 2) if the working income (amount on line 8 below) is more than $4,750. If you are eligible for the WITB **disability supplement** (Step 3), your working income (amount on line 7 below) must be more than $2,295. **Also**, if your adjusted family net income is less than the amount specified in the **chart on the next page**, you need to complete this form to find out if you are entitled to the WITB. If your adjusted family net income is more than the amount specified in the chart on the next page, you are not entitled to the WITB.

You cannot claim the WITB if in 2016:

- you were enrolled as a full-time student at a designated educational institution for more than 13 weeks in the year, unless you had an eligible dependant at the end of the year; or
- you were confined to a prison or similar institution for a period of at least 90 days during the year.

Notes: If you were married or living in a common-law relationship but did not have an eligible spouse or an eligible dependant, complete this schedule using the instructions as if you had neither an eligible spouse nor an eligible dependant.

If you are completing a final return for a deceased person who met the above conditions, you can claim the WITB for that person if the date of death was after June 30, 2016.

Step 1 - Calculating your working income and adjusted family net income

Do you have an eligible dependant?	381	Yes [X] 1	No [ ] 2
Do you have an eligible spouse?	382	Yes [X] 1	No [ ] 2

Part A - Working income

Complete columns 1 and 2 if you had an eligible spouse on December 31, 2016. Otherwise, complete column 1 only.

	Column 1 You		Column 2 Your eligible spouse	
Employment income and other employment income reported on line 101 and line 104 of the return	16,500.00	3		3
Taxable part of scholarship income reported on line 130	383	4	384	4
Total self-employment income reported on lines 135, 137, 139, 141, and 143 of the return (**excluding** losses and income from a communal organization)		5		5
Tax-exempt part of working income earned on a reserve or an allowance received as an emergency volunteer	385	6	386	6
Add lines 3 to 6. Enter the amount even if the result is "0".	16,500.00	7	387	7

Add the amounts from line 7 in columns 1 and 2. Enter this amount on line 16 on the next page. **Working income** 16,500.00 **8**

Part B - Adjusted family net income

	Column 1		Column 2	
Net income amount from line 236 of the return	16,500.00	9	3,840.00	9
Tax-exempt part of all income earned or received on a reserve less the deductions related to that income, or an allowance received as an emergency volunteer	388	10	389	10
Total of universal child care benefit (UCCB) repayment (line 213 of the return) and registered disability savings plan (RDSP) income repayment (included on line 232 of the return)		11		11
Add lines 9, 10, and 11.	16,500.00	12	3,840.00	12
Total of UCCB (line 117 of the return) and RDSP income (line 125 of the return)		13	3,840.00	13
Line 12 minus line 13 (if negative, enter "0")	16,500.00	14	390	14

Add the amounts from line 14 in columns 1 and 2. Enter this amount on line 23 and line 35 on the next page. **Adjusted family net income** 16,500.00 **15**

Are you claiming the basic WITB?	391	Yes [X] 1	No [ ] 2	If yes, complete Step 2 on the next page.
If you qualify for the disability amount, do you want to claim the WITB disability supplement amount?	392	Yes [ ] 1	No [X] 2	If yes, complete Step 3 on the next page.
Does your eligible spouse qualify for the disability amount for himself or herself?	394	Yes [ ] 1	No [X] 2	If yes, he or she must complete steps 1 and 3 on a separate Schedule 6.

Continue on the next page.

Step 2 - Calculating your basic WITB

If you had an eligible spouse, **only one of you** can claim the basic WITB. However, the individual who received the WITB advance payments for 2016 is the individual who **must** claim the basic WITB for the year. If you had an eligible dependant, **only one individual** can claim the basic WITB for that same eligible dependant.

Working income amount from line 8 on the previous page	16,500 00	16		
Base amount	4,750 00	17		
Line 16 minus line 17 (if negative, enter "0")	11,750 00	18		
Rate	20.40 %	19		
Multiply line 18 by line 19.	2,397 00	20		
If you had neither an eligible spouse nor an eligible dependant, enter $1,242. If you had an eligible spouse or an eligible dependant, enter $1,972.	1,972 00	21		
Amount from line 20 or line 21, whichever is **less**	1,972 00	▶	1,972 00	22
Adjusted family net income amount from line 15 on the previous page	16,500 00	23		
Base amount: If you had neither an eligible spouse nor an eligible dependant, enter $12,786. If you had an eligible spouse or an eligible dependant, enter $17,234.	17,234 00	24		
Line 23 minus line 24 (if negative, enter "0")		25		
Rate	16.50 %	26		
Multiply line 25 by line 26.		▶		27
Line 22 minus line 27 (if negative, enter "0")			1,972 00	28

Enter the amount from line 28 on line 453 of your return **unless you complete Step 3.**

Step 3 - Calculating your WITB disability supplement

Enter the amount from line 7 in column 1 on the previous page.		29		
Base amount	2,295 00	30		
Line 29 minus line 30 (if negative, enter "0")		31		
Rate	21.00 %	32		
Multiply line 31 by line 32.		33		
Amount from line 33 or $573, whichever is **less**		▶		34
Adjusted family net income amount from line 15 on the previous page		35		
Base amount: If you had neither an eligible spouse nor an eligible dependant, enter $20,308. If you had an eligible spouse or an eligible dependant, enter $29,170.	29,170 00	36		
Line 35 minus line 36 (if negative, enter "0")		37		
Rate: If you had an eligible spouse and he or she also qualifies for the disability amount, enter 8.5%. Otherwise, enter 17%.	17.00 %	38		
Multiply line 37 by line 38.		▶		39
Line 34 minus line 39 (if negative, enter "0")				40
If you completed Step 2, enter the amount from line 28. Otherwise, enter "0".			1,972 00	41
Add lines 40 and 41. Enter this amount on line 453 of your return.			1,972 00	42

Adjusted family net income levels

	You had neither an eligible spouse nor an eligible dependant	You had an eligible spouse or an eligible dependant
Basic WITB Adjusted family net income (line 15 in Step 1)	less than $20,314	less than $29,186
WITB disability supplement (you qualify for the disability amount) Adjusted family net income (line 15 in Step 1)	less than $23,679	less than $32,541
WITB disability supplement (you had an eligible spouse and **both** of you qualify for the disability amount) Adjusted family net income (line 15 in Step 1)	▶	less than $35,912

Charitable donations

Charitable donations details

Name of organization	Amount paid
Planned Parenthood Of Canada	3,000 00
Reported on slips Claim: Own slips	
Total current year donations	3,000 00

Donations to U.S. organizations

Name of organization	Amount paid
Total current year donations	<NIL>

Other gifts

Donations made to government entities	
Donations made to prescribed universities outside Canada.	
Donations made to the United Nations, its agencies, and certain charitable organizations outside Canada.	
Donations made to a registered museum or cultural organization.	
Community Food Program Donation (Farmers)	

Charitable donations summary

		U.S.	Canadian	Total
Total current year donations			3,000 00	
Other gifts				
Unclaimed donations from 2012 - 2015				
Unclaimed donations from 2011		+	+	
Total charitable donations	A	=	= 3,000 00	3,000 00
Net income	B		16,500 00	
75% of line B	C	=	= 12,375 00	
Gifts of depreciable property	D			
Taxable capital gains minus capital gains deduction on gifts of capital property	E	+	+	
Add lines D and E	F	=	=	
25% of line F	G	+	+	
Add lines C and G	H	=	= 12,375 00	
Allowable U.S. donations	I		-	
Total donations limit	J	=	= 12,375 00	12,375 00
Allowable charitable donations (least of lines A, J or amount required to reduce federal tax to zero)				
Charitable donations available for carryforward			3,000 00	3,000 00

Charitable donation carryforward - Canadian

Year	Beginning balance	Claimed in 2016	Ending balance
2011			
2012			
2013			
2014			
2015			
2016			3,000 00
Totals			3,000 00

Cultural and ecological gifts (pre-February 11, 2014) carryforward

Year	Beginning balance	Claimed in 2016	Ending balance
2011			
2012			
2013			
2014			
2015			
2016			
Totals			

Charitable donations

Ecological gifts (post-February 10, 2014) carryforward

Year	Beginning balance	Claimed in 2016	Ending balance
2006			
2007			
2008			
2009			
2010			
2011			
2012			
2013			
2014			
2015			
2016			
Totals			

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T1-2016 Home Accessibility Expenses Schedule 12

Complete this schedule if you had eligible home accessibility expenses and you are claiming the home accessibility tax credit. For more information, see line 398 in the guide.

Attach a copy of this schedule to your return. Do not include receipts, but keep them in case we ask to see them later.

If you need more space, attach a separate sheet of paper.

Date of sales slip or contract	Supplier or contractor		Description	Amount paid (including all applicable taxes)
	Name	GST/HST No. (if applicable)		
2016-01-13	Fred Nesbitt		Install ramps	+ 5,800.00
				+

Total eligible expenses	= 5,800 00	**1**
Enter $10,000 or the amount from line 1, whichever is **less**.	5,800 00	2
Enter the amount claimed on line 398 of Schedule 1 by other qualifying individuals (see line 398 in the guide).	-	**3**
Line 2 minus line 3 Enter this amount on line 398 of your Schedule 1. **Home accessibility expenses**	= 5,800 00	**4**

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BRITISH COLUMBIA

British Columbia Tax

BC428
T1 General - 2016

Complete this form and **attach a copy** to your return. For more information, see the related line in the forms book.

Step 1 – British Columbia non-refundable tax credits

For internal use only		5609					
Basic personal amount	**claim $10,027**	5804	10,027.00	1			
Age amount (if born in 1951 or earlier) (use the *Provincial Worksheet*)	**(maximum $4,497)**	5808	4,497.00	2			
Spouse or common-law partner amount							
Base amount	9,445.00						
Minus: his or her net income from page 1 of your return	3,840.00						
Result: (if negative, enter "0")	5,605.00 **(maximum $8,586)** ▶	5812	5,605.00	3			
Amount for an eligible dependant							
Base amount	9,445.00						
Minus: his or her net income from line 236 of his or her return							
Result: (if negative, enter "0")	**(maximum $8,586)** ▶	5816		4			
Amount for infirm dependants age 18 or older (use the *Provincial Worksheet*)		5820		5			
CPP or QPP contributions: (amount from line 308 of your federal Schedule 1)		5824		• 6			
(amount from line 310 of your federal Schedule 1)		5828		• 7			
Employment Insurance premiums: (amount from line 312 of your federal Schedule 1)		5832	310.20	• 8			
(amount from line 317 of your federal Schedule 1)		5829		• 9			
Adoption expenses (amount from line 313 of your federal Schedule 1)		5833		10			
Children's fitness amount		5838		11			
Children's fitness equipment amount (50% of amount from line 5838)		5842		12			
Children's arts amount	**(maximum $500 per child)**	5841		13			
Back-to-school amount		5846	500.00	14			
Education coaching amount		5843		15			
Pension income amount	**(maximum $1,000)**	5836		16			
Caregiver amount (use the *Provincial Worksheet*)		5840	8,774.00	17			
Disability amount (for self) (Claim **$7,521** or, if you were under 18 years of age, use the *Provincial Worksheet*)		5844		18			
Disability amount transferred from a dependant (use the *Provincial Worksheet*)		5848	7,521.00	19			
Interest paid on your student loans (amount from line 319 of your federal Schedule 1)		5852		20			
Your tuition and education amounts [use and **attach** Schedule BC(S11)]		5856		21			
Tuition and education amounts transferred from a child		5860		22			
Amounts transferred from your spouse or common-law partner [use and **attach** Schedule BC(S2)]		5864		23			
Medical expenses:							
Amount from line 330 of your federal Schedule 1	5868 2,800.00 (24)						
Enter $2,085 or 3% of net income from line 236 of your return, whichever is **less**.	495.00 (25)						
Line 24 minus line 25 (if negative, enter "0")	2,305.00 (26)						
Allowable amount of medical expenses for other dependants (use the *Provincial Worksheet*)	5872 1,125.00 (27)						
Add lines 26 and 27.	5876 3,430.00 ▶		3,430.00	28			
Add lines 1 to 23, and line 28.		5880	40,664.20 ▶			40,664.20	29
British Columbia non-refundable tax credit rate						x 5.06 %	30
Multiply line 29 by line 30.					5884	2,057.61	31
Donations and gifts:							
Amount from line 30 of your federal Schedule 9	x 5.06 % =			32			
Amount from line 17 of your federal Schedule 9	x 14.70 % =			33			
Add lines 32 and 33.		5896	▶			0.00	34
Add lines 31 and 34.						2,057.61	35
Farmers' food donation tax credit: Enter the amount of qualifying gifts that have also been claimed on line 35.	0.00 x 25.00 % =				5898	0.00	36
Add lines 35 and 36. Enter this amount on line 49.	**British Columbia non-refundable tax credits**				6150	2,057.61	37

Go to Step 2

Step 2 - British Columbia tax on taxable income

Enter your **taxable income** from line 260 of your return. 16,500|00 **38**

Complete the appropriate column depending on the amount on line 38.	Line 38 is **$38,210** or less	Line 38 is more than **$38,210**, but not more than **$76,421**	Line 38 is more than **$76,421**, but not more than **$87,741**	Line 38 is more than **$87,741**, but not more than **$106,543**	Line 38 is more than **$106,543**	
Enter the amount from line 38 in the applicable column.	16,500|00					**39**
Line 39 minus line 40	0|00	38,210|00	76,421|00	87,741|00	106,543|00	**40**
(cannot be negative)	16,500|00					**41**
	x 5.06 %	x 7.70 %	x 10.50 %	x 12.29 %	x 14.70 %	**42**
Multiply line 41 by line 42.	834|90					**43**
	0|00	1,933|00	4,875|00	6,064|00	8,375|00	**44**
Add lines 43 and 44. **British Columbia tax on taxable income**	834|90					**45**

Step 3 – British Columbia tax

Enter your British Columbia tax on taxable income from line 45.			834|90	**46**
Enter your British Columbia tax on split income from Form T1206.		**6151**		**• 47**
Add lines 46 and 47.			834|90	**48**
Enter your British Columbia non-refundable tax credits from line 37.	2,057|61 **49**			
British Columbia dividend tax credit: Credit calculated for line 6152 on the *Provincial Worksheet*	**6152**	**• 50**		
British Columbia minimum tax carry-over: Amount from line 427 of federal Schedule 1 ____ x 33.70 % =	**6154**	**• 51**		
Add lines 49 to 51.	2,057|61 ▶		2,057|61	**52**
Line 48 minus line 52 (if negative, enter "0")				**53**
British Columbia additional tax for minimum tax purposes Amount from line 117 on Form T691 ____ x 33.70 % =				**54**
Add lines 53 and 54.				**55**
Provincial foreign tax credit from Form T2036				**56**
Line 55 minus line 56 (if negative, enter "0")				**57**

BC tax reduction

If your net income (line 236 of your return) is **less than $31,647**, complete the following calculation.
Otherwise, enter "0" on line 64 and continue on line 65.

Basic reduction	Claim $436	436|00 **58**		
Enter your net income from line 236 of your return.	16,500|00 **59**			
Base amount	19,400|00 **60**			
Line 59 minus line 60 (if negative, enter "0")	**61**			
Applicable rate	3.56 % **62**			
Multiply line 61 by line 62.	▶	**63**		
Line 58 minus line 63 (if negative, enter "0")		436|00 ▶	436|00	**64**
Line 57 minus line 64 (if negative, enter "0")				**65**
Logging tax credit from Form FIN 542S or Form FIN 542P				**66**
Line 65 minus line 66 (if negative, enter "0")				**67**

Go to Step 3

Step 3 – British Columbia tax (continued)

Enter the amount from line 67 on the previous page.			68

British Columbia political contribution tax credit

Enter your British Columbia political contributions made in 2016.	6040		69	
Credit calculated for line 70 on the *Provincial Worksheet* **(maximum $500)**				70
Line 68 minus line 70 (if negative, enter "0")				71

British Columbia employee investment tax credits

Enter your employee share ownership plan tax credit from Certificate **ESOP 20**.	6045		• 72	
Enter your employee venture capital tax credit from Certificate **EVCC 30**.	6047		• 73	
Add lines 72 and 73. (**maximum $2,000**)			►	74
Line 71 minus line 74 (if negative, enter "0")				75

British Columbia mining flow-through share tax credit

Enter the tax credit amount calculated on Form T1231.	6881		• 76
Line 75 minus line 76 (if negative, enter "0"). Enter the result on line 428 of your return. **British Columbia tax**		0 00	77

See the privacy notice on your return.

Protected B when completed

BRITISH COLUMBIA

British Columbia Credits

BC479
T1 General - 2016

Complete the calculations that apply to you and **attach a copy** to your return. For more information, see the related line in the forms book.

Sales tax credit (for low-income families and individuals)

If you had a spouse or common-law partner on December 31, 2016, **only one of you** can claim this credit for both of you.

Income for the sales tax credit

	Column 1 You		Column 2 Your spouse or common-law partner	
Enter the net income from line 236 of the return	16,500 00	1	3,840 00	1
Total of universal child care benefit (UCCB) repayment (line 213 of the return) and the registered disability savings plan (RDSP) income repayment (included in line 232)		2		2
Add lines 1 and 2	16,500 00	3	3,840 00	3
Total of the UCCB income (line 117 of the return) and the RDSP income (line 125 of the return)		4	3,840 00	4
Line 3 minus line 4 (if negative, enter "0")	16,500 00	5		5
Add the amounts from line 5 in column 1 and column 2 (if applicable)	**Adjusted net family income**		16,500 00	6
If you had a spouse or common-law partner on December 31, 2016, enter $18,000. Otherwise, enter $15,000.			18,000 00	7
Line 6 minus line 7 (if negative, enter "0")	**Income for the sales tax credit**			8

Basic sales tax credit	**claim $75**	**6033**	75 00	9
Additional credit for your spouse or common-law partner	**claim $75**	**6035**	75 00	10
Add lines 9 and 10			150 00	11
Amount from line 8 ____ x 2% =				12
Line 11 minus line 12 (if negative, enter "0")	**Sales tax credit**		150 00	13

British Columbia home renovation tax credit for seniors and persons with disabilities

If, on December 31, 2016, you and your spouse or common-law partner occupied separate principal residences for medical reasons, claim the home renovation tax credit for seniors and persons with disabilities and tick **box 6089**. **6089** ☐

Enter your home renovation expenses from line 5 of your Schedule BC(S12). **(maximum $10,000)** **6048** ____ x 10 % = ____ 14

British Columbia venture capital tax credit

Enter your venture capital tax credit from Certificate **SBVC10** for shares acquired in 2016.	**6049**		• 15
Enter your venture capital tax credit from Certificate **SBVC10** for shares purchased during the first 60 days of 2017 that you **elect** to claim in 2016.	**6050**	+	• 16
Enter your unused venture capital tax credit from previous years shown on your most recent notice of assessment or notice of reassessment.		+	17
Add lines 15, 16, and 17. **(maximum $60,000)**		=	▶ + ____ 18

British Columbia mining exploration tax credit

Enter your mining exploration tax credit from Form T88. **6051** + ____ • 19

Enter your mining exploration tax credit allocated from a partnership from Form T88. **6053** ____ 20

Add lines 13, 14, 18 and 19. = 150.00 21

Enter the amount from line 21 on the previous page.		= 150.00	22

British Columbia training tax credit

Enter your training tax credit for individuals from Form T1014, *British Columbia Training Tax Credit (Individuals)*.	6055		23	
Enter the amount from line 4 of Form T1014-1, *British Columbia Training Tax Credit (Employers)*.	6056	+	• 24	
Enter the amount from line 4 of Form T1014-2, *British Columbia Shipbuilding and Ship Repair Industry Tax Credit (Employers)*.	6063	+	• 25	
Add lines 23, 24, and 25.		=	▶	+ 26
Add lines 22 and 26. Enter the result on line 479 of your return.		**British Columbia credits**	= 150 00	27

Medical expenses

Medical expenses - line 330

Period covered by claim: from 2016-01-01 to 2016-12-31

Payment date	Name of patient	Payment made to	Description of expense	* Subject to limitation?	Amount	Claim
2016-12-02	Buddy-Chapter 4 Problem M	Canada Wide Dental Clinic	Dental services	No	1,200 00	1,200 00
2016-12-02	Natasha Musician	Canada Wide Dental Clinic	Dental services	No	700 00	700 00
2016-12-02	Linda Musician	Canada Wide Dental Clinic	Dental services	No	100 00	100 00
2016-12-02	Richard Musician	Canada Wide Dental Clinic	Dental services	No	800 00	800 00
				No		
					Medical expenses subtotal	2,800 00

Are you claiming medical expenses? Yes

	Taxpayer	Spouse	
Premiums paid to private health service plans			
Employee/Recipient-paid premiums for private health services plan			
Québec prescription Drug Insurance Plan - 2015			
Nova Scotia Seniors' Pharmacare Program			
Total medical expenses - line 330			2,800 00

Medical expenses

Allowable amount of medical expenses for other dependants - line 331

Name of other dependant	Earl Musician			Net income	7,500 00
Payment date	Payment made to	Description of expense	* Subject to limitation?	Amount	Claim
2016-12-02	Canada Wide Dental Clinic	Dental fees	No	1,050 00	1,050 00
			No		
				Total medical expenses	1,050 00

Are you claiming medical expenses for this dependant? Yes

Minus: 3% of line 236 of Earl Musician's return (maximum $2,237)	225 00
Allowable amount of medical expenses	825 00

Name of other dependant	Sarah Musician			Net income	
Payment date	Payment made to	Description of expense	* Subject to limitation?	Amount	Claim
2016-12-02	Canada Wide Dental Clinic		No	300 00	300 00
			No		
				Total medical expenses	300 00

Are you claiming medical expenses for this dependant? Yes

Minus : 3% of line 236 of Sarah Musician's return (maximum $2,237)	
Allowable amount of medical expenses	300 00

Name of other dependant				Net income	
Payment date	Payment made to	Description of expense	* Subject to limitation?	Amount	Claim
			No		
				Total medical expenses	

Are you claiming medical expenses for this dependant? Yes

Minus : 3% of line 236 of 's return (maximum $2,237)	
Allowable amount of medical expenses	

Medical expense summary

Medical expenses	330	2,800 00
Minus : 3% of line 236 of your return (maximum $2,237)		495 00
Subtotal		2,305 00
Plus medical expenses for other dependants	331	1,125 00
Allowable amount of medical expenses	332	3,430 00
Total medical expenses		3,430 00

* Limitation:
(1) Yes - Attendant care/Nursing Home (not claiming disability);
(2) Yes - Attendant care/Nursing Home (and claiming disability);
(3) Yes - Van adapted for transportation of patient requiring use of a wheelchair;
(4) Yes- Moving expenses for a patient's move to a more accessible dwelling

Other credits

Age amount - line 301

Maximum claim			7,125 00	1
Your net income from line 236 of your return	16,500 00	2		
Base amount	35,927 00	3		
Line 2 minus line 3 (if negative, enter "0")		4		
Multiply line 4 by 15%				5
Line 1 minus line 5 (if negative, enter "0"). Enter this amount on line 301 of Schedule 1.			7,125 00	6

Volunteer firefighters' amount – line 362

Do you wish to claim this credit?	☐ Yes	☒ No
Volunteer firefighters' amount		

Public transit passes amount - line 364

Amounts for public transit passes from your T4 slips		1
Amounts for public transit passes from your spouse or common law partner's T4 slips		2
Amounts for public transit passes not included on your or your spouse or common-law partner's T4		3
Amounts for public transit passes from your dependant children (under age 19)		4
Total of lines 1, 2, 3 and 4		5
Amount claimed by your spouse or common-law partner ______ %		6
Enter this amount on line 364 of Schedule 1		7

Home buyers' amount - line 369

Do you qualify for the home buyers' amount?	☐ Yes	☒ No
Home buyers' credit		
Amount claimed by another individual		
Home buyers' amount		

Search and rescue volunteers' amount – line 395

Do you wish to claim this credit?	☐ Yes	☒ No
Search and rescue volunteers' amount		

Total income tax deducted - line 437

T4 slips	500 00
T4A slips	
T4A (OAS) slip	
T4A (P) slip	
T4A (RCA) slip	
T4E slip	
T4RIF slips	
T4RSP slips	
T5013 slips	
T1032 line P - Pension Transferee	
Québec tax deducted (if not filing Québec return)	
Subtotal	500 00
Less: T1032 line P - Pensioner	
Total	500 00

Refundable medical expense supplement - line 452

Your net income from line 236 of your return	16,500 00	1		
Net income of your spouse or common-law partner from page 1 of your return	3,840 00	2		
Add lines 1 and 2.	20,340 00	▶	20,340 00	3
Universal Child Care Benefit (UCCB) (line 117 of your return) or the benefit of your spouse or common-law partner from page 1 of your return	3,840 00	4		
Registered disability savings plan (RDSP) income (line 125 of your and your spouse's or common-law partner's return)		5		
Add lines 4 and 5.	3,840 00	▶	3,840 00	6
Line 3 minus line 6			16,500 00	7
Universal Child Care Benefit repayment (line 213 of your return) plus the UCCB repayment of your spouse or common-law partner from page 1 of your return		8		
RDSP income repayment (included in the amount of line 232 of your and your spouse's or common-law partner's return)		9		
Add lines 8 and 9.		▶		10
Adjusted family net income: add lines 7 and 10.			16,500 00	11
Base amount			26,277 00	12
Line 11 minus line 12 (if negative, enter "0")				13

Enter the lesser of :

- **$1,187**
- 3,430|00 x 25% = 857|50 — 857|50 14

(25 % of the total of line 215 of your return and line 332 of Schedule 1)

Multiply the amount on **line 13** by 5%.		15
Line 14 minus line 15 (if negative, enter "0"). Enter this amount on line 452 of your return.	857|50	16

Tax paid by instalments - line 476

Payment date	Description	Amount
2016-03-15	Instalment	1,000|00
2016-06-15	Instalment	1,000|00
2016-09-15	Instalment	1,000|00
2016-12-15	Instalment	1,000|00
	Total tax paid by instalments	4,000|00

Dependant information

	Dependant #1		Dependant #2		Dependant #3	
Social Insurance Number						
First name	Linda		Larry		Donna	
Last name	Musician		Musician		Musician	
Relationship	Daughter		Son		Daughter	
Birthdate	2011-04-01		2012-04-01		2013-04-01	
Net income						
Claim as eligible dependant?	No		No		No	
Dependant claiming GST credit?	No		No		No	
Dependant claiming PST credit (ON, MB)?	No		No		No	
Did dependant live with you in 2016?	Yes		Yes		Yes	
Street address	111 WWW Street		111 WWW Street		111 WWW Street	
P.O. Box, R.R.						
Apt No.						
City	Vancouver		Vancouver		Vancouver	
Province	BC		BC		BC	
Postal code	V4H 3W4		V4H 3W4		V4H 3W4	
Province of residence on 2016/12/31	British Columbia		British Columbia		British Columbia	
Disability/infirmity						
Qualify for disability amount?	No		No		No	
Mentally or physically infirm?	No		No		No	
If yes, state nature of infirmity						
% Claim on Schedule 5?						
Claim on Schedule 5						
Caregiver						
% Claim on Schedule 5?						
Claim on Schedule 5						
Disability supplement (under age 18)						
Maximum supplement **A**						
Child / attendant care expenses claimed for dependant by anyone						
Base amount						
Supplement reduction **B**						
Disability supplement (A-B)						
Children's fitness amount						
Eligible fitness expenses						
Percentage claim		100.00		100.00		100.00
Children's arts amount						
Eligible children's art expenses						
Percentage claim		100.00		100.00		100.00
Transfers from dependants						
Tuition fees (T2202 and TL11)						
Education - # months part time						
Education - # months full time						
Unused tuition/education from 2015						
Net income						
Deductions from net income						
Non-refundable amounts (lines 3 to 15 of Schedule 1)						
Provincial transfers from dependants						
Unused tuition/education from 2015						
Non-refundable amounts (lines 5812 to 5845)						

	Dependant #4	Dependant #5	Dependant #6
Social Insurance Number		527 000 285	
First name	Donald	Richard	Sarah
Last name	Musician	Musician	Musician
Relationship	Son	Son	Daughter
Birthdate	2014-04-01	1999-03-15	1996-09-02
Net income		2,800.00	
Claim as eligible dependant?	No	No	No
Dependant claiming GST credit?	No	No	No
Dependant claiming PST credit (ON, MB)?	No	No	No
Did dependant live with you in 2016?	Yes	Yes	Yes
Street address	111 WWW Street	111 WWW Street	111 WWW Street
P.O. Box, R.R.			
Apt No.			
City	Vancouver	Vancouver	Vancouver
Province	BC	BC	BC
Postal code	V4H 3W4	V4H 3W4	V4H 3W4
Province of residence on 2016/12/31	British Columbia	British Columbia	British Columbia
Disability/infirmity			
Qualify for disability amount?	No	No	No
Mentally or physically infirm?	No	No	No
If yes, state nature of infirmity			
% Claim on Schedule 5?			
Claim on Schedule 5			
Caregiver			
% Claim on Schedule 5?			
Claim on Schedule 5			
Disability supplement (under age 18)			
Maximum supplement **A**			
Child / attendant care expenses claimed for dependant by anyone			
Base amount			
Supplement reduction **B**			
Disability supplement (A-B)			
Children's fitness amount			
Eligible fitness expenses			
Percentage claim	100.00		
Children's arts amount			
Eligible children's art expenses			
Percentage claim	100.00		
Transfers from dependants			
Tuition fees (T2202 and TL11)		3,000.00	9,600.00
Education - # months part time			
Education - # months full time		4	12
Unused tuition/education from 2015			
Net income		2,800.00	
Deductions from net income			
Non-refundable amounts (lines 3 to 15 of Schedule 1)			
Provincial transfers from dependants			
Unused tuition/education from 2015			
Non-refundable amounts (lines 5812 to 5845)			

	Dependant #7		Dependant #8		Dependant #9	
Social Insurance Number						
First name	Eunice		Earl			
Last name	Musician		Musician			
Relationship	Mother		Father		N/A	
Birthdate	1929-04-10		1927-11-16			
Net income	9,500.00		7,500.00			
Claim as eligible dependant?	No		No		No	
Dependant claiming GST credit?	No		No		No	
Dependant claiming PST credit (ON, MB)?	No		No		No	
Did dependant live with you in 2016?	Yes		Yes		No	
Street address	111 WWW Street		111 WWW Street			
P.O. Box, R.R.						
Apt No.						
City	Vancouver		Vancouver			
Province	BC		BC			
Postal code	V4H 3W4		V4H 3W4			
Province of residence on 2016/12/31	British Columbia		British Columbia		NA	
Disability/infirmity						
Qualify for disability amount?	Yes		No		No	
Mentally or physically infirm?	Yes		No		No	
If yes, state nature of infirmity	blind					
% Claim on Schedule 5?						
Claim on Schedule 5						
Caregiver						
% Claim on Schedule 5?	100.0		100.0			
Claim on Schedule 5		6,788.00		4,667.00		
Disability supplement (under age 18)						
Maximum supplement **A**						
Child / attendant care expenses claimed for dependant by anyone						
Base amount						
Supplement reduction **B**						
Disability supplement (A-B)						
Children's fitness amount						
Eligible fitness expenses						
Percentage claim						
Children's arts amount						
Eligible children's art expenses						
Percentage claim						
Transfers from dependants						
Tuition fees (T2202 and TL11)						
Education - # months part time						
Education - # months full time						
Unused tuition/education from 2015						
Net income	9,500.00		7,500.00			
Deductions from net income						
Non-refundable amounts (lines 3 to 15 of Schedule 1)						
Provincial transfers from dependants						
Unused tuition/education from 2015						
Non-refundable amounts (lines 5812 to 5845)						

Child care expense details

(Please use the drop down list to select the first name of an eligible child)

Child first name	Organization or name	SIN	# weeks*	Amount	Claim
			Total		

*Enter the # of weeks spent at boarding school, overnight sports school or overnight camp.

Transfer from dependants

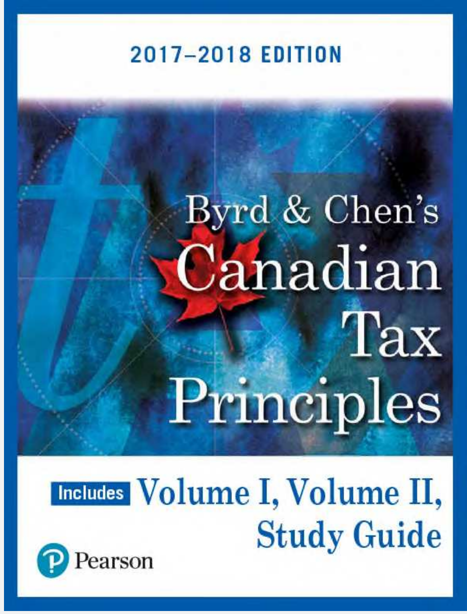
Disability transfer from dependant

SIN		Disability amount	A	8,001.00
First name	Eunice	Taxable income		9,500.00
Last name	Musician	Basic personal amount		11,474.00
Birthdate	1929-04-10	Age amount		7,125.00
Maximum available for transfer (A-B)	8,001.00	Other amounts - lines 3 to 20 of Schedule 1		
Disability transfer	8,001.00	Adjusted taxable income	B	0.00

Tuition and education transfer from dependant (post-secondary)

SIN	527 000 285	Tuition and education amount	A	4,860.00
First name	Richard	Taxable income		2,800.00
Last name	Musician	Basic personal amount		11,474.00
Birthdate	1999-03-15	Age amount		
Maximum available for transfer (A-B)	4,860.00	Other amounts - lines 3 to 21 of Schedule 1		
Tuition and education transfer	0.00	Unused tuition and education from 2015		
		Adjusted taxable income	B	0.00

SIN		Tuition and education amount	A	5,000.00
First name	Sarah	Taxable income		0.00
Last name	Musician	Basic personal amount		11,474.00
Birthdate	1996-09-02	Age amount		
Maximum available for transfer (A-B)	5,000.00	Other amounts - lines 3 to 21 of Schedule 1		
Tuition and education transfer	0.00	Unused tuition and education from 2015		
		Adjusted taxable income	B	0.00



Chapter 2

PROCEDURES AND ADMINISTRATION

Returns And Payments
Individuals (T1)

- **Filing The T1**
  - When Required
    - Taxes Payable
    - CRA Request To File
    - Capital Gain
    - Disposition Of Capital Property
    - Pension Income Split
    - CPP or EI amounts payable

Filing

Total

- 27.7 Million in 2016

Electronic – NetFile and EFile

- 23.5 Million in 2016

PAPER

- 4.2 Million in 2016

Returns And Payments Individuals (T1)

- **Filing Date**
  - April 30 Of Following Year
  - June 15 Of Following Year (Business Income)
  - 6 Months After Date Of Death (After October, Before May)

Instalments Individuals

- **Timing:**
  - March 15
  - June 15
  - September 15
  - December 15

Instalments Individuals

- **When Required – ITA 156.1(2)**
  - **Net Tax Owing**
    (Federal + Provincial – Withheld)
  - **Instalment Threshold ($3,000)**
  - **Instalments required when:**
    - Net tax owing > $3,000
      - In 2017; and
      - In either 2016 or 2015

Instalments Individuals

- **Instalment Amounts**
  - **(Estimate For Current Year) ÷ 4**
  - **(Actual For Preceding Year) ÷ 4**
  - **Combination:**
    - 1 & 2 – (Actual For 2nd Preceding Year) ÷ 4
    - 3 & 4 – (Actual For Preceding Year – Payments 1 & 2) ÷ 2
    - CRA's instalment reminder based on this approach

Instalments Individuals

- **Example: Net Tax Owing:**
  - 2015 = $2,000
  - 2016 = $4,000
  - 2017 (Estimated) = $8,000
- **Instalments Are Required (>$3,000 in 2017 and 2016)**

Instalments Individuals

- **Current Year = $2,000 ($8,000 ÷ 4)**
- **Preceding Year = $1,000 ($4,000 ÷ 4)**
- **CRA Instalment Reminder**
  - 1 and 2 = $500 ($2,000 ÷ 4)
  - 3 and 4 = $1,500 [($4,000 - $1,000) ÷ 2]

- **The instalment reminder approach is best**
  - Same total as preceding year
  - Some deferral of payment

Late Instalments

- **Interest**
  - Prescribed rate
  - Amounts due from government (+ 2%)
    - As of 2010 – N/A to corporations
  - Amounts owing to government (+ 4%)
- **Penalties**
  - Only on very large amounts
  - ITA 163.1

Should you pay instalments?

Late Filing

- **Penalty**
  - 1st Offence:
    5% + 1% Per Month
  - 2nd Offence:
    10% + 2% Per Month
- **Interest**
  - Prescribed Rate + 4%
  - Only On Tax Payable

Returns And Payments
Corporations (T2)

- **When T2 required**
  - Always
- **Filing options**
  - If gross revenues > $1 million – must file electronically
  - Can use functional currency
- **Filing dates**
  - 6 Months fiscal after year end

Instalments

Example: Public corporation with:

- 2015 Taxes Payable of $60,000,
- 2016 Taxes Payable of $90,000, and
- estimated 2017 Taxes Payable of $120,000.

1.	$120,000/12	$10,000/Month
2.	$90,000/12	$7,500/Month
3.	1 & 2: $60,000/12	$5,000/Month
	3 - 12: ($90,000 - $10,000)/10	$8,000/Month

Quarterly For Small CCPCs

- **Small CCPC**
  - Taxable income does not exceed $500,000 during current or previous year.
  - Taxable capital employed in Canada does not exceed $10 million during current or previous year
  - Some amount of SBD in current and previous year
  - Perfect compliance in last 12 months

Quarterly Alternatives

- **Current year ÷ 4**
- **Previous year ÷ 4**
- **Combination**
  - 1st based on 2nd previous year ÷ 4
  - 2nd, 3rd, and 4th based on:

    (previous year less 1st instalment) ÷ 3

Corporate Interest And Penalties

- **In general:**
  Same as for individuals except no +2% for amounts owed to corporation.

- Further penalty for large corporations

Should the Corporation Pay?

Returns And Payments
Trusts (T3)

- **Filing**
  - 90 Days After December 31 Year End
- **Instalments**
  - Testamentary
  - Inter Vivos

Due Dates For Balance Owing

- **Individuals**
  - April 30 of following year – no extension for business income
  - Deceased individuals: due date for return with no extension for business income
- **Corporations**
  - 2 months after year end
  - 3 months for some CCPCs

Interest On Refunds

- **Individuals**
  - Later of 30 days after return is filed and the balance due date (April 30)
- **Corporations**
  - Later of 120 days after corporation year end and 30 days after return is filed

Other Considerations

- **Information Returns**
  - T3 – Trust Income Allocation
  - T4 – Employment Income
  - T5 – Investment Income
  - T4RSP – RRSP Contributions

- **Books And Records**
  - General Rule: 6 years

Assessment And Reassessment

- **Initial Assessment**
  - Individuals
  - Corporations

Assessment And Reassessment

- **Reassessment**
  - **Normal Period**
    - 3 Years (individuals, trusts, and CCPCs)
    - 4 Years – Other corporations
  - **Outside normal if:**
    - Fraud
    - Taxpayer signs a waiver
    - Individual or testamentary trust requests a reduction in taxes.
    - If a balance outside of normal period is involved
    - 6 Year Extended

Settling Disputes

- **T1-Adj**
- **Notice Of Objection**
  - 90 Days From Mailing Of Assessment
  - 1 Year From Due Date Of Return (Individuals And Testamentary Trusts)

Settling Disputes

- **Tax Court Of Canada**
  - **Informal Procedure (Tax < $25,000, Loss < $50,000)**
    - No Lawyers
    - No Appeal
    - No Precedents
  - **General Procedure**
- **Federal Court of Appeals**
- **Supreme Court of Canada**

Evasion

- Deliberately ignoring a specific part of the law (e.g., not reporting taxable receipts)

Avoidance And Tax Planning

- No breaking of the law
- Planning observes “spirit of the law”
- Avoidance is not in keeping with the “spirit of the law”
  - GAAR

GAAR

- **The Background**
  - Business Purpose Test
  - ITA 245(2) to 245(5)

GAAR

- **Meaning Of GAAR**
  - that, but for this section, would result, directly or indirectly, in a tax benefit, unless the transaction may reasonably be considered to have been undertaken or arranged primarily for bona fide purposes other than to obtain the tax benefit; or
  - that is part of a series of transactions, which series, but for this section, would result, directly or indirectly, in a tax benefit, unless the transaction may reasonably be considered to have been undertaken or arranged primarily for bona fide purposes other than to obtain the tax benefit

Penalties

- **Taxpayer Property**
  - Entering
  - Seizure – Books And Records

- **Collection Procedures**
  - Informal
  - Garnishment
  - Seizure – Taxpayer Property

Penalties

- **Examples**
  - Failure to report income (10% of unreported amount)
  - False Statements/Omissions (50% of tax)
  - Evasion (50% to 200% of tax)

Penalties

- **Tax Preparers And Promoters**
- **Applicability**
  - **Culpable Conduct**
    - Intentional
    - Indifference To Compliance With Act
    - Willful Disregard Of Law
  - **Excluded Activity**
    - Promoting Avoidance Arrangements
    - Accepting Consideration For Such Arrangements

Penalties

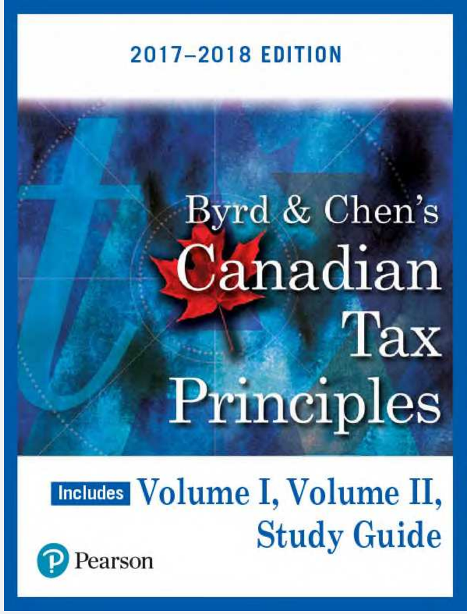
- **Tax Preparers And Promoters**
- **Penalty – Greater Of**
  - $1,000
  - Advisor's gross entitlements

Taxpayer Relief Provisions
IC – 07-1

- **Part I – Introduction**
- **Part II – Cancellation/Waiver – Penalties and Interest**
  - Extraordinary circumstances
  - Actions of the CRA
  - Financial hardship

Taxpayer Relief Provisions

- **Part III – Late, amended, or revoked elections**
- **Part IV – Refunds Beyond 3 Year Period**
  - Beyond Normal 3 Year Period
  - No Permissive Deductions (CCA)
- **Part V – Procedures when relief is granted**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ALWAYS LEARNING