



Rotman Commerce UNIVERSITY OF TORONTO

Course Outline

RSM 424H1F

Canadian Income Taxation II

Fall 2019

Course Meets on Tuesday (9 – 11) in WO35, followed by a one-hour tutorial (11 – 12) in OI 5150.

Tutorials are an integral part of this course. All students must register in the tutorial as well as the class.

Course coordinator: J. A. Kitunen, FCPA, FCA
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Instructor: Scott Douglas, MFin, CPA, CMA
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Office Hours: Thursdays, 3-4pm (RT515)

Course Scope and Mission

This is the first of two courses in federal income taxation. This course emphasizes the fundamentals of the Canadian tax system. Included are topics, such as, tax rates for corporations and individuals, integration, types of income (employment, business, property, capital gains, other), computation of taxable income and tax payable for individuals. The two-course sequence (RSM324 & RSM424) has been designed to provide students with coverage of all the tax topics listed in the *CPA Competency Map*.

After taking this course students are expected to be able to

- identify tax issues,
- determine the tax implications of the issues identified,
- analyse the alternatives, and
- prepare the appropriate communication.

Course Prerequisites

RSM324H1

Required Readings

- 1) *Canadian Income Taxation – Planning and Decision Making, 2019-2020*

edition with **CONNECT PrePak © 2020**, by Buckwold/Kitunen/Roman, published by McGraw-Hill Education. The text is available for purchase at the bookstore.

- 2) **Income Tax Act.** Students are NOT required to purchase a copy of the *Income Tax Act*. The Act will be referenced in the text and in the lectures. You can access a copy of the Act at <http://edu.knotia.ca.myaccess.library.utoronto.ca/Home.aspx> or at <https://laws-lois.justice.gc.ca/eng/acts/i-3.3/>
- 3) **Current Readings in Taxation**, provided by the instructor. Readings will be assigned during the term with the objective of highlighting current discussions on topics covered in this course. Sources will include Canadian Tax Focus, the Canadian Tax Journal & Conference Reports provided by the Canadian Tax Foundation, as well as articles found in newspapers, magazines, and online.

Tax Related Web Sites

Canada Revenue Agency (CRA): www.canada.ca/en/revenue-agency.html

Canadian Tax Foundation (CTF): www.ctf.ca

Chartered Professional Accountants Canada (CPAC): www.cpacanada.ca

Department of Finance Canada: www.fin.gc.ca

Evaluation and Grades

Grades are a measure of the performance of a student in individual courses. Each student shall be judged on the basis of how well he, they or she has command of the course materials.

<u>Work</u>		<u>Due Date</u>
Participation	10%	Ongoing
Connect Assignments (4)	10%	Sept 23, Oct 7, Nov 11, and Dec 2
Term Test	30%	Oct 15
Group Assignment	10%	Nov 26
Final Exam	<u>40%</u>	During Faculty of Arts & Science Final Exam Period
	<u>100%</u>	

COURSE FORMAT AND EXPECTATIONS

We expect our students to be highly motivated in learning the subject matter and to dedicate adequate time to the course each week. Students are to prepare for class and to contribute to discussions, both in class and online.

Students are to bring the *Buckwold/Kitunen/Roman* text to all classes. To prepare for classes and tutorials students should:

- Complete the assigned Readings, Questions, Problems and Cases.
- Be prepared to discuss the prepared solutions and readings.

It is recommended that students form study groups and work together to prepare for class and tutorials.

Discussion Board: The discussion board on *Quercus* will be set up for discussions. Questions related to course material should be posted to the discussion board. Students in the course are

expected to answer the questions. Questions related to course administrative matters should be emailed to the course instructor.

Participation: The 10% grade component for participation is being awarded as an additional incentive for students to do the readings and problems/cases assigned each week and to actively participate in class and tutorial discussions. Learning and retention can be increased substantially through active discussion.

Some of the behaviors that contribute to effective participation are captured in the questions that follow:

- 1) Is the participant a good listener?
- 2) Are the points that are made relevant to the discussion? Are they linked to the comments of others?
- 3) Do the comments show evidence of preparation for the class?
- 4) Is there a willingness to share knowledge and ideas with other class members?
- 5) Do comments clarify important aspects of earlier comments and lead to a clearer statement of the concepts being covered?

Connect Assignments: These are online assignments that are to be completed through access to CONNECT (as purchased with the text book) by each student within a 12-hour period on assigned dates. Each assignment should take no longer than 20 minutes. The submissions are graded within CONNECT and students will have access, through CONNECT, to their grades one hour after the deadline for each assignment. Please ensure that you have access to CONNECT **before class 2**. There are a total of four (4) CONNECT assignments, worth 2.5 marks each, for a total of ten (10) marks toward the final course grade.

Term Test and Final Examination: The term test will examine material covered prior to the midterm and is one hour and 45 minutes in length. Material covered during the entire term is examinable on the final examination which is three hours in length. Students are allowed to use a non-programmable calculator as an aid during the term test and final examination. It is the responsibility of each student to bring to the test and exam his/her personal calculator.

All suspected cases of academic dishonesty will be investigated by the following procedures outlined in the *Code of Behaviour on Academic Matters*.

Please note that clear, concise, and correct writing will be considered in the evaluation of written work. That is, you may lose points for writing that impedes communication: poor organization, weak paragraph development, excessive wordiness, hard-to-follow sentence structure, spelling mistakes and grammatical errors. Students who require additional support and/or tutoring with respect to their writing skills are encouraged to visit the Academic Success Centre (<http://www.studentlife.utoronto.ca/asc>) or one of the College Writing Centres (www.writing.utoronto.ca/writing-centres). These centres are teaching facilities – not editing services, where trained staff can assist students in developing their academic writing skills. There is no charge for the instruction and support.

Group Assignment: Students are required to work in teams of three or four students to complete a personal income tax return. Learning to work together in teams is an important aspect of your education and preparation for your future careers. That said, project-based teamwork is often new to students; to work well in teams, it helps to follow a set of core expectations to best succeed at your team projects.

1. Read the document entitled, “Working in Teams: Guidelines for Rotman Commerce Students” which is available on the RC portal under the Academic Services tab.

2. When working in a team, Rotman Commerce students are expected to:

- Treat other members with courtesy and respect;
- Honour the ground rules established by the team;
- Contribute substantially and proportionally to the final project;
- Ensure enough familiarity with the entire contents of the group project/assignment so as to be able to sign off on it as original work;
- Meet the project timeline as established by the team.

3. Resolving conflicts:

Conflicts are part of the team’s process of learning how to work together. When handled well, it can generate creativity and bring-multiple perspectives to the solution.

Student teams are expected to work through their misunderstandings as soon as they arise (and prior to submission of the final project). When teams are unable to arrive at a solution that works for all members, the team must meet with the Rotman Commerce Team Coach** as soon as possible. The Coach will listen to the team and help develop options for improving the team process. All members of the project team must commit to, and, utilize their action plans.

**For an appointment with a Rotman Commerce Team Coach, please contact Professor Nouman Ashraf at nouman.ashraf@rotman.utoronto.ca Nouman is highly skilled at facilitating team dynamics and collaboration. Note that the Team Coach’s role is to provide guidance, support and advice on team matters – not to formally evaluate or assess teamwork for academic purposes.

Electronic Course Materials

This course will be using the following electronic course materials:

- **KNOTIA** Income Tax Act, and
- **CONNECT**, which contains solutions to Review Questions & Key Concept Questions, Self-study Questions, as well as Assignment Questions.

There is no charge for the use of the Knotia Income Tax Act. Printed text + Connect retails for \$159.95. The printed text alone retails for \$149.95. Connect with E-Book retails for \$89.00. Connect without the E-Book retails for \$65.

Weekly Schedule

Class #	Date	Topic	Text reading(s)
1	Sept 10	<p>Relationship between the Corporation and its Shareholders</p> <p>Determination of Taxable Income for a corporation</p> <p>Loss restriction events (acquisition of control)</p> <p>The Integration of Corporate and individual Taxation</p>	Chapter 11
2 & 3	Sept 17 & 24	<p>Organization, Capital Structures and Income Distributions of Corporations</p> <p>Corporate capitalization – Debt or Equity</p> <p>Transferring Assets to a Corporation Corporate Distributions to Shareholders [ITA 85]</p> <p>Stop loss rules</p>	Chapter 12 (including Appendix)
4 & 5	Oct 1 & 8	<p>Canadian-Controlled Private Corporations Definition and Basic Principles</p> <p>Taxation of Income Earned by a Canadian-Controlled Private Corporation</p> <p>Benefits of Incorporation</p> <p>Dividend Policy</p> <p>Limitation of the Small Business Deduction</p> <p>Overall Tax Calculation for a Canadian-Controlled Private Corporation</p>	Chapter 13 (except Part V)
6	Oct 15	*** TERM TEST***	

7	Oct 22	Loans to Shareholders Use of Holding Companies Anti-Avoidance rule: Capital Gains Stripping [ITA 55(2)]	Chapter 13 (Part V) Chapter 14 (Part II)
8	Oct 29	Sale of Assets vs. Sale of Shares Qualifying Small Business Corporation Shares	Chapter 18 Chapter 10 (Part IV)
	Nov 5	*** FALL READING WEEK***	
9	Nov 12	Sale of Assets vs. Sale of Shares – continued from previous class	No new readings
10	Nov 19	Other Rollovers and Estate Freezes [ITA 85.1 and 86] Anti-Avoidance Rule: Surplus Stripping [ITA 84.1] General Anti Avoidance Rule: ITA 245	Chapter 14 (Part I Section E) Chapter 19 (except amalgamations/windups) Chapter 2
11	Nov 26	Introduction to GST/HST General Rules with Respect to Carrying on a Business Input Tax Credits Streamlined Methods for Calculating Net Tax Rules with Respect to Real Property Special Situations Administrative Matters	Chapter 22
12	Dec 3	Introduction to Partnerships & Trusts	Chapter 15 & 17
Final Exam	TBA		

Last Date to drop course from Academic Record and GPA: November 4, 2019.

POLICY AND PROCEDURE

Missed Tests and Assignments (including midterm examinations)

Students who miss a test or assignment for reasons entirely beyond their control (e.g. illness) may submit a request for special consideration. The Request for Special Consideration Form and supporting documentation must be submitted in a timely manner in order for the request to be reviewed.

In such cases, students must notify the Rotman Commerce Program Office on the date of the course deliverable such as a missed test, or assignment missed class (in the case of participation marks), or due date. They must then complete a [Request for Special Consideration Form](#) and submit it along with supporting documentation (e.g. [Verification of Student Illness or Injury form](#)) to the Rotman Commerce Office within **2 business days** of the originally scheduled course deliverable. Students who do not provide appropriate or sufficient supporting documentation will be given a grade of 0 (zero) for the missed course deliverable.

Documentation submitted in support of petitions for missing tests and assignments must be original; no faxed or scanned copies will be accepted.

Note that the physician's report must establish that the patient was examined and diagnosed at the time of illness, not after the fact. Rotman Commerce will not accept a statement that merely confirms a later report of illness made by the student to a physician.

For this course, specifically, if the term test is missed with acceptable documentation, the weighting of the final exam will be increased to 70%. If a CONNECT assignment is missed with acceptable documentation, the weighting will be shifted equally to the other CONNECT quizzes, at the discretion of the instructor.

Late Assignments

The Group assignment is due at the beginning of tutorial on the date specified in the course outline. Late submissions will normally be penalized by 10% if the assignment is not received on the specified date, at the specified time. A further penalty of 10% will be applied to each subsequent day.

Students who, for reasons beyond their control, are unable to submit an assignment by its deadline must obtain approval from the instructor for an extension. Supporting documentation will be required as per the policy on missed tests and assignments.

Accessibility Needs

The University of Toronto is committed to accessibility. If you require accommodations for a disability, or have any accessibility concerns about the course, the classroom or course materials, please contact Accessibility Services as soon as possible: accessibility.services@utoronto.ca or <http://www.studentlife.utoronto.ca/as>.

Academic Integrity

Academic Integrity is a fundamental value essential to the pursuit of learning and scholarships at the University of Toronto. Participating honestly, respectfully, responsibly, and fairly in this academic community ensures that the UofT degree that you earn will continue to be valued and

respected as a true signifier of a student's individual work and academic achievement. As a result, the University treats cases of academic misconduct very seriously.

The University of Toronto's Code of Behaviour on Academic Matters

<http://www.governingcouncil.utoronto.ca/policies/behaveac.htm> outlines the behaviours that constitute academic misconduct, the process for addressing academic offences, and the penalties that may be imposed. You are expected to be familiar with the contents of this document. Potential offences include, but are not limited to:

In papers and assignments:

- Using someone else's ideas or words without appropriate acknowledgement.
- Submitting your own work in more than one course without the permission of the instructor.
- Making up sources or facts.
- Obtaining or providing unauthorized assistance on any assignment (this includes collaborating with others on assignments that are supposed to be completed individually).

On test and exams:

- Using or possessing any unauthorized aid, including a cell phone.
- Looking at someone else's answers
- Misrepresenting your identity.
- Submitting an altered test for re-grading.

Misrepresentation:

- Falsifying institutional documents or grades.
- Falsifying or altering any documentation required by the University, including (but not limited to), medical notes.

All suspected cases of academic dishonesty will be investigated by the following procedures outlined in the *Code of Behaviour on Academic Matters*. If you have any question about what is or is not permitted in the course, please do not hesitate to contact the course instructor. If you have any questions about appropriate research and citation methods, you are expected to seek out additional information from the instructor or other UofT resources such as College Writing Centres or the Academic Success Centre.

Email

At times, the course instructor may decide to communicate important course information by email. As such, all UofT students are required to have a valid UTmail+ email address. You are responsible for ensuring that your UTmail+ email address is set up AND properly entered on the ROSI system. For more information please visit <http://help.ic.utoronto.ca/category/3/utmail.html>

Forwarding your utoronto.ca email to a Hotmail, Gmail, Yahoo or other type of email account is not advisable. In some cases, messages from utoronto.ca addresses sent to Hotmail, Gmail or Yahoo accounts are filtered as junk mail, which means that important messages from your course instructor may end up in your spam or junk mail folder.

Quercus and the Course Page

The online course page for this course is accessed through Quercus. To access the course page, go to q.utoronto.ca and log in using your UTORid and password. Once you have logged in, you will be at the Quercus Dashboard. On this page you will see all of the courses you are

presently enrolled in. If you don't see the course listed here but you are properly registered for the course in ROSI, wait 48 hours.

Recording Lectures

Lectures and course materials prepared by the instructor are considered by the University to be an instructor's intellectual property covered by the Canadian Copyright Act. Students wishing to record a lecture or other course material in any way are required to ask the instructor's explicit permission, and may not do so unless permission is granted (note: students who have been previously granted permission to record lectures as an accommodation for a disability are, of course, excepted). This includes tape recording, filming, photographing PowerPoint slides, Quercus materials, etc.

If permission is granted by the instructor (or via Accessibility Services), it is intended for the individual student's own study purposes and does not include permission to "publish" them in anyway. It is absolutely forbidden for a student to publish an instructor's notes to a website or sell them in any other form without formal permission.