

SAULT COLLEGE OF APPLIED ARTS & TECHNOLOGY

SAULT STE. MARIE, ONTARIO

COURSE OUTLINE

Course Outline: TAXATION  
Code No.: ACC231  
Program: ACCOUNTING  
Semester: FOUR  
Date: JANUARY, 1997  
Previous Outline  
Date: JANUARY, 1996  
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APPROVED: *Joseph C. Fruchter*  
Dean, School of Business and Hospitality

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Date

Total Credits: 4  
Prerequisite(s): ACCOUNTING PRINCIPLES I (ACC108)  
Length of Course: 5 HOURS/WEEK FOR 16 WEEKS

## **I. COURSE DESCRIPTION:**

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.

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.

## **II. LEARNING OUTCOMES AND ELEMENTS OF THE PERFORMANCE:**

Upon successful completion of this course the student will:

- 1) Demonstrate an understanding of the T1 general tax form and related schedules by reference to the text, the tax guide and classroom examples.
- 2) 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.

## **II. ELEMENTS OF THE PERFORMANCE: (Continued)**

- 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 and of unincorporated vs. an incorporated business.
- 16) Explain what Capital Cost Allowance is and how the C.C.A. system works.
- 17) Explain what Eligible Capital Expenditures are and how the Cumulative Eligible Capital Expenditure system works.
- 18) Give some examples of property income inclusions and deductions.
- 19) Explain when property income must be included for tax purposes.
- 20) Discuss the rules relating to the deduction of C.C.A. on rental property.
- 21) Explain the tax treatment of dividends from taxable Canadian Corporations when received by an individual.
- 22) Explain the tax treatment of foreign property income.
- 23) Discuss the income attribution rules.
- 24) Calculate a taxable capital gain/capital loss.
- 25) List some types of "capital property".
- 26) Explain when a capital gain must be included in income.
- 27) Give examples of other deductions available to individuals.
- 28) Discuss the following deductions that individuals can claim in determining their taxable income:
  - 28.1 Deduction for stock option benefits
  - 28.2 Loss carryovers
  - 28.3 Capital Gains deduction
  - 28.4 Northern residents deductions
- 29) Discuss the following non-refundable credits that individuals can claim in determining their tax payable:
  - 29.1 Personal exemptions - including exemptions for "other dependents"
  - 29.2 Charitable Donations
  - 29.3 Gifts to Her Majesty
  - 29.4 Medical Expenses
  - 29.5 Blind and Disabled Persons
  - 29.6 Education Credit

- 29.7 Pension Income Credit
- 29.8 Transfer of spouse's unused credits

- 30) Discuss the following refundable credits that individuals can claim in determining their tax payable or refundable:
  - 30.1 Dividend Tax Credits
  - 30.2 Child Tax Credit
  - 30.3 Foreign Tax Credit
  - 30.4 Ontario Tax Credits

**3.** Demonstrate the use of the current version of the Personal Tax Prep for Windows software.

Elements of the Performance:

- 1. Completion of a variety of computer lab assignments relating to both the manual preparation and computer generated income tax return and supporting schedules.

**III. TOPICS TO BE COVERED:**

- 1) Overview of the T1 General and supporting schedules.
- 2) Coverage of 4 major sources of income and the deductions allowed to arrive at net income for tax purposes.
- 3) Calculation of taxable income.
- 4) Calculation of refundable and non-refundable tax credits and balance owing or refundable to Revenue Canada.

**IV. REQUIRED RESOURCES/TEXT MATERIALS:**

Text: Canadian Tax Principles 1996-97 Edition by Byrd, Chan, Jacobs  
Supplies: (3) 3 1/2 " computer disks (high density)

**V. EVALUATION PROCESS/GRADING SYSTEM:**

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 50% 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% or more on the supplemental exam will result in a final grade of "C".

## VI. SPECIAL NOTES:

### Special Needs

If you are a student with special needs (e.g. physical limitations, visual impairments, hearing impairments, learning disabilities), you are encouraged to discuss required accommodations with the professor and/or contact the Special Needs Office, Room E2104, Ext. 493, 717, 491, so that support services can be arranged for you.

### Plagiarism

Students should refer to the definition of "academic dishonesty" in the "Statement of Student Rights and Responsibilities."

Students who engage in "academic dishonesty" will receive an automatic failure for that submission and/or such other penalty, up to and including expulsion from the course, as may be decided by the professor.

### Retention of Course Outlines

It is the responsibility of the student to retain all course outlines for possible future use in acquiring advanced standing at other post-secondary institutions.

Substitute Course Information: available at Registrar's Office.

The Professor reserves the right to modify the course as deemed necessary.