

Course Outline

Department of Accounting and Finance  
School of Business and Economics

ACCT 3230-3  
Income Taxation 2 (3,0,0)

**Calendar Description**

Building on ACCT 3220: Income Taxation 1, students examine the taxation of corporations, corporate distributions, and transactions between corporations and their shareholders. Topics include an in-depth coverage of taxable capital gains; deferred income plans; and the taxation of corporate entities, partnerships, trusts and corporate reorganizations.

**Educational Objectives/Outcomes**

Upon completing this course, students will be able to:

1. Apply the income tax provisions for the determination of gains and losses on the disposition of capital assets.
2. Evaluate the various deferred income plans available to Canadians and how these plans can be used for retirement, education or general wealth building purposes.
3. Calculate the net income, taxable income and taxes payable for a corporate entity.
4. Demonstrate how corporate entities are taxed on their investment income.
5. Interpret the technical corporate taxation issues involving the acquisition of control, association rules, investment tax credits, paid-up-capital and distribution of corporate surpluses.
6. Explain how a corporation can be used to reduce taxes, defer taxes, and facilitate income splitting.
7. Quantify the income of a partnership for tax purposes and allocate this income to partners.
8. Explain the taxation of the different types of trusts and how they can be successfully used for estate planning purposes.
9. Identify the major provisions of Section 85 rollovers under the Canadian Income Tax Act and other rollover provisions affecting corporations, partnerships and trusts.

**Prerequisites**

ACCT 3320 or ACCT 3260

**Co-requisites**

None

**Texts/Materials**

Byrd and Chen, Canadian Tax Principles, 2012-2013 Edition.

## Student Evaluation

Midterm(s)	45%
Tax return simulation	5%
Final exam	50%

Students must pass the exam to pass the course.

## Course Topic

### 1. Capital Gains and Capital Losses

- Economic Background
- General Rules
- Detailed Application Of The Rules
- Non-Arm's Length Transfers Of Property
- Replacement Property Deferral Provisions
- Deemed Dispositions
- Provisions For Special Assets
- Capital Gains And Tax Planning

### 2. Retirement Savings and Other Special Income Arrangements

- Registered Education Savings Plans (RESPs)
- Registered Disability Savings Plans (RDSPs)
- Tax Free Savings Accounts (TFSA)
- Planning For Retirement
- Registered Retirement Savings Plan (RRSPs)
- Registered Pension Plans (RPPs)
- Registered Retirement Income Funds (RRIFs)
- Deferred Profit Sharing Plans (DPSPs)
- Profit Sharing Plans (PSPs)
- Transfers Between Plans
- Retirement Compensation Arrangements (RCAs)
- Salary Deferral Arrangements (SDAs)
- Individual Pension Plans (IPPs)

### 3. Taxable Income and Tax Payable for Corporations

- Introduction
- Computation of Net Income
- Computation of Taxable Income
- Geographical Allocation of Income

- Federal Tax Payable
- Small Business Deductions
- Manufacturing And Processing Profits Deduction
- General Rate Reductions
- Foreign Tax Credits For Corporations

#### 4. Taxation of Corporate Investment Income

- Integration
- Refundable Taxes On Investment Income
- Refundable Part I Tax
- Refundable Part IV Tax
- Refundable Dividend Tax On Hand
- Designation Of Eligible Dividend

#### 5. Other Issues in Corporate Taxation

- Introduction
- Acquisition Of Control Rules
- Associated Companies
- Investment Tax Credits
- Tax Basis Shareholders' Equity
- Distribution Of Corporate Surplus

#### 6. Corporate Taxation and Management Decisions

- The Decision To Incorporate
- Tax Reduction And Deferral
- Provincial Taxes And Integration
- Tax Free Dividends
- Income Splitting
- Shareholder Benefits
- Management Compensation
- Salary Vs. Dividends For The Owner – Manager

#### 7. Partnerships

- Introduction
- Partnerships Defined
- Co-Ownership, Joint Ventures And Syndicates
- Partnership Income, Losses, Tax Credits
- Allocations To Partners And Partner Expenses
- The Partnership Interest
- Limited Partnerships And Limited Partners
- Transfer Of Property To And From A Partnership
- Specified Investment Flow Through (SIFT) Partnership

8. Trusts and Estate Planning

- Introduction to Basic Estate Planning
- Basic Concepts
- Classification Of Trusts
- Taxation Of Trusts
- Net Income For Tax Purposes Of A Trust
- Taxable Income Of A Trust
- Income Allocations To Beneficiaries
- Tax Payable Of Personal Trusts
- Trust Tax And Information Returns
- Income Attribution
- Purchase Or Sale Of An Interest In A Trust
- Tax Planning
- Estate Planning
- Estate Freeze
- SIFT Partnerships And Trusts

9. Rollovers under Section 85

- General Rules For The Transfer
- Transfer Prices- Detailed Rules
- Allocation of the Elected Value
- Paid Up Capital of Shares Issued

**Methods for Prior Learning Assessment and Recognition**

As per TRU policy

**Attendance Requirements – Include if different from TRU Policy**

As per TRU policy

**Special Course Activities – Optional**

**Use of Technology – Optional**