

Index

A

- Academic prize income**, 148
- Accelerated investment incentive**, 61-62, 65, 67, 69, 74
- Accounting net income vs. tax net income**, 44-45, 222-225
 - Accounting depreciation vs. tax depreciation, 56-57, *see also* Capital cost allowance (CCA)
 - Accrued salary and bonus, 219-220
 - Capital outlay or loss, 217
 - Club dues, 44, 217
 - Conventions, 44-45
 - Disability-related modification to building, 225
 - Discount on debt obligations, 222
 - Donations, 225
 - Employers' contributions to RPP/DPSP, 218
 - Examples, 220-221
 - Financing expenses, 218
 - Foreign advertising, 223
 - General limitation, 217
 - Home office, 222-223
 - Interest and penalties, 104-105, 218
 - Inventory valuation, 213
 - Investigation of site, 224
 - Landscaping, 224
 - Lease cancellation cost, 223-224
 - Life insurance premiums, 223
 - Meals and entertainment, 44-45, 219
 - Motor vehicle, 46
 - Personal expenses, 217
 - Recreational facilities, 44, 217
 - Reserves, 45, 213-216
 - Scientific research and experimental development, 218-219
 - Tax payments, 218
 - Utility service connection, 224
- Accounts receivable, allowance for bad debts**, 213-214, 261
- Accounts receivable, sale of**, 261-262

CFE Tax

- Accrual accounting**, 40, 43-44, 213
- Acquisition of control**, 296, 298-299, 304-306
- Active business assets**, 161-170
- Active business income**, 161-162
- Additional amount credit**, 184
- Additional refundable tax (ART)**, 249-250
- Adjusted cost base (ACB)**, 76-77
- Identical properties, 85-86
- Adoption expense credit**, 185
- Affiliated persons**, 100-101
- Age credit**, 174
- Aggregate investment income**, 249-251
- Allowable business investment loss (ABIL)**, 91-93
- Allowances**, 115
- Alternate minimum tax**, 2
- Amalgamations**, 295-297
- Annuity income**, 147-148
- Arm's length**, *see* Non-arm's-length
- Arm's length share-for-share exchange**, 293-294
- Arm's length sale of shares by corporation**, 302-303
- Articles of continuance**, 26, 29
- Asset writedowns**, 217
- Associated corporations**, 230-233, 236, 244-248, *see also* Small business deduction; Scientific research and experimental development (SR&ED)
- At-risk amount**, 321
- Attribution**, 195-203, *see also* Corporate attribution; Subsection 75(2)
- Automobile**, *see* Motor vehicle
- Avoidance transactions**, 17-19
- B**
- Barter transaction**, 16
- Basic asset test**, 165-170
- Basic personal amount tax credit**, 172-174
- Bonus and salary accrued**, 219-220
- Boot**, 282
- Bursary**, 148
- Business**, 8, 40-41
- Business income**
- Defined for tax purposes, 39-41, 111
- Business investment loss (BIL)**, 91-93
- Business loss**, 55-56
- Non-capital loss, 55-56

Index

C

- Canada carbon rebate**, 2
- Canada employment credit**, 175
- Canada Pension Plan (CPP)**, 111
 - Tax credit, 179
- Canada Recovery Dividend**, 229
- Canada Revenue Agency (CRA)**, 6
- Canada Training Credit**, 180
- Canadian Entrepreneurs' Incentive**, 159
- Canadian-controlled private corporation (CCPC)**, 91-92
- Capital cost**, 57
- Capital cost allowance (CCA)**, 56-67
 - Available for use, 66-67
 - Class 8, separate class, 60, 64-65, 70
 - Class 10.1, passenger vehicles over \$37,000, 70-71
 - Class 13, leasehold improvements, 71
 - Class 14, intangible assets, 71
 - Class 43, manufacturing and processing equipment, 71
- Class 43, manufacturing and processing equipment over \$1,000, 72
- Dispositions, 58
- Half-year rule, 67-69
- Rates, 57, 59
- Recapture, 59-60
- Rental property rules, 60-61
- Short taxation years, 67-69
- Terminal loss, 59
- Undepreciated capital cost (UCC), 57
- Capital dividends**, 257-259
- Capital gains**, 75-91
 - Charitable donations, 227
 - Eligible small business corporation shares, 98
 - Foreign currency, 80-81
 - Replacement property rules, 96-98
 - Reserve, 86-89
 - Taxable, 77
- Capital gains exemption**, 159-160
 - Crystalizing capital gains exemption, 285
- Capital loss**, *see* Net-capital loss
- Capital property**
 - Adjusted cost base (ACB), 76-77
 - Capital gain, 75-91
 - Capital loss, 75-91

CFE Tax

- Capital property (*cont'd*)
 - Defined, 75-76
 - Carry over, 77-78
 - Change in use, 93-95
 - Charitable donations
 - Credit for individual, 171, 175-176
 - Deduction for corporation, 225
 - Child care expenses, 150-152
 - Child support payments, 148
 - Club dues, *see* Recreational facilities and club dues
 - Commissioned salesperson, 132, 134-135
 - Common Final Evaluation (CFE), 1, 2
 - Common law, 6
 - Common-law partnership, 9
 - Complexity, 323-324
 - Connected
 - Corporations, defined, 92
 - Consolidation, 8
 - Construction of building, 67
 - Control
 - Acquisition of, 296, 298-299, 304-306
 - Corporations, defined, 12-13
 - Conventions, 44-45
 - Convertible securities, 294-295
 - Corporate attribution, 273-276
 - Corporate reorganizations, 276-299
 - Counting days, tip on, 25
 - COVID-19, 23, 44
 - Cumulative eligible capital (CEC), 72
 - Cumulative net investment loss (CNIL), 168-169
- D**
- Death benefit, 206
 - Death of taxpayer, 203-206
 - Debt forgiveness, 122
 - Debt obligations, discount on, 222
 - Deductions from employment income, 131-137
 - labour mobility deduction, 133
 - Deductions from income, other, 147-153
 - Deferred Profit Sharing Plan (DPSP), 218
 - Digital services tax (DST), 53-54
 - Digital Subscriptions tax credit, 180-181
 - Disability-related modification expense, 225
 - Disability Tax Credit credit, 147, 151, 178, 185-186

Index

- Disposition, 75-77**
- Election re: Canadian securities, 83
 - Income versus capital, 82-85, *see also* Capital gains; Capital loss
- Dividend, deemed, 263-265, 276-278, 286, 288**
- Dividend refund, 250, 253-254**
- Dividend tax credit, 126-129**
- Dividends from Canadian corporations, 126-129, 226-227**
- Dues, 217**
- E**
- EIFEL, 42**
- Elections, 17**
- Eligible dividend, 126-129**
- Eligible housing loss, 150**
- Eligible small business corporation shares, 98**
- Employee benefits, 114-116, *see also* Taxable benefits**
- Employee ownership trust (EOT), 313-315**
- Employee stock options, 81-82, 124-126, 154-159, 217**
- Employment income, 111**
- Deductions from, 131-137
 - Employer obligations, 111
 - Versus self-employment or business income, 111-113
- Employment Insurance (EI), 44, 111**
- Tax credit, 179
- Indefinite life intangibles, 72-75**
- Equity method, 8**
- Equivalent to spouse credit, 173-174, 182**
- Estate freeze, 278-279**
- Examination fees, 178**
- F**
- Farming, *see* Hobby Farming**
- Federal abatement, 228, 239-240**
- Financing expenses, 218**
- Fines and penalties, *see* Interest and penalties**
- First Home Savings Account (FHSA), 130**
- First time homebuyers tax credit, 179**
- Foreign advertising, 223**
- Foreign currency transaction, 16-17**
- Capital gain or loss, 80-81
- Foreign reporting, 36-37**
- Foreign tax credits, 32, 187-191, 225**

CFE Tax

Future income tax, 266

G

Gambling winnings, 129

General Anti-Avoidance Rule (GAAR), 17-19

General rate reduction, 229-230

Genuine business transfer, 301

Goods and Services Tax (GST), 48-53

Goods and Services Tax (GST) credit, 104

Goodwill, 72, 92, 162-164, 280

Government assistance, 44

- COVID benefits, 44
- Canada Emergency Rent Subsidy (CERS), 44
- Canada Emergency Response Benefit (CERB), 44
- Canada Emergency Wage Subsidy (CEWS), 44

Gradual business transfer, 302

Graduated rate estate, 308

Gross-up, of dividends, 14, 142, 226-227

H

Half-year rule, 67-69

Hobby farming, 206-207

Holding period test, 165

Home accessibility tax credit, 179

Home Buyers' Plan, 104, 144

Home office expense, 133-137, 222-223

I

Identical properties, 85-86

Immediate business transfer, 301-302

Income inclusions, other, 147-153

Income splitting

- Attribution, 9, 143, 195-203
- Defined, 195-196
- Eligible pension income allocation, 145-146
- Spousal RRSP contributions, 143-144

Income sprinkling, 199-200

Income Tax Act, 5

Income Tax Regulations, 5

Income, taxable, *see* Taxable income

Individuals, 103-106

Information circular, 6

Instalments

- Corporations, 209-212
- Individuals, 106-111

Insurance

- Disability, 115-116

Index

Insurance (*cont'd*)

- Health, 115-116
- Life, 116

Intangible assets, *see* Capital cost allowance, Cumulative eligible capital

Integration, 13-16, 233-234

Interest and penalties, 104-106, 218

Interest expense, 42

- limitation, 42

Interest free or low interest loans, 121-124, 202-203, *see also* Attribution; Taxable benefits

Interest income, 42-43, 142, 273

Interpretation Act, 104

Interpretation Bulletin, 6

Inventory, 213

Investigation of site, 224

Investment income, *see* Refundable taxes; Property income

Investment tax credit, 235-238

J

Joint ownership, 9

Joint ventures, 322

K

Kiddie tax, 198-199

L

Labour mobility deduction, 133

Landscaping expense, 224

Lease cancellation, 223-224

Leasehold improvements, *see* Capital cost allowance

Leases, 40

Legal basics, 11-13

Legal entity, 7

Legal fees

- Appeals or objection re: CRA notice of assessment, 42
- Collection of salary, 131
- Collection of support payments, 148
- Representation expense, 224

Lifelong Learning Plan, 144

Limited liability partnership (LLP), 322

Limited partnership, 321-322

Listed personal property, 90-91

Loans, *see also* Taxable benefits; Shareholder loans

- Basic tax treatment, 121-124
- Dwelling purchase, 122-123
- Low interest employee, 122-124

CFE Tax

Loss carryovers, 77-78, 226

Lottery winnings, *see*
Gambling winnings

Luxury tax, 54

M

**Manufacturing and processing
(M&P) deduction**, 229-230,
234-235

Meals and entertainment, 44-
45, 219

Medical expense credit, 176-
178

Motor vehicle, 116-121

- Allowance for employment expense, 131-133, 135
- Employer provided, 116-121
- Restrictions on deductible expenses, 46, *see also* Taxable benefits
- Standby charge, 116-121

Moving expenses, 149, 153

**Multigenerational Home
Renovation Tax Credit**,
181

N

Net-capital loss, 77-78

- Carry over, 77-78

Net income for tax purposes

- Corporations, 212-221
- Individuals, 113-114

Non-arm's-length, 98-102

- Interest free or low interest loans, 202-203
- Related person, defined, 99
- Sale of shares to corporation, 299-302

Non-capital loss, 55-56

Non-monetary transaction, *see*
Barter transaction

Non-resident

- Becoming a, rules, 29-31
- Corporation, 29
- individual, 29-30
- Deemed disposition, 30, 31
- Section 116 certificate, 35-36
- Trusts, 22
- Withholding tax, *see* Withholding tax

Non-taxable receipts, 129-130

Notice of assessment, 6

Notice of objection, 6

O

Off-calendar year-end, 113,
205, 317

Old Age Security (OAS), 137-
138, 145, 174, 205

Operating benefit, 116-117,
120-121

Organization Chart, 10

Index

Organizational forms of business

- Corporation, 7-11
- Partnership, 7-11
- Proprietorship, 8
- Trust, 7-8, 10-11

Options, 41, 81-82, 124-126

P

Paid-up capital (PUC), 262-265

- PUC reduction, 262-265

Part I tax, 249-252, 303

Part IV tax, 249, 252-253, 303

Partnership interest, 315-316, 318-319

Partnerships, 7, 315-322

Penalties, *see* Interest and penalties

Pension adjustment, 141

Pension income, 137

Pension income splitting, 145-146

Pension credit, 174-175

Permanent establishment, 240-243

Person, 8

Personal expenses, 131-132, 148, 217

Personal services business, 161-162

Personal tax credits, *see* Tax credits

Personal use property, 90-91

Political contributions, 187-188, 235

Prescribed interest rate, 108-110, 121-124

Principal residence exemption, 191-195

Property flipper, 83

Property income, 41-43

Property loss, 55-56

Proprietorship, 8

Proration, 27, 29, 69, 71, 95-96

Q

Qualified investments, 97, 138

Qualified small business corporation (QSBC) shares, 168-170

R

Reasonable expenses, 43, 47

Recapture, 62-66, 70, 75

Recreational facilities and club dues, 44, 217

Redemption of shares, 276-278

Refundable dividend tax on hand (RDTOH), 250

Refundable taxes, 249-257

CFE Tax

- Registered Disability Savings Plan (RDSP)**, 147
- Individuals, 22-25
 - Trusts, 22
- Registered Education Savings Plan (RESP)**, 146-147
- Registered Pension Plan (RPP)**, 133, 218
- Registered Retirement Income Fund (RRIF)**, 137, 142-143
- Registered Retirement Savings Plan (RRSP)**, 137-146
- Related persons**, *see* Non-arm's-length
- Reportable Transaction Information Return**, 18
- Reorganization of capital**, 288-293
- Reorganizations, corporate**, *see* Corporate reorganizations
- Replacement property**
- Eligible small business shares, 98
 - Rules, 96-98
- Research grants**, 148-149
- Reserves**, 45, 213-216
- Residence**, *see also* Non-resident
- Becoming resident, 26-28
 - Corporations, 26
 - Deemed, 27
 - Defined, 21-22
 - Determination of, 21-22
- Restricted farm loss**, 207
- Retiring allowance**, 139-140, 147-148
- Rights and things**, 205
- Rollovers**, 278-279, *see also* Corporate reorganizations; Section 51 and 51.1 rollovers; Section 85(1) rollovers; Section 85.1 rollovers; Section 86 rollovers; Section 87 rollovers; Section 88 rollovers
- S**
- Safe income**, 303
- Safety deposit box**, 45
- Salary and bonus accrued**, 219-220
- Sale of a corporation**, 265-272
- Scholarship income**, 148
- Scientific research and experimental development (SR&ED)**, 218-219, 309
- Section 216 election**, 33-34
- Section 51 and 51.1 rollovers**, 294-295
- Section 84.1 rules**, 299-302
- Section 85(1) rollover**, 279-293
- Section 85.1 rollover**, 293-294

Index

- Section 86 rollover**, 288-293
- Section 87 rollover**, 295-297
- Section 88 rollover**, 297-299
- Section 116 certificate**, 35-36
- Self-employment income**
 - Tests to determine, 111-113
- Share buybacks**, 54
- Share for share exchange**, *see* section 85.1 rollover
- Shareholder benefits**, 259-261
- Shareholder loans**, 259-261
- Shares**
 - Common, 13
 - Preferred, 13
 - Redemption of, 276-278
 - Specified class, 247
- Short-term rentals**, 46
- Small business corporation (SBC)**, 91-92, 160-165, *see also* Allowable business investment loss (ABIL); Corporate attribution; Qualified small business corporation (QSBC) shares
 - Purifying the corporation, 162-163
- Small business deduction**, 231-234
- Soft costs**, 67
- Specified investment business**, 161-162
- Specified shareholder**, 274
- Spousal credit**, 173
- Spousal support payments**, 148
- Spousal transfers**, 91, 197, 200-201
- Spousal trust**, 309
- Standby charge**, 116-121
- Stock dividends**, 129, 226, 264
- Stock options**
 - Capital gain or loss, 81-82
 - Employee, 124-126, 154-159
- Stop international tax evasion**, 37
- Stop-loss rules**, 100-102
- Strike pay**, 129
- Stub period income**, 114, 317
- Student loan interest credit**, 179
- Subsection 55(2)**, 302-303
- Subsection 75(2)**, 312-313
- Subsection 84(1)**, 264
- Superficial loss rules**, 100
- Support payments**
 - Child, 148
 - Spousal, 148

CFE Tax

T

Tax credits

- Additional amount, 184-185
- Adoption expense, 185
- Age, 174
- Basic personal amount, 172-174
- Canada caregiver credit, 184
- Canada employment, 175
- Canada Training Credit, 180
- Charitable donation, 175-176
- Digital Subscriptions, 180-181
- Disability Tax Credit, 147, 151, 179, 185-186
- Dividend, 226-227
- EI and CPP contributions, 179
- Equivalent to spouse, 173-174, 184-185
- Examination fees, 178
- First-time homebuyers, 179
- Foreign, 187-191
- Home accessibility, 179
- Individual, examples of calculation, 181-184
- Medical expense, 176-178
- Multigenerational Home Renovation Tax Credit, 181
- Pension, 174-175
- Personal, 170-171
- Political contribution, 187-188, 235
- Proration of, 95-96
- Spousal, 184-185
- Student loan interest, 179
- Teacher and early childhood educator school supply, 186
- Transfer to spouse, 185-186
- Tuition, 178-179
- Volunteer firefighter, 186
- Volunteer search and rescue, 186

Tax EBITDA, 42

Tax rates

- Brackets (individuals), 170-171
- Corporate, 228
- General rate reduction, 229-230
- Proration of, 95-96

Tax returns

- Due dates, 103-104, 203, 209
- Filing requirements, 103-106
- Penalties, 104-106
- Terminal, 203-206

Taxable benefits

- Automobile, employer provided, 116-121
- Employee stock options, 124-126

Index

- Taxable benefits** (*cont'd*)
- Low (no-interest) loan, employer provided, 121-124, *see also* Employee benefits
- Taxable Canadian property**, 22
- Taxable capital gain**, 77, *see also* Capital gain
- Taxable income**, 154-159
- Tax on Split Income**, *see* Income sprinkling
- Taxes owing**
- Due dates, 103-104, 209
- Taxes payable**
- Corporation, 227-240
 - Individual, 170-171
- Tax-free first home savings account**, 130
- Tax-free savings account**, 130, 205
- Taxpayer**, 6-8
- Teacher and early childhood educator school supply tax credit**, 186
- Terminal loss**, 59, 70
- Terminal tax return**, 205
- Testamentary trust**, 308, 311-312
- Tradesperson's tools**, 133
- Transfer of tax credits to spouse**, 187
- Transfers and loans**, *see also* Attribution
- Indirect income, 202
 - interest free loan, 202-203
 - low interest free loan, 202-203
 - Minors, to, 203
 - Rights to income, 202
 - Spouse, to, 196-198, 200-201
- Travel expenses**
- Employment related, 131-133
- Treasury shares**, 260
- Treaty, income tax**, 21-22
- Trusts**, 307-315
- Tuition credit**, 178-179
- T-slips**, 106
- U**
- Uncertain tax treatment (UTT)**, 18
- Undepreciated capital cost**, *see* Capital cost allowance
- Utility service connection**, 224
- V**
- Vacant homes tax**, 54
- Vacant land**, 43, 162
- Valuation**, 13, 213, 266
- Vesting**, 140

CFE Tax

Voluntary disclosure, 105-106

Volunteer firefighter tax credit, 186

Volunteer search and rescue tax credit, 186

W

Windfall, *see* Gambling winnings

Winding-up, 297-299

Withholding tax, payments to non-residents, 32-35

- Rental income, 32-35
- Section 116 certificate, 35-36

Workspace in home, *see* Home office expense

Writedowns, *see* Asset writedowns

Y

Year-end, 8, 209

- Corporations, 209
- Deemed, 31, 69, 296
- Off-calendar, 113
- Partnerships, 317-320
- Trusts, 26, 308, 310, 312

Z

Zero-emission technology, 228-229

Zero emission vehicle, 62-63