Byrd and Chens Canadian Tax Principles (Canadian) 1st edition Byrd Test Bank

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Chapter Two Test Item File Problems

TIF PROBLEM TWO - 1
Procedures And Administration - Essay Questions

1. An individual can request that an employer reduce the amounts withheld for income taxes. What conditions must be met for this request to be granted? Provide an example of a situation where this request would be granted.

2. In some situations, an employee may request an increase in the amounts that are withheld for future income taxes. What circumstances might lead an employee to make such a request?

3. Under what circumstances must an individual make income tax instalment payments during the current year?

4. If an individual is required to make quarterly instalment payments on their income taxes, how is the required amount of the instalments determined?

5. By making all instalments on the basis of the CRA's instalment reminder, the taxpayer is assured that no interest will be assessed for deficient instalments. However, this may not be the best alternative for making instalment payments. Explain why this is true.

6. One of your clients has received his instalment notice and has asked your advice as to whether he should make the payments. Provide the requested advice.

7. How is interest on late instalments calculated?

8. On April 30 of the current year, her filing due date, Nicole Houde finds that she has a significant net tax owing. She will not be able to pay this until the beginning of July. She doesn't want to file her return until she has the funds available to pay the balance. What advice would you give Ms. Houde in this regard?

9. Under what circumstances must a corporation make income tax instalment payments during its current taxation year?

10. If a corporation that is not a small CCPC is required to make instalment payments on their income taxes, how are the required amounts determined?

11. If a corporation that is a small CCPC is required to make quarterly instalment payments on their income taxes, how are the required amounts determined?

12. A corporation's balance due date is not the same as its return due date. Explain how these dates differ.

13. The normal reassessment period is 3 years for individuals and CCPCs and 4 years for other corporations. Indicate two situations where a reassessment can occur outside the normal reassessment period.

14. Cases can be heard by the Tax Court of Canada using either the general or the informal procedures. How do these two procedures differ?

15. Briefly describe the difference between tax evasion and tax avoidance.

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TIF PROBLEM TWO - 2
Procedures And Administration - True Or False

1. If an individual believes that the amount of income taxes withheld by his employer is greater than the amount that he will have to pay in a particular year, he can make a request to the CRA to have his source deductions reduced.

   True or False?

2. Because the taxation year of an individual must be based on the calendar year, all individuals will have the same filing due date.

   True or False?

3. If an individual dies after October in a particular taxation year, his legal representatives must file his tax return by the later of his normal filing due date and six months after the date of his death.

   True or False?

4. If quarterly instalments must be paid by an individual, they can be calculated as one-quarter of the net tax owing for the preceding year.

   True or False?

5. If an individual is required to make income tax instalment payments, one acceptable pattern of payments is to base each payment on one-quarter of the estimated Tax Payable for the current taxation year.

   True or False?

6. The interest rate applicable on refunds to individuals is 4 percentage points less than the interest rate applicable on amounts owing to the CRA.

   True or False?

7. The penalty for an individual making insufficient instalment payments is 5 percent of the total unpaid tax at the filing date, plus 1 percent per month.

   True or False?

8. Without regard to whether an individual's filing due date is April 30 or June 15, any balance of tax owing must be paid by April 30.

   True or False?

9. All corporations must file their tax returns no later than six months after the end of their fiscal year, and pay any balance of tax owing no later than three months after the end of their fiscal year.

   True or False?

10. The notice of objection for a corporation must be filed within 90 days from the date of mailing of the notice of assessment.

    True or False?

11. Tax avoidance involves deliberately ignoring a specific provision in the *Income Tax Act*.

    True or False?

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12. The GAAR provisions are not applicable to gifts to adult children.

True or False?

13. Interest and penalties may be waived or reduced in extraordinary circumstances, such as those involving natural disasters or serious illness.

True or False?

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TIF PROBLEM TWO - 3
Procedures And Administration - Multiple Choice

New For 2016/2017

Individual Filing Requirements

1. Which of the following statements is **NOT** correct?

   A. If an individual has business income during the year, the due date for their income tax return is June 15 of the following year.
   B. An income tax return may be required of an individual, without regard to their age.
   C. If an individual has no Taxable Income for the year, they do not have to file an income tax return.
   D. If an individual sells a capital property during the year, they are required to file an income tax return, even if there is no gain or loss on the transaction.

2. Which of the following statements is correct?

   A. When an individual dies in a year, an income tax return must be filed for that year within 6 months of the date of death.
   B. Only residents of Canada are required to file Canadian income tax returns.
   C. An individual with business income during the year must pay any balance owing by June 15 of the following year.
   D. A self employed individual with a net business loss for the year does not have to file an income tax return for the year.

Individual Instalments

3. Which of the following individuals did **NOT** have to pay instalments in 2016?

   A. Jane Austen, who had business income of $50,000 in both 2014 and 2016.
   B. Charlotte Bronte, who realized capital gains of $3,500 in 2015 and $4,000 in 2016.
   C. George Eliot, who had rental income of $50,000 in the years 2014 through 2016 and a net allowable capital loss of $50,000 in 2015.
   D. Emily Bronte, who received spousal support payments of $20,000 per year in each of the years 2014 through 2016.

Corporate Filing Requirements

4. Which of the following statements with respect to corporations is **NOT** correct?

   A. Corporate income tax returns must be filed within 6 months of the end of the taxation year.
   B. All corporations must file their income tax returns electronically.
   C. If the corporation is a CCPC, the due date for any balance owing is three months after the end of the taxation year.
   D. If a corporation has foreign operations, it can determine its Canadian tax liabilities on the basis of financial statements prepared in the corporation's functional currency.

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Corporate Instalments

5. A Canadian public company has Tax Payable of $62,000 in 2014, $95,000 in 2015, and $75,000 in 2016. The company would like to minimize its 2016 instalments. What would its instalments be?

   A. One monthly payment of $5,167 per month, followed by eleven monthly payments of $8,167 per month.
   B. Twelve payments of $5,167 per month.
   C. Twelve payments of $6,250 per month.
   D. Two monthly payments of $5,167 per month, followed by ten monthly payments of $8,467 per month.

Assessments And Appeals

6. Dora Burch files her 2016 income tax return on March 2, 2017. She receives a nil assessment on June 3, 2017. However, on December 28, 2017, she receives a reassessment indicating that she owes a substantial amount of additional tax. She would like to object to this reassessment. What is the latest date for her to file a notice of objection? (Ignore the effect of leap year if applicable.)

   A. March 2, 2018.
   B. April 30, 2018.
   C. March 28, 2018.
   D. December 28, 2018.

Retained From Previous Editions

Individual Filing Requirements

7. With respect to the filing of an individual income tax return, which of the following statements is correct?

   A. An individual is required to file an income tax return if their only source of income is business income, even if no tax is payable.
   B. An individual is required to file an income tax return if they have reached the age of 18 by the end of the year.
   C. If an individual has disposed of a capital property during the year, they are required to file an income tax return, even if no tax is payable.
   D. An individual is not required to file an income tax return if no tax is payable for the year.

8. For the 2016 taxation year, John Bookman had a taxable capital gain of $45,000 and a net business loss of $45,000, resulting in a Taxable Income of nil. Which of the following statements is correct?

   A. John is not required to file a tax return for 2016.
   B. John must file a tax return on or before June 15, 2017.
   C. John must file a tax return on or before December 31, 2017.
   D. John must file a tax return on or before April 30, 2017.

9. John Barron is self-employed and plans to file his 2016 tax return on June 15, 2017. His balance-due day is:

   A. April 30, 2016.
   B. April 30, 2017.
   C. June 15, 2017.
   D. June 15, 2016.

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10. Bunly Im is a self-employed hairdresser. Which of the following dates are correct for the date by which his tax return for a year must be filed (1st item) and his payment due date (2nd item)?

    A. April 30, April 30.
    B. June 15, April 30.
    C. April 30, June 15.
    D. June 15, June 15.

11. Ms. Deveco's 2016 income tax return is due on April 30, 2017. While she is too busy to file her tax return on that date, she remits a cheque to the government for $10,000, her estimated amount of net tax owing on that date. She has never filed a late return before. She prepares and files her tax return on May 31, 2017. At this time, the return shows that her actual net tax owing was $9,800. Assuming that the interest rate applicable to late payment of taxes is one-half percent per month without daily compounding, how much will she owe in penalties and interest on the late filing?

    A. $ 49.
    B. $490.
    C. $588.
    D. $637.
    E. Nil.

12. Mr. Finlay, a retired individual whose only source of income was pension receipts, dies on August 15, 2016. By what date must Mr. Finlay's final tax return be filed?

    A. April 30, 2017.
    B. February 28, 2017.
    C. February 15, 2017.
    D. December 31, 2016.
    E. None of the above.

13. Ms. Ali, a self-employed music teacher with business income, dies on November 15, 2016. What is the latest filing date for her 2016 income tax return?

    A. April 30, 2017.
    B. May 15, 2017.
    C. May 30, 2017.
    D. June 15, 2017.

14. Mr. Khan, a self-employed construction contractor, dies on April 1, 2016. What is the latest filing date for his final tax return?

    A. April 30, 2017.
    B. June 15, 2017.
    C. October 1, 2017.
    D. December 31, 2017.

15. Ms. Loren dies on February 1, 2017. All of her income is from employment activities and she does not have a spouse or common-law partner. What is the latest date for filing her 2016 income tax return?

    A. April 30, 2017.
    B. June 15, 2017.
    C. August 1, 2017.
    D. June 30, 2017.

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16. Greta died on September 10, 2016. She has never reported any business income. By what date must her final tax return be filed?

    A. April 30, 2017.
    B. April 30, 2018.
    C. March 10, 2017.
    D. June 15, 2017.

Individual Instalments

17. Ms. Marston has net tax owing for 2014 of $4,500, net tax owing for 2015 of $8,000, and estimated net tax owing for 2016 of $7,500. If she wishes to pay the minimum total amount of instalments for the 2016 taxation year, her first payment on March 15 will be for what amount?

    A. Nil.
    B. $1,125.
    C. $1,875.
    D. $2,000.

18. Jason Marks has to pay his tax by instalments as a result of his significant investment income. His net tax owing in 2014 was $13,600. In 2015, it was $15,000. His estimate for 2016 is $17,000. If he decides to pay his 2016 tax instalments according to the prior year option, how much should he pay on September 15, 2016?

    A. $3,400.
    B. $3,750.
    C. $4,250.
    D. $6,500.

19. All of the following people will have to pay tax by instalments this year, except:

    A. Jane White, who received a one-time bonus of $60,000 last year and, because her employer had not deducted enough tax, found herself with net tax owing of $8,200.
    B. Karen Phillips, who has started to earn investment income, which resulted in net tax owing of $3,100 last year. Her investment income is expected to be even greater this year.
    C. Blake Fortin, who established a sole proprietorship two years ago. Blake had a very successful first year and, as result, he had net tax owing that year of $85,000. Business dropped in his second year, resulting in net tax owing of only $1,500. This year, business has picked up again and he expects to have net tax owing of $53,000.
    D. Terri Jones, who has had net taxable capital gains on real estate in excess of $40,000 in each of the last two years, and who expects to have similar gains this year.

20. Larry Short has self-employment income of $62,000 in 2016. Prior to this year, he was employed full-time and his employer's withholdings more than covered his tax liability for the year. Larry estimates that, based on his self-employment income, his net tax owing for 2016 will be $8,000. Which of the following statements is true?

    A. Larry must file his return for 2016 by April 30, 2017.
    B. Larry should pay instalments in 2016.
    C. Larry must pay his income tax for 2016 by June 15, 2017.
    D. If Larry has as much income in 2017 as he had in 2016, he will have to pay instalments during 2017.

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21. Individuals are required to pay instalments:

    A. When net tax owing is over $3,000 for any one of the past two years.
    B. When net tax owing is over $3,000 for the current year and both of the two prior years.
    C. When net tax owing is over $3,000 for the current year and one of the two prior years.
    D. When net tax owing is over $3,000 for the current year only.

22. One way to ensure that no interest will be assessed for late instalments is:

    A. To pay the amounts provided by the CRA in their instalment reminder on or before the required dates.
    B. To pay the lowest amount calculated using the 3 alternative calculations on or before the required dates.
    C. To pay the estimated tax owing for the current year on the first instalment due date.
    D. To pay the average of the three amounts calculated using the 3 alternative calculations on or before the required dates.

Interest and Penalties

23. Dora Chen has determined that her minimum tax instalments for 2016 are $8,000 per quarter. She also owes $30,000 on her credit card, which carries an interest rate of 20%. She has destroyed her credit card, so no more can be put on it. Dora is unable to pay both the entire instalment amounts and her credit card balance, but she does have $8,000 in cash each quarter for her debts. Which of the following would be the best choice for Dora from a financial planning perspective?

    A. Dora should pay off her credit card balance before making instalment payments.
    B. Dora must make all her instalment payments, even if it means she cannot pay anything off on her credit card this year.
    C. Dora should split her payments equally between the credit card balance and the instalment liability, in order to show the CRA that she is trying her best to meet her obligations to them.
    D. Dora should pay her first two instalments and then make payments on her credit card balance.

24. Lang Lang Ltd., a CCPC eligible for the small business deduction, has a March 31 year end. Due to the death of the owner/manager, the tax return for the year ended March 31, 2015 was not filed until May 12, 2017. The unpaid tax on March 31, 2015 was $15,500. Lang Lang Ltd. has never filed a return late before. What is the total late file penalty that the corporation is required to pay? (Do not include any interest payable.)

    A. $775
    B. $2,635
    C. $1,860
    D. $3,720

25. Which of the following scenarios will result in a penalty being charged by the CRA?

    A. A taxpayer pays less than the required amount of instalments.
    B. A taxpayer who is owed a refund files their tax return late.
    C. A taxpayer who has a balance owing files their tax return late, with the payment enclosed.
    D. A taxpayer who has a balance owing files their tax return on time, but does not include a payment.

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Corporate Filing Requirements

26. For corporations, the filing deadline for tax returns is:

    A. April 30.
    B. the fiscal year end.
    C. three months after the fiscal year end.
    D. three months after the fiscal year end if the small business deduction is claimed, otherwise two months after the fiscal year end.
    E. six months after the fiscal year end.

27. PS Swim Inc. has a year end of November 30. It is a small CCPC. For its 2016 taxation year, its income tax return is due on:

    A. January 31, 2017.
    B. February 28, 2017.
    C. April 30, 2017.
    D. May 31, 2017.
    E. None of the above.

28. For its 2016 taxation year, its first year of operation, PS Swim Inc. filed its return three months late. The unpaid tax at the due date for the return was $2,500. This amount was not paid until the return was filed. What would its penalty be?

    A. Nil.
    B. $75.
    C. $125.
    D. $200.
    E. $500.

29. The balance due date for a corporation is:

    A. April 30 of the following year.
    B. The same as the filing deadline.
    C. Three months after the end of the fiscal year, or two months after the end of the fiscal year if the corporation is a small CCPC.
    D. Two months after the end of the fiscal year, or three months after the end of the fiscal year if the corporation is a small CCPC.

Corporate Instalments

30. PP Ltd., a client of your firm, has a November 30 year end and has requested you to advise them on what its monthly instalments for the 2016 tax year will be. Its taxes payable for its November 30, 2014 and November 30, 2015 years were $13,800 and $13,200, respectively. Its estimated taxes payable for the November 30, 2016 year are $14,400. PP Ltd. wants to pay the lowest amount possible, without incurring interest penalties. What would its instalments be?

    A. Twelve payments at $1,200 per month.
    B. Twelve payments at $1,100 per month.
    C. Twelve payments at $1,150 per month.
    D. Two monthly payments at $1,200 each, followed by ten monthly payments at $1,140 each.
    E. None of the above.

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31. A Canadian public corporation had federal taxes payable in 2014 and 2015 exceeding $3,000. One correct option it has with respect to its 2016 instalments is to pay:

    A. equal instalments, on a quarterly basis, based on its 2015 federal taxes payable.
    B. on a monthly basis, instalments equal to 1/12th of its estimated 2016 federal taxes payable.
    C. one lump-sum payment, within three months of its 2016 year end.
    D. on a monthly basis, instalments equal to 1/12th of its 2014 federal taxes payable.

32. If a Canadian public corporation is experiencing a year-to-year decrease in taxes payable, the most advantageous calculation of instalments that would be allowed is:

    A. monthly, based on the estimated tax for the current year.
    B. quarterly, based on the estimated tax for the current year.
    C. monthly, based on the estimated tax for the immediately preceding year.
    D. quarterly, based on the estimated tax for the immediately preceding year.
    E. monthly, based on the estimated tax for the second preceding year and the immediately preceding year.
    F. quarterly, based on the estimated tax for the second preceding year and the immediately preceding year.

33. Which of the following is **NOT** one of the criteria for a CCPC to be considered a small CCPC eligible to pay instalments on a quarterly basis?

    A. Taxable income cannot exceed $500,000 for the corporation and its associated corporations for the current taxation year and the two previous years.
    B. The corporation has claimed the small business deduction in the current or previous year.
    C. The corporation has a perfect compliance record during the last 12 months.
    D. The corporation and its associated corporations do not have Taxable Capital Employed in Canada that exceeds $10 million for the current or previous year.

Assessments And Appeals

34. Which of the following statements is **NOT** correct?

    A. When the person filing the return has made any misrepresentation due to neglect, carelessness or wilful default, the normal reassessment period can be extended beyond 3 years.
    B. A taxpayer can choose to file a waiver to extend the 3 year time limit.
    C. When a return has been reassessed once, no further reassessments are permitted.
    D. Reassessment can occur outside the normal reassessment period when reassessment within the normal period affects a balance outside of the normal period.

35. Which of the following is **NOT** one of the criteria that must be met before an adjustment to a previous year tax return is permitted?

    A. The CRA must be satisfied that the previous assessment was incorrect.
    B. The change is based on a successful appeal to the courts by another taxpayer.
    C. The taxpayer's return was filed within 3 years of the end of the year to which it relates.
    D. The reassessment must be made within the normal assessment period, or under certain permitted extensions to this period.

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36. Tom Arnold filed his 2016 tax return on March 1, 2017. The CRA mailed a notice of assessment to Tom dated May 15, 2017, and Tom received it on May 30, 2017. If Tom disagrees with the notice of assessment, what is the latest date he has to file a notice of objection?

    A. 90 days from March 1, 2017.
    B. 90 days from April 30, 2017.
    C. 90 days from May 15, 2017.
    D. 90 days from May 30, 2017.
    E. None of the above.

37. Minnie Belanger is retired. She filed her 2016 tax return on March 5, 2017. She received a portion of the tax refund claimed and an assessment notice, dated April 19, 2017, which set out the difference between the amount claimed and the amount of the refund. As Minnie disagrees with the notice of assessment, she wishes to file a notice of objection. What is the latest date she has to file a notice of objection?

    A. March 5, 2018.
    B. April 19, 2018.
    C. April 30, 2018.
    D. July 18, 2017.
    E. June 15, 2018.

38. For a public corporation, which of the following statements is correct with respect to filing a notice of objection?

    A. It must be filed no later than 180 days from the date on the notice of assessment.
    B. It must be filed the later of 90 days after the date on the notice of assessment and one year from the filing date for the return under assessment.
    C. It must be filed the later of 180 days after the date on the notice of assessment and one year from the filing date for the return under assessment.
    D. It must be filed no later than 90 days after the date on the notice of assessment.

39. Marc Mayer filed his 2016 personal tax return on March 1, 2017. Neither he nor his spouse has business income in any year. The CRA mailed a Notice of Assessment to Marc dated May 5, 2017 and Marc received it on May 14, 2017. If Marc disagrees with the Notice of Assessment, he has until which one of the following dates to file a Notice of Objection?

    A. August 3, 2017.
    B. August 12, 2017.
    C. March 1, 2018.
    D. April 30, 2018.

Tax Planning

40. Carice Martin is planning to sell a piece of capital equipment which can be sold for more than its cost. If she waits until after her company's year end to sell it, she is engaging in:

    A. tax evasion.
    B. tax avoidance.
    C. GAAR.
    D. tax planning.

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TIF PROBLEM TWO - 4
Procedures And Administration - Exam Exercises

Exam Exercise Subject Listing For Chapter 2

Number	Subject
1	Individual Due Dates
2	Individual Due Dates
3	Deceased Taxpayer Due Date
4	Deceased Taxpayer Due Date
5	Individual Instalments
6	Individual Instalments
7	Individual Instalments
8	Penalties And Interest (Individuals)
9	Penalties And Interest (Individuals)
10	Corporate Instalments - Regular And Small CCPC
11	Corporate Instalments - Regular And Small CCPC
12	Corporate Instalments - Regular And Small CCPC
13	Corporate Due Dates
14	Corporate Due Dates
15	Corporate Due Dates
16	Notice Of Objection
17	Notice Of Objection

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Exam Exercise Two - 1 (Individual Due Dates)
Mark Brown's 2016 Net Income includes business income. When is his 2016 tax return due? By what date must his 2016 tax liability be paid in order to avoid the assessment of interest on amounts due?

Exam Exercise Two - 2 (Individual Due Dates)
Ms. Jeanine Farrel has 2016 Net Income which includes business income. When is her 2016 tax return due? In addition, indicate when any remaining tax liability must be paid in order to avoid having interest assessed on the amount due.

Exam Exercise Two - 3 (Deceased Taxpayer Due Date)
George Klause dies on March 1, 2017. All of his income during 2016 was earned through his unincorporated accounting practice. By what date must his representatives file his 2016 income tax return? Explain your answer.

Exam Exercise Two - 4 (Deceased Taxpayer Due Date)
Gloria Klump dies on December 1, 2016. Much of her 2016 income resulted from an unincorporated business which she operated. By what date must her representatives file her 2016 income tax return? Explain your answer.

Exam Exercise Two - 5 (Individual Instalments)
At the beginning of 2016, the following information relates to Sarah Elmsley:

Year	Net Tax Owing
2014	$1,800
2015	6,400
2016 (Estimated)	3,600

Indicate whether Ms. Elmsley is required to make instalment payments during 2016. Explain your conclusion and, if your answer is positive, indicate the minimum instalments that will be required and when they are due.

Exam Exercise Two - 6 (Individual Instalments)
Horace Greesom filed his 2015 return on time. At the beginning of 2016, the following information relates to Mr. Greesom:

Year	Taxes Payable	Amounts Withheld
2014	$56,000	$45,000
2015	49,000	46,200
2016 (Estimated)	65,000	45,000

What amounts will be shown on the Instalment Reminder notices for 2016 and when will the amounts be due? Should he pay those amounts? Explain your conclusion.

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Exam Exercise Two - 7 (Individual Instalments)
At the beginning of 2016, the following information relates to Jerry Farrow:

Year	Tax Payable	Amounts Withheld
2014	$83,000	$78,000
2015	76,000	77,000
2016 (Estimated)	63,000	59,000

Is Mr. Farrow required to make instalment payments during 2016? If he is required to make instalment payments, indicate the amounts that would be required under each of the three alternative methods of calculating instalments. Indicate which alternative would be preferable.

Exam Exercise Two - 8 (Penalties And Interest For Individuals)
Despite the fact that her net tax owing has been between $7,000 and $8,000 in the two previous years, and is expected to be a similar amount during 2016, Marsha Fields has made no instalment payments for 2016. While her normal filing date would be April 30, 2017, she does not file her 2016 return or pay the balance owing until August 24, 2017. What penalties and interest will be assessed for the 2016 taxation year?

Exam Exercise Two - 9 (Penalties And Interest For Individuals)
As his Taxable Income in 2015 was nil, Mark Felton did not make any instalment payments during 2016. In completing his return for 2016, he finds that he has tax payable of $22,500. While his normal filing date would be April 30, 2017, he does not file his return or pay the balance owing until September 12, 2017. What penalties and interest will be assessed for the 2016 taxation year? Mark has filed his return on time in all previous years.

Exam Exercise Two - 10 (Corporate Instalments - Regular And Small CCPC)
Lemar Ltd. has a December 31 year end. It is not a small CCPC. For 2014, its taxes payable were $71,500, while for 2015, the amount was $93,600. For 2016, its estimated taxes payable are $114,700. What would be the minimum instalment payments for the 2016 taxation year and when would they be due? How would your answer differ if Lemar Ltd. qualified as a small CCPC?

Exam Exercise Two - 11 (Corporate Instalments - Regular And Small CCPC)
Chemco Inc. has a December 31 year end and is not a small CCPC. For 2014, its taxes payable were $146,300, while for 2015, the amount was $94,650. For 2016, its estimated taxes payable are $52,300. What would be the minimum instalment payments for the 2016 taxation year and when would they be due? How would your answer differ if Chemco Inc. qualified as a small CCPC?

Exam Exercise Two - 12 (Corporate Instalments - Regular And Small CCPC)
Dustin Inc. has a September 30 year end and is not a small CCPC. For its taxation year ending September 30, 2014, its tax payable was $33,500. The corresponding figure for the year ending September 30, 2015 was $93,400. It is estimated that, for the year ending September 30, 2016, its tax payable will be $56,200. What would be the minimum instalment payments for the taxation year that ends on September 30, 2016, and when would they be due? How would your answer differ if Dustin Inc. qualified as a small CCPC?

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Exam Exercise Two - 13 (Corporate Due Dates - CCPC)
The taxation year end for Grange Inc. is March 31, 2016. It is a Canadian controlled private corporation that claims the small business deduction and had Taxable Income for the year ending March 31, 2015 of $165,000. Indicate the date on which the corporate tax return for the year ending March 31, 2016 must be filed, as well as the date on which any final payment of taxes is due.

Exam Exercise Two - 14 (Corporate Due Dates)
The taxation year end for Lawnco Inc. is January 31, 2016. Lawnco Inc. is a Canadian public company and does not qualify for the small business deduction. Indicate the date on which the corporate tax return must be filed, as well as the date on which any final payment of taxes is due.

Exam Exercise Two - 15 (Corporate Due Dates - CCPC)
The taxation year end for Breyson Ltd. is June 30, 2016. It is a Canadian controlled private corporation that claims the small business deduction and had Taxable Income for the year ending June 30, 2015 of $132,000. Indicate the date on which the corporate tax return for the year ending June 30, 2016 must be filed, as well as the date on which any final payment of taxes is due.

Exam Exercise Two - 16 (Notice of Objection)
Nancy Forth filed her 2016 tax return as was required on April 30, 2017. Her Notice of Assessment dated May 15, 2017 indicated that her return was accepted as filed. On July 12, 2018, she receives a Notice of Reassessment dated July 2, 2018 indicating that she owes additional taxes, as well as interest on the unpaid amounts. What is the latest date for filing a notice of objection for this reassessment? Explain your answer.

Exam Exercise Two - 17 (Notice of Objection)
Norman Foster filed his 2016 tax return as was required on June 15, 2017. His Notice of Assessment dated August 28, 2017, indicated that his return was accepted as filed. On March 15, 2018, he receives a Notice of Reassessment dated March 8, 2018 indicating that he owes additional taxes, as well as interest on unpaid amounts. What is the latest date for filing a notice of objection for this reassessment? Explain your answer.

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TIF PROBLEM TWO - 5A
Procedures And Administration - Key Term Matching (Easy)

Note to Instructor There are two versions of this matching problem. The list of key terms is the same in both versions, but the potential definitions given are different.

- Version A is easy, there is only one possible answer for each term.
- Version B is more difficult in that there are additional possible answers that are similar to the correct answers.

The following eight key terms were listed at the end of Chapter 2, "Procedures And Administration".

A. Instalment Threshold
B. Net Tax Owing
C. NETFILE
D. Notice Of Assessment
E. Prescribed Rate
F. Source Deductions
G. Tax Avoidance
H. Tax Evasion

The following list contains ten potential definitions for the preceding key terms.

1. An interest rate which changes quarterly and is based on the average interest rate paid on 90 day Treasury Bills during the first month of the preceding quarter.

2. The undertaking of transactions or arrangements with a view to avoiding or minimizing the payment of taxes.

3. A form that the CRA sends to all taxpayers after they process their returns which describes any changes made to the returns and states the amount of their additional tax payable or their refund.

4. A term used to describe the sum of federal and provincial taxes owing for the year, less amounts withheld for the year.

5. Deliberately ignoring a specific part of the law or willfully refusing to comply with legislated reporting requirements.

6. An electronic filing system that requires the use of an approved software program.

7. Amounts withheld by an employer from the income of employees. The withholdings for income taxes, Canada Pension Plan contributions, and Employment Insurance premiums must be remitted to the government.

8. This ITA 245 provision attempts, in a very generalized manner, to limit the ability of taxpayers to avoid tax through certain types of transactions that have no bona fide purpose other than to obtain a tax benefit.

9. An amount of net tax owing for individuals or taxes payable for corporations that is used to determine the need to make instalment payments.

10. A formal determination of taxes to be paid or refunded.

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11. None of the above definitions apply. (This answer can be used more than once.)

Required: For each of the eight key terms listed (A through H), indicate the number of the item (1 through 10) that provides the **BEST** definition of that term, or, alternatively, that none of the definitions apply (11). Explanations are not required.

Indicate only one number for each key term. No marks will be awarded if you indicate more than one number for any key term.

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TIF PROBLEM TWO - 5B
Procedures And Administration - Key Term Matching (Moderate)

Note to Instructor There are two versions of this matching problem. The list of key terms is the same in both versions, but the potential definitions given are different.

- Version A is easy, there is only one possible answer for each term.
- Version B is more difficult in that there are additional possible answers that are similar to the correct answers.

The following eight key terms were listed at the end of Chapter 2, "Procedures And Administration".

A. Instalment Threshold
B. Net Tax Owing
C. NETFILE
D. Notice Of Assessment
E. Prescribed Rate
F. Source Deductions
G. Tax Avoidance
H. Tax Evasion

The following list contains 14 potential definitions for the preceding key terms.

1. An interest rate which changes quarterly and is based on the average interest rate paid on 90 day Treasury Bills during the first month of the preceding quarter.

2. An electronic system for filing individual tax returns. While the system can be used by anyone, the return must be transmitted by a registered EFILE service provider using approved software.

3. The undertaking of transactions or arrangements with a view to avoiding or minimizing the payment of taxes.

4. A form that the CRA sends to all taxpayers after they process their returns which describes any changes made to the returns and states the amount of their additional tax payable or their refund.

5. A term used to describe the sum of federal and provincial taxes owing for the year, less amounts withheld for the year.

6. Deliberately ignoring a specific part of the law or willfully refusing to comply with legislated reporting requirements.

7. An electronic filing system that requires the use of an approved software program.

8. Amounts withheld by an employer from the income of employees. The withholdings for income taxes, Canada Pension Plan contributions, and Employment Insurance premiums must be remitted to the government.

9. A term used to describe the sum of the total federal and provincial taxes owing for the year.

10. Amounts withheld by an employer from the income of employees. The amounts withheld are based on the expected income tax liability of the employee for the current year.

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11. This ITA 245 provision attempts, in a very generalized manner, to limit the ability of taxpayers to avoid tax through certain types of transactions that have no bona fide purpose other than to obtain a tax benefit.

12. An amount of net tax owing for individuals or taxes payable for corporations that is used to determine the need to make instalment payments.

13. A formal determination of taxes to be paid or refunded.

14. An amount of total tax owing for individuals or taxes payable for corporations that is used to determine the need to make instalment payments.

15. None of the above definitions apply. (This answer can be used more than once.)

Required: For each of the eight key terms listed (A through H), indicate the number of the item (1 through 14) that provides the **BEST** definition of that term, or, alternatively, that none of the definitions apply (15). Explanations are not required.

Indicate only one number for each key term. No marks will be awarded if you indicate more than one number for any key term.

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TIF PROBLEM TWO - 6
Instalment Payments For Individuals And Corporations

For the three years ending December 31, 2016, the taxpayer's combined federal and provincial tax payable was as follows:

Year Ending December 31	Taxes Payable
2014	$72,300
2015	89,400
2016 (Estimated)	78,300

Case One The taxpayer is an individual whose employer withholds combined federal and provincial taxes of $73,700 in 2014, $83,200 in 2015, and $75,000 in 2016.

Case Two The taxpayer is an individual whose employer withholds combined federal and provincial taxes of $65,100 in 2014, $90,100 in 2015, and $71,900 in 2016.

Case Three The taxpayer is a small CCPC with a taxation year that ends on December 31.

Case Four The taxpayer is a corporation with a taxation year that ends on December 31. It is not a small CCPC. Assume that its combined federal and provincial taxes payable for the year ending December 31, 2015 were $74,500, instead of the $89,400 given in the problem.

Required: For each of the preceding independent Cases, provide the following information:

1. Indicate whether instalments are required during 2016. Provide a brief explanation of your conclusion. This explanation should be provided even if the amount of the required instalments is nil.
2. If instalments are required, calculate the amount of instalments that would be required under each of the acceptable methods available.
3. If instalments are required, indicate which of the available methods would best serve to minimize instalment payments during 2016. If instalments must be paid, indicate the date on which they are due.

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TIF PROBLEM TWO - 7
Instalment Payments For Corporations

For the three years 2014, 2015, and 2016, Mr. George Grafton provides the following information on his combined federal and provincial taxes payable, along with information on withholdings by his employer:

Year	Taxes Payable	Taxes Withheld
2014	$31,500	$29,800
2015	14,600	6,200
2016 (Estimated)	27,400	24,300

In January, 2016, you are asked to provide tax advice to Mr. Grafton. He has asked you whether it will be necessary for him to pay instalments in 2016 and, if so, what the minimum amounts that should be paid are, along with the dates on which these amounts are due.

Required: Provide the information requested by Mr. Grafton. Be sure to show all required calculations.

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TIF PROBLEM TWO - 8
Instalment Payments For Individuals

For the taxation year ending December 31, 2014, a corporation's combined federal and provincial Tax Payable is $103,680. The corresponding figure for 2015 is $122,220. For the year ending December 31, 2016, it is estimated that combined federal and provincial Tax Payable will be $113,220.

Case One The taxpayer is a publicly traded corporation.

Case Two The taxpayer is a publicly traded corporation. Assume that its combined federal and provincial taxes payable for the year ending December 31, 2015 were $110,520, instead of the $122,220 given in the problem.

Case Three The taxpayer is a small CCPC.

Case Four The taxpayer is a small CCPC. Assume that its combined federal and provincial taxes payable for the year ending December 31, 2015 were $110,520, instead of the $122,220 given in the problem.

Required: For each of the preceding independent Cases, provide the following information:

1. Indicate whether instalments are required during 2016. Provide a brief explanation of your conclusion.
2. Calculate the amount of instalments that would be required under each of the acceptable methods available.
3. Indicate which of the available methods would best serve to minimize instalment payments during 2016. If instalments must be paid, indicate the dates on which they are due.

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TIF PROBLEM TWO - 9
Instalment Payments For Individuals

For the three years ending December 31, 2016, George Shivraj had combined federal and provincial Tax Payable as follows:

2014	$13,500
2015	16,200
2016 (Estimated)	18,400

Using this information consider the following three independent cases.

Case One Mr. Shivraj's employer withholds $11,200 in 2014, $12,900 in 2015, and $15,100 in 2016.

Case Two Mr. Shivraj's employer withholds $9,200 in 2014, $10,300 in 2015, and $14,900 in 2016.

Case Three Mr. Shivraj's employer withholds $10,100 in 2014, $16,300 in 2015, and $14,700 in 2016.

Required: For each of the preceding independent Cases, calculate the minimum instalment payments that are required to be made towards the settlement of the taxes payable for the year ending December 31, 2016. Show all required calculations.

If instalments must be paid, include in your answer the date that each instalment is due. Note that, in answering this question, you should state a conclusion on whether or not instalments are required, even if the amount of the instalments is nil. You should also state the basis for your conclusion.

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TIF PROBLEM TWO - 10
Instalment Payments For Corporations

For the three taxation years ending December 31, 2016, a corporation's combined federal and provincial tax payable are as follows:

Year Ending December 31	Taxes Payable
2014	$ 86,500
2015	101,400
2016 (Estimated)	94,600

Case One The taxpayer is a small CCPC.

Case Two The taxpayer is a small CCPC. Assume that its combined federal and provincial taxes payable for the year ending December 31, 2015 were $92,100, instead of the $101,400 given in the problem.

Case Three The taxpayer is a publicly traded corporation.

Case Four The taxpayer is a publicly traded corporation. Assume that its combined federal and provincial taxes payable for the year ending December 31, 2015 were $92,100, instead of the $101,400 given in the problem.

Required: For each of the preceding independent Cases, provide the following information:

1. Indicate whether instalments are required during 2016. Provide a brief explanation of your conclusion.
2. Calculate the amount of instalments that would be required under each of the acceptable methods available.
3. Indicate which of the available methods would best serve to minimize instalment payments during 2016. If instalments must be paid, indicate the dates on which they are due.

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TIF PROBLEM TWO - 11
Instalment Payments For Individuals

For the three years ending December 31, 2016, Gloria Sloan had combined federal and provincial Tax Payable as follows:

2014	$23,600
2015	25,400
2016 (Estimated)	27,200

Using this information consider the following three independent cases.

Case One Ms. Sloan's employer withholds $23,100 in 2014, $21,100 in 2015, and $23,300 in 2016.

Case Two Ms. Sloan's employer withholds $24,100 in 2014, $18,600 in 2015, and $23,700 in 2016.

Case Three Ms. Sloan's employer withholds $19,100 in 2014, $20,200 in 2015, and $24,300 in 2016.

Required:

A. For each of the three cases:

- indicate whether instalments are required for the 2016 taxation year. Show all of the calculations required to make this decision;
- in those cases where instalments are required, indicate the amount of the instalments that would be required under the approach used in the CRA's instalment reminder; and
- in those cases where you have calculated the instalments required under the CRA's instalment reminder, indicate whether you believe there is a better approach and calculate the required instalments under that approach.

B. For those Cases where instalments are required, indicate the dates on which the payments will be due.

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TIF PROBLEM TWO - 12
Instalment Payments For Corporations

For the taxation year ending December 31, 2014, a corporation's combined federal and provincial Tax Payable is $57,600. The corresponding figure for 2015 is $67,900. For the year ending December 31, 2016, it is estimated that combined federal and provincial Tax Payable will be $62,900.

Case One The taxpayer is a publicly traded corporation.

Case Two The taxpayer is a publicly traded corporation. Assume that its combined federal and provincial taxes payable for the year ending December 31, 2015 were $61,400, instead of the $67,900 given in the problem.

Case Three The taxpayer is a small CCPC.

Case Four The taxpayer is a small CCPC. Assume that its combined federal and provincial taxes payable for the year ending December 31, 2015 were $61,400, instead of the $67,900 given in the problem.

Required: For each of the preceding independent Cases, provide the following information:

1. Indicate whether instalments are required during 2016. Provide a brief explanation of your conclusion.
2. Calculate the amount of instalments that would be required under each of the acceptable methods available.
3. Indicate which of the available methods would best serve to minimize instalment payments during 2016. If instalments must be paid, indicate the dates on which they are due.

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