

ACC 109

PERSONAL INCOME TAX

Course Number

SAULT COLLEGE OF APPLIED ARTS & TECHNOLOGY

SAULT STE. MARIE, ONTARIO

PHILOSOPHY GOALS:

To introduce accounting students to Canadian Income Tax by studying the taxation of the personal income of individuals. Throughout the course attention will be paid to the alternative arrangements available to individuals which in various circumstances, successful students will be competent in preparing tax returns for individuals with personal incomes and will be able to advise on arrangements that minimize tax.

COURSE OUTLINE

Course Outline: PERSONAL INCOME TAX

Code No.: ACC 109

Program: ACCOUNTING

Semester: FOUR

Date: JANUARY, 1987

Author: G. DUNLOP

GENERAL OBJECTIVES:

The course has been designed to provide student with a general knowledge of the fundamentals of the Federal Income Tax Act.

Since proper calculation and preparation of tax returns is a general knowledge of competency expected of the accounting major, a general knowledge of the various provisions and regulations becomes necessary.

Students who leave the accountancy profession will not be tax experts, but they should have sufficient knowledge to be able to respond to questions as they arise, in order to refer to the student or professional assistance where appropriate.

New: \_\_\_\_\_ Revision: \_\_\_\_\_ X

APPROVED: [Signature]  
Chairperson

86-12-23  
Date

Study of the T-1 general and related schedules by reference to the text, the tax guide and classroom examples.

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**PHILOSOPHY/GOALS:**

To introduce accounting students to Canadian Income Tax by studying the taxation of the personal income of individuals. Throughout the course, attention will be paid to the alternative arrangements available to individuals which minimize tax in various circumstances. Successful students will be competent in preparing tax returns for individuals with personal incomes and will be able to advise on arrangements that minimize tax.

**PREREQUISITE:** Principles of Accounting II (ACC 102)

**TEXT:** "Taxation and Business Decisions 1986 Edition", Henry B. Zimmer and accompanying Question Book

**GENERAL OBJECTIVES:**

The course has been designed to provide the student with an understanding of the fundamentals of the Federal Income Tax Act.

Since proper calculation and reporting of income for tax purposes is one of the areas of competency expected of an accounting major, a general knowledge of the statutes and regulations becomes necessary.

Students who leave the accounting program will not be tax experts, but they should have sufficient knowledge to be able to recognize taxation problems as they appear, in order to refer to the statutes or to seek professional assistance where appropriate.

**COURSE PRESENTATION:**

The material in the course of study will be covered by:

1. Assigned reading in the text and study of examples presented in the text.
2. Review of text material by the instructor together with chalkboard examples.
3. Study of the T-1 general and related schedules by reference to the text, the tax guide and classroom examples.



SAULT COLLEGE OF APPLIED ARTS AND TECHNOLOGY  
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(705) 949-2050

MEMORANDUM

TO: GRANT DUNLOP  
FROM: LIZ HANSEN  
RE: RESOURCE LIST FOR PERSONAL INCOME TAX COURSE  
DATE: DEC. 24/86

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ADDITIONAL RESOURCES AVAILABLE IN THE COLLEGE LIBRARY

\* INDICATES ON RESERVE.

Canadian Income Tax with regulations, 56th ed. 1986 published by C.C.H. Canadian Limited. Call No. Ref. KE C25 I5

CCH Canadian Master Tax Guide 1986. 41st ed. published by C.C.H. Canadian Limited. CALL NO. Ref. HJ 3372.5.C3.

\*Interpretation Bulletins and Information Circulars published by Revenue Canada Taxation.

Introduction to federal income taxation in Canada : commentary and problems. 7th ed. by R.E. Beam and S.N. Laiken, published by C.C.H. Canadian Limited. CALL NO. Ref. KE 5759 B4 1986

The 1986/87 Canadian tax and investment guide by Henry B. Zimmer, published by Hurtig. CALL NO. KE 5682.Z82Z54 1986

Personal tax planning 1986-87 by Thorne Ernst and Whinney, chartered accountants, published by Richard De Boo. CALL NO. HJ 4661.P47 1986

Preparing your income tax return 1986, by Arthur Andersen and Co., chartered accountants, published by C.C.H. Canadian Limited. CALL NO. REF. HJ 4661.C67.

PERIODICALS

C.A. Magazine

C.G.A. Magazine

CMA: Management Accounting Magazine (Formerly Cost and Management Magazine)

NEWSLETTERS

Dunwoody and Co. National Tax Bulletin

Peat Marwick. Canadian Tax Letter

Thorne Ernst and Whinney. Focus on Taxation, Update.

The Library



4. Classroom calculation by students of income, deductions from income in arriving at net income, personal exemptions and other deductions from net income. The students will also do calculations to determine amounts of income tax and tax credits in various situations.
5. Current topics in income tax will be discussed by reference to newspapers, radio, TV or magazine items which will be brought to the attention of class by both students and the instructor.

**METHODS OF INSTRUCTION:**

1. Lecture and discussion of course material.
2. Individual problem solving, followed by discussion.

**OBJECTIVES OF MAJOR UNITS OF COURSE:**

1. Explain the history and principles of tax law.
2. Explain the purpose and effect of:
  - 2.1 Law Amendments
  - 2.2 Income Tax Application Rules, 1971
  - 2.3 Income Tax Regulations
  - 2.4 Tax Treaties
  - 2.5 Tax Case Decisions
  - 2.6 Departmental Interpretation Bulletins
  - 2.7 Departmental Information Circulars
3. Distinguish between the taxation of a resident and non-resident person of Canada.
4. Determine if a person is a resident or non-resident for tax purposes.
5. Name and give examples of the four major sources of income. Give examples of "other" sources of income.
6. Explain what is to be included in employment income and when it will be taxed.

Objectives (cont'd)

7. Distinguish between taxable and non-taxable benefits and allowances and give examples of same.
8. List the deductions from employment income.
9. Name several types of payments which are not employment income but employment-related income.
10. Explain the advantages, employer limits on contributions, employee-individual limits on contribution and the taxation of the following
  - 10.1 registered pension plans
  - 10.2 deferred profit sharing plans
  - 10.3 profit sharing plans
  - 10.4 registered retirement savings plans
  - 10.5 registered retirement income funds
11. Name and explain the broad restrictions on the limitation of the deduction of expenses from business or property income.  
(Sec. 18 & Sec. 67)
12. Distinguish between active income vs. passive income and business income vs. capital gains.
13. Identify those items which must be included in business income and the limitations thereon.
14. Identify those items which can be deducted in determining net business income.
15. Explain when, and how much must be included in the owners income of an unincorporated vs. an incorporated business.
16. Calculate the Sec. 31 allowable farming loss.
17. Explain what Capital Cost Allowance is and how the C.C.A. system works.
18. Discuss the options available to a taxpayer when an "involuntary disposition" takes place and when a "change of use" takes place.
19. Explain what Eligible Capital Expenditures are and how the Cumulative Eligible Capital Expenditure system works.
20. Give some examples of property income inclusions and deductions.

OBJECTIVES (cont'd)

21. Explain when property income must be included for tax purposes.
22. Discuss the rules relating to the deduction of C.C.A. on rental property.
23. Explain the tax treatment of dividends from taxable Canadian Corporations when received by an individual.
24. Explain the tax treatment of foreign property income.
25. Discuss the income attribution rules.
26. Calculate a taxable capital gain/capital loss.
27. List some types of "capital property".
28. Explain when a capital gain must be included in income.
29. Calculate a capital gain (loss) using both the median rule method and the valuation day method.
30. Calculate a capital gain (loss) on the disposal of identical capital properties.
31. Give examples of other deductions available to individuals.
32. Discuss the following deductions that individuals can claim in determining their taxable income.
  - 32.1 Personal exemptions - including exemptions for "other dependents"
  - 32.2 Charitable donations
  - 32.3 Gifts to Her Majesty
  - 32.4 Medical expenses
  - 32.5 Deduction for stock option benefits
  - 32.6 Deduction for blind and disabled persons.
  - 32.7 Education deduction
  - 32.8 Deduction for investment income
  - 32.9 Pension income deduction
  - 32.10 Transfer of spouse's unused deductions
33. Calculate an individual's taxable income with and without the application of forward averaging.

**OBJECTIVES** (cont'd)

34. Calculate an individual's taxes payable assuming that an individual has the following credits or tax adjustments available:
- 34.1 Dividend tax credit
  - 34.2 Child tax credit
  - 34.3 Foreign tax credit
  - 34.4 Political donation - federal and provincial
  - 34.5 Ontario tax credits

**EVALUATION:**

Final grade will be assigned as follows:

- A - 85 - 100%
- B - 70 - 84%
- C - 55 - 69%
- R - under 55%

The mark will be calculated by allocating 20% of the mark achieved on each of three term tests, two assignments of 15% each and 10% to the contents of the students income tax file.\*

Students with an "R" grade, but with marks of 40% or more, and at least 75% attendance, will be granted the opportunity to write a supplemental exam based on the total course content. Achievement of 55% or more on the supplemental exam will result in a final grade of "C".

\*Income Tax File - A collection of at least 15 different items from several sources including newspapers, radio, TV or magazines relating to income tax during the semester, with emphasis on more important topics.