

**UNIVERSITY OF ALBERTA  
FACULTY OF BUSINESS  
DEPARTMENT OF ACCOUNTING AND OIS**

**Accounting 467  
Basic Income Tax  
Winter 2017**

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**Office Hours:** Tuesday 12:30 – 1:30 and Thursday 12:30 - 1:30

In addition to these times, you may ask questions at any other time that I am in my office provided that I am not otherwise occupied. I will not be available at the following times due to teaching commitments:

Monday and Wednesday: 12:00 - 3:30  
Tuesday and Thursday: 9:00 - 1:00

**Required Materials:**

**Textbook:** C. Byrd, I. Chen. *Canadian Tax Principles*, 2016 - 2017 Edition, Prentice Hall Canada Inc., Scarborough, Ontario, 2016. You must use this edition of the text; tax rules in previous editions are outdated.

**Course Package:** The course package contains notes to be used in class as a basis for lectures. The course package is sold by the Accounting Club.

**Prerequisite:** Accounting 414, 412, 614 or 612.

You must have successfully completed the prerequisite prior to taking this course. A sound knowledge of generally accepted accounting principles (GAAP) used to determine accounting income for a business is required in order for students to succeed in this course.

**Learning Objectives:**

This course incorporates the Learning Goals of the BCom Program, in particular critical thinking, and written communication. This is the first of two courses in federal income tax law designed to achieve the following objectives:

- (1) To explain the theoretical concepts behind the specific provisions of the law.
- (2) To apply the law in practical and case settings.
- (3) To introduce basic tax planning concepts through practical problem application.

In this course you will develop an understanding of the concepts and rules of the Income Tax Act pertaining to the determination of personal income tax payable. At the end of this course, you will have developed the following course specific skills or knowledge:

- a. You should understand the basic rules and principles used to determine net income for an individual and for a corporation.
- b. You should understand how to determine taxable income for an individual
- c. You should be able to determine income tax payable for an individual.
- d. You should be able to reason to a supported conclusion for the following grey areas of the tax law:
  - Employee versus independent contractor
  - Capital gain versus business income.

This course is designed to meet the needs of students planning to enter a professional accounting program subsequent to graduation. At the end of this course, you will have the knowledge required to prepare a complex personal tax return for an individual; determine net income for a corporation and address tax planning opportunities at an introductory level. If you are planning to take this course as an easy option because you want to have some tax knowledge, you may want to reconsider.

**Preparing for Class:** You will learn more in each lecture if you read the relevant text material before coming to class. As a general rule, I cover approximately 10 pages of course pack notes per lecture. You can match those to text coverage to determine which text pages to read. For example, the entire chapter on employment income is required reading. If the next 10 pages of course notes address automobile taxable benefits and expenses you can do the text readings from the employment income chapter on those issues to prepare for class. In the event you do not have sufficient time to do the text readings before class, you can still benefit by reading through the next 10 pages of course pack notes, prior to class, so you have a preliminary understanding of what is being covered in that class.

**Approach to the Materials:** The best way to learn and understand tax law is to apply the rules to problems. Three types of problems are provided in the text: exercises, self-study problems and assignment problems. Solutions to the exercises and self-study problems are included in a solutions manual that comes with the text book. Solutions to relevant assignment problems will be posted on the course web-site (the list of relevant assignment problems will be provided once publisher permission is received). In order to master the material, you should practice all available questions.

**Practicing Problems:** When practicing questions, you should prepare a complete answer before looking at the solution. You should then review the solution with the objective of identifying key concepts or principles underlying the tax treatment of various items. When the underlying concept or principle is thoroughly understood, the rules in the legislation fit logically in place. The ability to identify an issue and quickly understand the required approach will save valuable time in exams. If you do not practice all of the problems you will not do very well on the exams.

**Previous Exams:** Prior to each of the two midterms and the final exams, I will provide a sample of previous exam questions. These will include updated solutions that reflect current tax legislation. I do not provide solutions to old exams other than the samples noted above as tax legislation changes substantially from time to time and solutions to old exams do not reflect current legislation.

**Exams:** Before each exam I will hand out an information sheet about the exam. You may ask any questions you wish about exam content in class, in front of the entire class, however I reserve the right to decide whether I will answer a particular question. I will not answer questions about exam content, etc. asked outside of the classroom. I will, however, answer any questions about understanding of course notes and problems and solutions.

**Grades in the course will be assigned on the following basis:**

|            |      |
|------------|------|
| Midterm I  | 25 % |
| Midterm II | 25 % |
| Final exam | 50 % |

**Exam Dates:**

|                                      |                                               |
|--------------------------------------|-----------------------------------------------|
| Midterm I                            | Wednesday, February 15 <sup>th</sup> in class |
| Midterm II                           | Wednesday, March 15 <sup>th</sup> in class    |
| Final – Consolidated (both sections) | Saturday, April 22 <sup>nd</sup> at 9:00AM    |

Any student who continues to write after time is called for the exam will be assessed a penalty sufficient to remove any advantage gained by continuing to write.

All exams are closed book. For each exam, I will provide a formula sheet that will be distributed at the exam. You are required to sign the formula sheet in the space provided and turn it in with your exam. No writing is permitted on the formula sheet. There is a **five mark penalty** for any of the following:

- Writing on the formula sheet
- Not signing the formula sheet, or,
- Not turning the formula sheet in with the exam

Copies of the formula sheets will be posted on the course website on a timely basis before each exam so you can use it when you practice problems prior to the exam.

The final exam is cumulative from employment income to the end of the course notes.

**Absences and Missed Work**

If you are absent from a midterm exam for an acceptable reason (illness or family emergency) you are required to send an email (on a timely basis) informing me that you were unable to attend the midterm and explaining the nature of your difficulty. I may, at my discretion, require proof supporting your stated reason for missing the midterm, either in the form of a statutory declaration or other supporting documentation. I follow the policy of sending all requests for deferral to the undergraduate office.

In the event that either midterm examination is missed for an acceptable reason, no make-up will be given. Instead, the credit assigned to that mid-term will be reallocated to the final.

If both midterms are missed for an acceptable reason, the final exam will include the final exam written by all other students as well as a one hour question on material from either or both of the first and second midterm.

If you miss the final exam, you must apply to the undergraduate office for an exam deferral. In the event you are granted a deferral, the deferred exam will be held Friday, May 19<sup>th</sup> 2017 at 9:00AM.

**Job interviews**, whether in Edmonton or outside of Edmonton, are not considered a valid reason for missing an exam. Please remember that it is your responsibility to ensure that any travel arrangement at Christmas or at other times in the year do not conflict with your exam schedule.

Once you have written an exam, I will not re-allocate marks because of explanations given after the fact.

### **Classroom Etiquette**

**Attendance:** It is your responsibility to attend class. If you miss class for any reason, you are still responsible for all materials covered (including lecture notes), announcements made and handouts provided. I do not email class handouts or lecture notes to students, or otherwise provide lecture notes to students other than via class lecture, so if you miss class you will have to get the lecture notes from another student. Class handouts may be picked up at my office during office hours.

Please be on time for class and remain for the entire period. Arriving late or leaving early is very inconsiderate of other students. If you have a valid reason for coming late or leaving early such as a previous or subsequent class some distance from this class, please discuss that with me.

**Breaks during class:** You should not normally leave or re-enter the classroom during the class period. Doing this is disruptive to fellow students and to the instructor. If you are affected by illness or medication such that you realize it may be necessary for you to leave during the class period, please arrive early enough to sit close to the door so that you may leave and return with a minimum of disturbance.

**Cell Phones and other electronic devices:** All cell phones, pagers and other electronic communication devices must be turned off for the duration of the class. Text messaging or emailing, after the start of class, is not permitted under any circumstances. If you are caught text messaging or emailing you may be asked to leave the class.

**Exception:** You may use cell phones in the back two rows of the classroom as long as cell phone use is not obvious to me (i.e. I cannot see you are using your cell-phone). By sitting in any other row you agree not to use your cell phone or other electronic devices.

**Lap Tops:** No laptop usage is permitted during class. The sole exception is if you bring a documented medical excuse indicating that you must use a laptop to take notes. In that case you will be asked to sit in the back row to use your lap top to ensure you do not disturb the students around you.

### **Grades in the Course**

The University average grade distribution is based on all courses across campus including courses of varying levels of difficulty. A curve is used to determine the final grade distribution for this course with natural break points used to distinguish between various grades. As a result, the distribution of grades in this course will not necessarily coincide exactly with the University average distribution. Traditionally the median grade in this course has been a B.

**Success in the Course:** In order to do well in the course you will have to commit a significant amount of time to learning the material. Students who have done well in the past have indicated that they did the following in preparing for exams:

- Reviewed all of the lecture notes
- Did all of the textbook readings (Do not summarize the text – there is no time and little benefit to doing so).
- Practiced all of the problems including exercises, self study and assignment problems. This includes all textbook exercise, self study and assignment problems (provided) and additional problems from old exams posted in the course website.
- When reviewing his or her solution to practice problems, made notes of items missed and followed up to determine the correct treatment including identifying why his or her treatment is wrong and the solution treatment is correct.

Students who have spent significant amounts of time summarizing the textbook and have, as a result, run out of time for practicing problems, have not done well on exams.

**No class February 20<sup>th</sup> – Family Day**  
**No class February 22<sup>nd</sup> – Reading Week**

### Detailed Topical Coverage

Prior to doing the assigned readings, you should review the learning objectives at the beginning of each relevant chapter.

| Topic                             | Reading                                                                                                                                                               |
|-----------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Introduction*                     | 1-1 to 1-10; 1-13 to 1-17; 1-26 to 1-76; 1-97 to 1-134; 2-87 to 2-93; 2-104 to 2-115; 2-119 to 2-134                                                                  |
| Employment                        | 3-1 to 3-157; 3-163 to 3-220; 6-119 to 6-126; 10-211 to 10-218                                                                                                        |
| Retirement Savings                | 10-1 to 10-151; 10-187 to 10-189; 10-208; 9-103                                                                                                                       |
| CCA and CEC                       | 5-1 to 5-108; 5-110 to 5-114; Appendix to Chapter 5; 7-57 to 7-65                                                                                                     |
| Business                          | 6-1 to 6-91; 6-94 to 6-152; 6-158 to 6-178; 11-63 to 11-67                                                                                                            |
| Capital Gains                     | 8-1 to 8-32; 8-34 to 8-90; 8-105 to 8-133; 8-137 to 8-168; 11-30 to 11-35; 11-55 to 11-62; 11-68 to 11-72; 11-78 to 11-93                                             |
| Property                          | 7-1 to 7-5; 7-38 to 7-50; 7-36 to 7-37; 7-51 to 7-53; 7-66 to 7-93; 7-112 to 7-128; 7-6 to 7-35                                                                       |
| Other income and other deductions | 9-1 to 9-4; 9-11 to 9-98; 9-136 to 9-140; 4-237 to 4-247                                                                                                              |
| Taxable Income and Tax Payable    | 11-6 to 11-7; 11-14 to 11-29; 11-36 to 11-49; 11-94 to 11-109; 11-121; 11-127 to 11-136; 4-1 to 4-117; 4-122 to 4-133; 4-137 to 4-155; 4-160 to 4-197; 4-202 to 4-248 |

You are responsible for all assigned textbook readings, regardless of whether they are covered in class.

**Basic Tax  
List of Applicable Problems**

| <b>Self-Study Problems</b>                                                                                                         | <b>Assignment Problems</b>                                                                      |
|------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|
| <b>Introduction</b>                                                                                                                |                                                                                                 |
| 1-4 to 1-7; 2-6                                                                                                                    | 1-5; 1-7 to 1-8                                                                                 |
| <b>Employment Income</b>                                                                                                           |                                                                                                 |
| 3-1 to 3-14; 6-5                                                                                                                   | 3-1 to 3-14; 6-3                                                                                |
| <b>Retirement Savings</b>                                                                                                          |                                                                                                 |
| 10-1 to 10-5; 10-6 (Parts A and B); 10-7 to 10-9                                                                                   | 10-1 to 10-7                                                                                    |
| <b>Capital Cost Allowance and Cumulative Eligible Capital</b>                                                                      |                                                                                                 |
| 5-1 to 5-8; 7-2                                                                                                                    | 5-1 to 5-8; 7-2; 7-3                                                                            |
| <b>Business Income</b>                                                                                                             |                                                                                                 |
| 6-1 to 6-14; 6-15,6-16 (only calculate net business income for 6-15,-6-16)                                                         | 6-1 to 6-11; 6-12 & 6-13 (only calculate net income for tax purposes)                           |
| <b>Capital Gains</b>                                                                                                               |                                                                                                 |
| 8-1; 8-3 to 8-11; 8-14 to 8-16; 11-1; 11-3                                                                                         | 8-1; 8-4 to 8-8; 8-10; 8-13 to 8-14; 11-2; 11-3                                                 |
| <b>Property Income</b>                                                                                                             |                                                                                                 |
| 7-1 to 7-6                                                                                                                         | 7-1; 7-4; 7-7 (just do part on mutual funds)                                                    |
| <b>Other Income and Other Deductions</b>                                                                                           |                                                                                                 |
| 9-1 to 9-6                                                                                                                         | 9-1 to 9-4; 9-5 (ignore RESP)                                                                   |
| <b>Taxable Income and Tax Payable</b>                                                                                              |                                                                                                 |
| 4-1 to 4-8; 11-2; 11-4; 11-5 11-7; 11-8; 11-10; 6-15 to 6-16; 7-8; 7-9; 8-17; 8-18; 9-13; 9-14 (ignore attribution); 10-8 to 10-10 | 4-1 to 4-7; 11-1; 11-4; 11-7 to 11-10; 6-12; 6-13; 7-8; 7-9; 8-15; 8-16; 9-12; 9-13; 10-8; 10-9 |