

## INDEX

### A

**ABIL**, *see* Allowable business investment losses

**AMT**, *see* Alternative minimum tax

#### Aboriginals

- exemption from tax, 137
- *Indian Act*, 137
- tax status, 137

#### Accounting

- adjustments for financial statements, 214
- and tax law, 203
- GAAP and IFRS, 203
- income tax, *see* Income tax accounting
- principles and reporting standards, 203
- statements, *see* Financial statements

#### Accounting methods, 224

- accrual, 226
- cash basis, *see* Cash basis of accounting, 225
- completed contract, 224
- holdbacks, 227
- instalment sales, 224

- modified accrual, 226
- net worth, *see* Net worth basis, 227

#### Accounting period, 223

#### Accrual accounting, 211, 226, 964

- as compared to cash accounting, 218

#### Adjusted cost base, 564

- adjustments, 568
- deemed, 565
  - becoming Canadian resident, 566
  - change of use, 565
  - conversions, 566
  - dividends in kind, 567
  - identical properties, 565, 575
  - options, 566, 569
  - part dispositions, 570
  - prizes, 567
  - stock dividends, 567, 569
- negative, 569

#### Allowable business investment losses (ABIL)

- generally, 597, 727
- hybrid, 728

## Index

Allowable business investment losses (ABIL) (*cont'd*)

- small business corporation, 597
- • deemed dispositions, 598

**Allowances from employment**, 281

- personal and living expenses, 282
- special work sites, 283

**Alternative minimum tax (AMT)**, 739, 805

**Arbitration awards**, 512

**Attribution rules**, 684

- artificial transactions, 697

**Authority to tax**, 21

- budget process, *see* Budget
- division of powers, 22
- executive process, 29
- federal-provincial agreements, *see* Federal-provincial agreements
- legislative process, 29
- responsibility for taxation, 26
- restraint on powers, 25
- retrospective effect, 51

**Automobiles**

- capital cost of, 492
- employee-owned, 285
- employer-provided, 284
- luxury, capital cost maximum, 481

- operating costs, 284
- standby charge, 285

## B

**Bad and doubtful debts**, 241, 423

- deduction for, 242
- deemed dispositions, 598
- insolvent corporations, 598

**Barter transactions**, 193

- capital cost of property, 482

**Benefits and perks**

- allowances, 281
- excluded from income, 280
- generally, 267
- meaning of benefits, 268
- taxable benefits, *see* Taxable benefits
- timing of, 275
- valuation of, 278

**Bond discounts**, 441

**Breach of contract**

- capital receipts, 508
- global payments, 508
- nature of claim, 506
- nature of legal rights, 508
- non-performance damages, 509
- *surrogatum* principle, 507

## Index

- Breach of warranty of authority**, 513
- Budget process**, 53
- Burden of proof**
- presumption of validity, 94
  - reversal of onus, 94
- Business**
- defined, 329
  - pursuit of profit, 330
- Business income**
- as compared to investment income, 345
- Business-income tax**, 816
- C**
- CCA**, *see* Capital cost allowance
- CCPC**, *see* Canadian-controlled private corporation (CCPC)
- Canadian-controlled private corporation**
- deemed share dispositions, 598
  - small business deduction, 735
- Cannabis**, 799
- Capital cost allowance (CCA)**, *see also* Eligible capital property
- automobiles, 484, 492
  - available for use, 488
  - capital cost of property, 477
  - classes, 372
  - classification, 470
  - depreciable property, 474
  - dispositions of assets, 484
  - exchanges of property, 482
  - first year half-rate rule, 487
  - generally, 465
  - leaseholds, 491
  - patents, franchises, concessions, or licences, 491
  - property exchanges, 482
  - recapture, 485
  - rental buildings over \$50,000, 489
  - separate classes for similar properties, 488
  - short taxation year, 488
  - structure of, 469
  - terminal losses, 484
  - transfers of property between classes, 490
  - undepreciated capital cost, 483
  - works of art, 491
- Capital gains**, *see also* Capital losses
- as compared to income, 335
  - computation of, 538
  - defined, 530
  - dispositions, *see under* Capital property; Deemed dispositions
  - electing, 344

## Index

- Capital gains (*cont'd*)
  - exclusions from, 530
  - exemption, *see* Capital gains exemption
  - foreign currencies, *see* Foreign currency transactions
  - generally, 333, 529
  - listed personal property, *see* Listed personal property
  - principal residence, *see* Principal residence
  - reserves, 539
  - segregation by type, 535
  - selling expenses, 543
  - small business corporation shares, *see* Qualified small business corporation
  - transitional rules, 600
  - valuation day, *see* Valuation day
- Capital gains exemption**
  - anti-avoidance rules, 737
  - • Type A conversions, 738
  - • Type B conversions, 738
  - eligible properties, 734
  - eligible taxpayers, 733
  - farm properties, *see* Farming, 735
  - purpose of, 732
  - reporting requirements, 737
  - restrictions, 734
  - small business corporation shares, *see* Qualified small business corporation, 735
- structure, 733
- Capital losses**
  - allowable business investment losses, *see* Allowable business investment losses, 597
  - anti-avoidance provisions, 601
  - between affiliated persons, 577
  - current year losses, 596
  - deemed to be nil, 576
  - disposition of a debt, 579
  - disposition of personal-use property, 575, 580
  - generally, 596
  - listed personal property, *see* Listed personal property, 596
  - lottery losses, 578
  - net, 598
  - net, unused, 598
  - • carried back and forward, 598
  - • on death, 599
  - personal use property, 575
  - superficial losses, *see* Superficial losses, 578
  - unused losses, 598
- Capital property, 537**
  - deemed, 537
  - dispositions
    - • changes in terms of securities, 547
    - • disposition, defined, 544

## Index

### Capital property (*cont'd*)

- generally, 543
- part, 570
- proceeds of, 547
- property, 544
- identical properties, *see* Identical properties
- personal-use property, *see* Personal-use property
- property, defined, 544
- types of, 537

**Carter Commission**, 14, 33, 149, 646, 673

**Cash basis of accounting**, 218

**Certainty and simplicity principle**, 50

### Charitable donations

- capital property, 774
- charitable purposes, 757
- eligible organizations, 757
- generally, 746
- gift, defined, 751
- legislative history, 747
- registration as charity, 760
- tax exempt status, 760
- valuation of donation, 762

### Child care expenses

- deductible limits, 639, 641
- defined, 638

- generally, 637

**Child support**, *see* Spousal and child support

**Conservatism in accounting**, 213

**Control**, *see* Corporate control

### Convention expenses

- blended purposes, 450
- generally, 448
- primary purpose, 449
- territorial scope, 449

### Corporate control

- capital losses restrictions, 732
- change of, 599, 729
- *de jure* control, 729
- deemed year-end, 731
- non-capital and farm losses, 731
- restrictions on losses, 730

### Corporations

- residence
  - common law rules, 121
  - deemed non-resident by treaty, 130
  - dual residence, 123
  - general propositions, 122
  - permanent establishment, 124, 809
  - treaty shopping, 127
- statutory rules, 120

## Index

### Corporations (*cont'd*)

- tax computation rules, 806
- • allocation of taxable income, 810
- • basic tax rate, 806
- • general tax rate, 806
- • provincial tax credit, 807
- • small business deduction, 811
- • tax adjustments, 807
- transfers/loans to, 681

### **Cost accounting, historical, 205**

### **Counselling benefits, 309**

### **Credits**

- Canada caregiver, 788
- Canada Training Credit, 795
- deductions, compared, 718
- dependents, 787
- dividend tax, 800
- education, 792, 794
- equivalent to spouse, 787
- foreign, 812
- generally, 784
- infirm dependent, 788
- investment tax, 818
- logging tax, 818
- medical expense, 797
- mental or physical impairment, 800
- overseas employment, 813

- pension income, 789
- political contributions, 817
- provincial tax, 802
- spousal status, 786
- tuition fees, 791, 793

## **D**

### **Damages**

- breach of contract, *see* Breach of contract
- employment damages, *see* Employment damages
- tax treatment, generally, 502
- tort damages, *see* Tort damages

### **Death of a taxpayer**

- death benefits income, 625
- deemed disposition of capital property, 559
- depreciable capital property, 559
- other capital property, 561
- unused net capital losses, 599

### **Declaration of taxpayer rights, 52**

### **Deductions**

- as compared to credits, 187

### **Deductions from employment income**

- aircraft, 314
- capital cost allowance, 312

## Index

- Deductions from employment income (*cont'd*)
- generally, 311
  - inadequate compensation, 313
  - legal expenses, 314
  - limitation on, 319
  - meals, 314
  - motor vehicles, 314
  - musicians, 317
  - other, 317
  - salesperson's expenses, *see* Salesperson's expenses, 311
  - travelling expenses, *see* Travelling expenses, 312, 313

### Deemed dispositions

- change in use of property, 551
- death, *see* Death of a taxpayer
- leaving Canada, 554
- options, *see* Options
- trusts, *see* Trusts

### Dependents tax credit, 787

### Directors' fees, 310

### Discoveries, 859

**Dispositions**, *see* Capital property; Deemed dispositions; Involuntary dispositions

### Dividend tax credit, 800

- effect of integration, 802
- federal credit, 802

- limitations, 804
- gross up factor, 801
- provincial credit, 802
- tax deferral, 805
- tax integration, 800

**Doubtful debts**, *see* Bad and doubtful debts

## E

### Education tax credit, 792

### Efficiency principle, 46

### Eligible capital property

- exchanges of property, 482
- generally, 477
- goodwill, *see* Goodwill
- recapture of negative balances, 485

### Employed and risked test, 350

### Employment damages

- arbitration awards, 512
- bonuses, 511
- employment insurance benefits, 512
- stock options, 512
- wrongful dismissal, 510

### Employment income

- advances and loans, 284
- automobiles, *see* Automobiles

## Index

- Employment income (*cont'd*)
- benefits and perks, 267, *see also* Benefits and perks
  - CRA administrative position, 264
  - deductions from, *see* Deductions from employment income
  - employment relationship, 259
    - office, 264
    - supervision and control test, 262
    - total relationship, 263
  - generally, 254
  - low-interest loans, *see* Loans, low-interest or interest free
  - salary and wages, 267
  - salary deferral arrangements, *see* Salary deferral arrangements
  - stock options, *see* Stock options
  - taxable benefits, *see* Taxable benefits
  - timing of recognition, 275
- Equity**, *see* Fairness and equity
- Equivalent to spouse tax credit**, 787
- Expenses**
- bribes, 399
  - capital cost allowance, *see* Capital cost allowance
  - child care, *see* Child care expenses, 405
  - convention expenses, *see* Convention expenses
  - deductions
    - as compared to credits, 718
    - current vs. capital, 385
    - direct vs. indirect consequences, 389
    - enduring benefit, 388
    - factual ambiguity, 396
    - goodwill, 390
    - legal expenses, 392
    - preservation of capital assets, 391
    - repairs and maintenance, 393
    - replacement, 395
  - fines, 397
  - home office, *see* Home office
  - interest, *see* Interest expense
  - levies, fines, and penalties, 397
  - moving, *see* Moving expenses
  - other deductions, 637
  - personal and living expenses, *see* Personal and living expenses, 401
  - purpose of, 403
  - reserves and contingent liabilities, *see* Reserves and contingent liabilities
  - specific deductions, 420
  - spousal and child support, *see* Spousal and child support
  - unreasonable, 397
- F**
- Fairness and equity**
- certainty and simplicity, 50
  - compromise of values, 51



## Index

### Fairness and equity (*cont'd*)

- horizontal equity, 47
- marginal tax rates, 48
- progressive taxation, 50
- proportional tax rates, 49
- vertical equity, 48

**Fair market value**, *see under* Adjusted cost base

### Farming

- capital gains exemption, 733
- • qualified farm property, 734
- • tests to be met, 736
- houses, *see* Principal residence
- losses, 727

**Federal-provincial agreements**, 28

### Financial statements, 214

- adjustments, 221
- cash vs accrual accounting, 218
- revenue recognition, tests for, 220
- time intervals, 218

**Fines, levies, and penalties**, 397

### Foreign currency transactions, 479

- dispositions
- • characterization, 549
- • determination of cost, 550
- • method of accounting, 549

**Foreign tax credit**, 812

## G

**GAAR**, *see* General Anti-Avoidance Rule

**GAAP**, *see* Generally Accepted Accounting Principles

**Gambling gains**, 189

### General Anti-Avoidance Rule (GAAR)

- deductions from income, 409
- interpretation of, 95

**Generally Accepted Accounting Principles (GAAP)**, 229

**Gifts and inheritances**, 191

**Going concern assumption**, 159

**Goodwill**, 390, 493

**Government personnel and prescribed agencies, residence**, 108

## H

**Haig-Simons**, 149, 197

**Home office expenses**, 448

## I

**IFRS**, *see* International Financial Reporting Standards

## Index

**Identical properties**, 565, 575

**Illegal payments**, 399

### **Income**

- barter, 193
- business or property, *see* Business income; Property; Capital gains
- characterization of, 144
- defined, 145
- economic concept of, 149
- employment, *see* Employment income
- exclusions from, 189, 194
- exempt, 194
- imputed, 179
- legal concept of, 152
  - characteristics of income, 154
  - judicial concept, 153
  - realization or crystallization of income, 159
- measurement of, 199
- other sources of, *see* Other sources of income
- prepaid, 242
- section 3 sources of, 181
- source of, 167
  - *Addington's Act*, 170
  - Canadian source doctrine, 173
  - U.K. source doctrine, 168
- structure of the Act, 186
- taxable, *see* Taxable income

- timing of, 232

### **Income from business or property**

- deductions from, generally, 377, *see also* Expenses
- interest income, *see* Interest income
- timing adjustments, 360

### **Income splitting**, 673

- artificial transactions, 697
- attribution rules, *see* Attribution rules
- constructive ownership doctrine, 675
- indirect payments, 675
- kiddie tax, *see* Kiddie tax

### **Income tax accounting**

- accounting period, 223
- depreciation/CCA, 231
- reserves and allowances, 231
- tax profits, 230
- timing adjustments, 360

### **Income Tax Act**

- generally, 3
- historical background, 13
- interpretation, *see* Interpretation
- structure of, 14, 55, 186

### **Income Tax War Act**, 175

### **Indian Act**, *see* Aboriginals

## Index

### **Indirect payments**

- application of GAAR, 682
- interest-free or low-interest loans, 678
- non-arm's length, 681
- transfer of rights to income, 677
- transfers/loans to corporations, 681
- transfers/loans to persons under 18 years, 680
- transfers/loans to spouse, 679
- transfers to reversionary trusts, 683

### **Inducement payments, 369**

### **Infirm dependent tax credit, 788**

### **Integration test, 349**

### **Interest expense**

- accrued, 444
- bond discounts, *see* Bond discounts, 441
- capitalization of interest expense, 445
  - soft costs, 447
- current use of borrowed money, 440
- existence of income source to deduct, 444
- expectation of income, 439
- financing costs, 445
- generally, 431
- legal obligation to pay, 435
- limitations on deduction, 447
- purpose of borrowing, 436

- statutory requirements, 434
- tax arbitrage, 433
- use of borrowed money, 435

### **Interest income, 361**

- annual reporting, 362
- blended payments, 363
- consistency, 362
- discounts, 364

### **International Financial Reporting Standards (IFRS), 203, 382, 420**

### **Interpretation of tax law**

- ambiguity, 86
- burden of proof, *see* Burden of proof
- contextual, 88
- form and substance, 166
- golden rule, 81
- literal or strict rule, 88
- mischief rule, 80
- ordinary meaning, 80
- textual, contextual and purposive meaning, 83

### **Interpretation Act, 83**

### **Inventory, 231**

### **Investment**

- defined, 334
- taxpayer intention, 335

Index

**Investment income**

- as compared to business income, 345
- short-term investments, 349

**Investment tax credit**, 818

**Involuntary dispositions**, 561

**K**

**Kiddie tax**, *see* **Tax on Split Income**, 685

**L**

**LPP**, *see* **Listed personal property**

**Legal fees**, 314, 392

**Liability to pay tax**

- aboriginals, *see* **Aboriginals**
- exempt persons, 136
- incidence, 20

**Listed personal property**

- allowable capital losses, 575
- capital losses/gains, 572
- generally, 572
- unused losses, 598

**Loans, low-interest or interest-free**

- deemed income of lender, 678
- forgiveness of loan, 288
- imputed interest, 286

**Loans, non-arms' length**, 681

**Logging tax credit**, 818

**Losses**

- by source, 185
- change of corporate control, *see* **Corporate control**
- generally, 729
- non-capital or business loss, 722
- types of, 721

**M**

**Marginal tax rates**, 40

**Matching principle of accounting**, 211

**Meals and entertainment**, 319, 384, 427

**Medical expense, defined**, 798

**Medical expense tax credit**, 797

**Medical practitioner**, 798

**Musicians**, 317

**N**

**Net worth basis**, 228

**Neutrality principle**, 46

**Nexus**, *see* **Taxable nexus**

Index

**Non-arm's length transactions, 236**

- cost of property, 480
- deemed fair market value, 567
- loans, 681

**Non-business income tax, 813**

**Non-residents, liability for tax, 135**

**O**

**Options**

- call options, 556
- characterization on issue, 556
- granting of, 556
- put options, 558

**Other sources of income, 622**

- death benefits, 625
- other inclusions, 629
- pension benefits, 624
- prizes, 628
- research grants, 627
- retiring allowances, 625
- scholarships, bursaries, fellowships, 626
- social assistance payments, 628
- support payments, 625

**P**

**Partnerships**

- defined, 134
- limited losses, 729
- residence, 134

**Penalties, levies, and fines, 397**

**Pension benefits income, 624**

**Pension income tax credit, 789**

**Periodic Receipts, 155**

**Permanent establishment, 124, 809**

**Personal and living expenses**

- allowance from employment, 282
- as compared to business expense, 405
- child care expenses, 405
- generally, 401
- purpose test, 403
- statutory exceptions, 409
- type of expenditure, 402

**Personal-use property, 571**

- capital losses, 575
- computation of ACB and gain/loss on disposition, 572
- disposition, 573
- generally, 571
- identical, 575
- listed, 572

## Index

### Personal-use property (*cont'd*)

- part dispositions, 574

### Political contributions tax credit, 817

### Principal residence

- change in use elections, 592
- exempt capital gain on, 587
- • limits on exemption, 590
- defined, 584
- designation of, 583
- farm houses, 591
- generally, 583

### Prizes, 567, 628

### Profits, 230

### Progressive taxation, 50

### Property

- capital cost of, 477, *see also* Adjusted cost base
- change in use of, 480
- conversion of, 345
- defined, 332, 544
- depreciable, defined, 474
- identical, 575
- sales price based on production or use of, 366

### Provincial tax, 782

- credit, 807
- residence, 134

## Q

**QSBC**, *see* Qualified small business corporation

### Qualified small business corporation (QSBC)

- capital gains exemption, 732
- disposition of shares of, 594

## R

**REOP**, *see* Reasonable expectation of profit

### Real estate, 348

### Realization of gain or loss, 159, 208, 232

**Reasonable expectation of profit (REOP)**, 330

### Recognition of gain or loss, 232

### Relocation expenses, 270, 320

### Remote regions deductions, 718

### Research grants, 627

### Reserves and contingent liabilities

- amounts not due, 425
- contingent liability, defined, 422
- deductible reserves, 423
- doubtful debts, 423
- generally, 421

## Index

### Reserves and contingent liabilities (*cont'd*)

- goods and services to be rendered in future, 424
- limitations on, 426
- property other than land, 425
- reasonable amounts, 425
- reserves, defined, 422

### Residence

- administrative rules, 112
- becoming a resident, 118
- common law rules, 108
- corporations, *see* Corporations
- factors in determining, 110
- giving up, 117
- government personnel, 108
- international tax treaty rules, 113
  - centre of vital interests, 114
  - competent authorities, 116
  - habitual abode, 115
  - nationality, 115
  - permanent home, 114
- jurisdiction to tax, 104
- part-year residents, 116
- partnerships, *see* Partnerships
- prescribed agencies, 108
- principal, *see* Principal residence
- provincial tax, *see* Provincial tax
- statutory rules, 106
- sojourners, 107

- trusts, *see* Trusts

### Retiring allowances, 625

### Retrospective effect, 51

## S

### Salary and wages, 267

### Salary deferral arrangements

- contingent arrangements, 308
- exclusions, 307
- generally, 306
- leave of absence plans, 308

### Salesperson's expenses, 311

### Scholarships, bursaries, fellowships, 626

### Section 3 sources of income, 181

### Separate business test, 351

### Small business deduction, 811

### Social assistance payments, 628

### Sojourners, 107

### Spousal and child support, 652

- allowance payment, 655
- child support, 664
- generally, income and deduction, 652
- rollovers, 662
- spousal support, 652

## Index

### Spousal and child support (*cont'd*)

- spouse and common-law partner defined, 649
- support periodic payments, 656
- vs. lump-sum payments, 658
- third party payments, 664
- written agreement, 653

### Spousal tax credit, 786

### Stable dollar value, 206

### Statutory interpretation, *see* Interpretation

### Stock dividends

- tax treatment, 368

### Stock options, Employee

- damages paid for breach of employee contracts, 512
- disposition of rights, 304
- generally, 294
- issued by CCPCs, 300
- statutory scheme, 296
- timing, 294
- valuation, 294

### Strike pay, 310

### Superficial losses, 578

### Surrogatum principle, 507

## T

### Tariffs, 8

### Tax

- base, 34
- cycle, 59
- defined, 4
- rates, 38

### Tax credits, 784, *see also* Credits

- as compared to deductions, 187
- calculation of, 786
- personal federal claim, 785
- personal tax credits, 785

### Tax expenditures, 53

- tax benchmarks, 54

### Tax on split income

### Tax policy, 32

- efficiency, 46
- fairness and equity, *see* Fairness and equity
- neutrality, 46
- revenue generation, 34

### Tax rates, federal, 781

### Tax treaties, 92, 113

- interpretation, 123
- residence, *see under* Residence



## Index

**Taxable benefits**, 280

**Taxable income, defined**, 717

**Taxable nexus**

- generally, 101
- residence, *see* Residence
- who is taxable, 104

**Taxpayers, identified**, 19

**Tort damages**

- business or investments, 514
- eligible capital property, 515
- fatal accidents, 517
- generally, 514
- investment income, 517
- personal injuries settlements, 515
- property, capital and depreciable, 515

**Travelling expenses**, 312

- inadequate compensation, 313
- legal expenses, 314
- meals, 314
- motor vehicles and aircraft, 314
- musicians, 317
- requirement of travel, 313

**Trusts**

- deemed dispositions, 561
- defined, 131
- residence, 131

**Tuition fees tax credit**, 791

## V

**Valuation day**

- depreciable property, 601
- generally, 601
- other capital property, 601

## W

**Who is taxable**, *see under* Taxable nexus

**Windfall gains**, 192

**Wrongful dismissal**, 510

