

SAULT COLLEGE OF APPLIED ARTS & TECHNOLOGY

SAULT STE. MARIE, ONTARIO

COURSE OUTLINE

Course Outline: PERSONAL INCOME TAX

Code No.: ACC 109

Program: ACCOUNTING

Semester: FOUR

Date: JANUARY, 1994

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New: _____ Revision: X _____

APPROVED: *Rose M. Lewis*
Dean, School of Business and
Hospitality

1993/12/14
Date

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 both manually and on the computer.

PREREQUISITE: Principles of Accounting II (ACC 102)

TEXT: "Taxation and Business Decisions 1993 Edition", Henry B. Zimmer and accompanying Question Book

"Preparing Your Income Tax Returns" - CCH Canada Ltd.

Tax Prep 111 - available through the software office

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.

Because the microcomputer figures so prominently in the accountant's work, the basic understanding of computerized tax preparation becomes an important facility to create professional solutions to income tax problems and the student will have had access to this technique.

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.
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. Computer lab training of a tax preparation program and performing skills to produce actual tax return output for clients of the class.
6. 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.
3. Individual problem solving using real information on the microcomputer.

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 nonresident person of Canada.
4. Determine if a person is a resident or nonresident 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.
7. Distinguish between taxable and nontaxable 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.
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 Deduction for stock option benefits
 - 32.2 Loss carry overs
 - 32.3 Capital Gains deduction
 - 32.4 Northern residents deductions
33. Discuss the following non-refundable credits that individuals can claim in determining their tax payable:
 - 33.1 Personal exemptions - including exemptions for "other dependents"
 - 33.2 Charitable Donations
 - 33.3 Gifts to Her Majesty
 - 33.4 Medical Expenses
 - 33.5 Blind and Disabled Persons
 - 33.6 Education Credit
 - 33.7 Pension Income Credit
 - 33.8 Transfer of spouse's unused credits
34. Discuss the following refundable credits that individuals can claim in determining their tax payable or refundable:
 - 34.1 Dividend Tax Credits
 - 34.2 Child Tax Credit
 - 34.3 Foreign Tax Credit
 - 34.4 Ontario Tax Credits

EVALUATION:

Final grade will be assigned as follows:

- A+ - 90-100%
- A - 80- 89%
- B - 70- 79%
- C - 60- 69%
- R - under 60%

The mark will be calculated as follows:

Three tests @ 20% each	= 60%
Four Tax Preparation Assignments (4 @ 10% each)	= 40%
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	100%

Students with an "R" grade, but with marks of 40% or more, and at least 80% attendance, will be granted the opportunity to write a supplemental exam based on the total course content. Achievement of ~~60~~ 60% or more on the supplemental exam will result in a final grade of "C".

ADDITIONAL RESOURCES AVAILABLE IN THE COLLEGE LIBRARY:

- 1) Canadian Income Tax with Regulations, 21st edition, 1992 published Richard DeBoo
- 2) CCH Canadian Master Tax Guide 1990, 41st ed. published by C.C.H. Canadian Limited. Call No. Ref. HJ3372.5.C3
- 3) Interpretation Bulletins and Information Circulars published by Revenue Canada Taxation
- 4) 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, 1988
- 5) The 1988/89 Canadian Tax and Investment Guide by Henry B. Zimmer, published by Hurtig. Call No. KE 5682.Z82Z54, 1988
- 6) Personal Tax Planning, 1993, by Peat Marwick Thorne, Chartered Accountants, published by Corswell
- 7) Preparing Your Income Tax Returns, 1992, by Peat Marwick Thorne, Chartered Accountants, published by C.C.H. Canadian Ltd.

PERIODICALS:

C.A. Magazine
C.G.A. Magazine
CMA Management Accounting Magazine
Journal of Accountancy
Management Accounting

NEWSLETTERS:

Dunwoody and Co. National Tax Bulletin
Peat Marwick Thorne Canadian Tax Letter

Taxation Statistics, Supply and Services Canada. 1988
REF.HV4661.A2T38