



Course Outline

A POLYTECHNIC INSTITUTION

School of Business

Program: Financial Management

Option: Bachelor of Technology in Accounting

FMGT 7410

Taxation of Close Corporations

Start Date: September 2004

End Date: December 2004

Course Credits: 3

Term/Level:

Total Hours: 45

Degree

Total Weeks: 15

Hours/Week: 3

Lecture:

Lab:

Shop:

Seminar:

Other:

Prerequisites

Prerequisite for:

Course No. **Course Name**

FMGT 4410 *or* Taxation 2

4420

(*or equivalent*)

Course No.

FMGT 8910

Course Name

Integrative Business Management

Practice

Course Description

This is an integrative tax course, which requires students to examine the combined impact and timing of relevant tax statutes (i.e., Income Taxes, GST, PST, PTT, Probate Fees) and transaction costs on closely held corporations and their shareholders. Because these shareholders may have some discretion on when and in whose hands income is taxed, participants will be evaluating taxation alternatives as between shareholders, their operating companies, and other vehicles such as holding companies and family trusts. This will require students to acquire and demonstrate a detailed knowledge of the taxation of individuals, corporations and trusts.

Evaluation

Final Exam	33 ¹ / ₃ %
Research and Assignments	33 ¹ / ₃ %
Group Project	33 ¹ / ₃ %
TOTAL	100%

Course Learning Outcomes/Competencies

Upon successful completion of this course, the student will be able to:

1. Analyze the combined impact and timing of various taxation statutes on Canadian small business organizations and their beneficial owners.
2. Design compensation alternatives for small business owners.
3. Critically assess both inter vivos (family trusts) and testamentary (wills) estate planning mechanisms.
4. Compute and compare after-tax benefits of structuring business sale/purchase agreements as asset transactions versus share transactions.
5. Differentiate the statutory corporate reorganization provisions.
6. Evaluate partnership and joint venture transaction structures.
7. Act as client's advocate in negotiations with tax authorities.
8. Use a structured approach to identify and resolve tax issues.
9. Use the software necessary to conduct research and communicate tax plans to employers, peers and clients.
10. Present tax research, plans and solutions in small group environments.
11. Identify the ethical conflicts encountered by professional tax advisors.

Course Content Verification

I verify that the content of this course outline is current.

Ralph Gioia, BA,CA

August 2004

Authoring Instructor

Date

I verify that this course outline has been reviewed.

Allan Cobbett, Dipl.T, LL.B., MBA, CMA

Program Head/Chief Instructor

Date

I verify that this course outline complies with BCIT policy.

Tim Edwards, Dipl.T., MBA, CMA

Dean/Associate Dean

Date

Instructor

Ralph Gioia BA,CA

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Learning Resources

Required:

1. Spreadsheet software
2. Word processing software (e.g. Word or WordPerfect)
3. Presentation software (e.g. PowerPoint)
4. PC with CD-ROM Drive
5. **Canadian Tax Principles** (2004-2005 Edition) **Byrd & Chen** (CD Includes Income Tax Act)
7. Internet access

Note: Should changes be required to the content of this course outline, students will be given reasonable notice.

Information for Students

I.D. Required In Exam Halls: Effective December 2000, students will be required to produce photo-identification for admittance to examination halls. Photo I.D. must be placed on the desk while writing the exam, for inspection by invigilators. Students should bring a BCIT OneCard or alternatively two pieces of identification, one of which must be government photo I.D. such as a drivers license. Please see BCIT Policy #5300, Formal Invigilation Procedures.

Attendance: If a student is absent for any cause, other than illness (Dr's note may be required); for more than 10% of the time prescribed for the course, the student may be prohibited from completing the course. Please see BCIT Policy #5201, Attendance.

Assignments: Late assignments, lab reports or projects will **not** be accepted for marking. Assignments must be done on an individual basis unless otherwise specified by the instructor.

Makeup Tests, Exams or Quizzes: There will be **no** makeup tests, exams or quizzes. If you miss a test, exam or quiz, you will receive zero marks. Exceptions may be made for **documented** medical reasons or extenuating circumstances. In such a case, it is the responsibility of the student to inform the instructor **immediately**.

Ethics: BCIT assumes that all students attending the Institute will follow a high standard of ethics. Incidents of cheating or plagiarism may, therefore, result in a grade of zero for the assignment, quiz, test, exam, or project for all parties involved and/or expulsion from the course.

Illness: A doctor's note is required for any illness causing you to miss assignments, quizzes, tests, projects, or exam. At the discretion of the instructor, you may complete the work missed or have the work prorated.

Attempts: Students must successfully complete a course within a maximum of three attempts at the course. Students with two attempts in a single course will be allowed to repeat the course only upon special written permission from the Associate Dean. Students who have not successfully completed a course within three attempts will not be eligible to graduate from the appropriate program.

Course Outline Changes: The instructor may change the material or schedule specified in this course outline. If changes are required, they will be announced in class.

Schedule:

Assignment Details Note: The paragraph reference numbers for Canadian Tax Principles were unavailable at the time this schedule was prepared. Selected paragraphs will be provided prior to Class.

Week	Material Covered	Readings/References	Assignments	Due Date
1 Sept 9	Course overview Income Tax Act review Discuss CD and Research Tax research tools & Web sites Ethical conflicts & liabilities Business Organization Structures Directors & Officers	Canadian Tax Principles – Preface CA or CGA or CMA rules of professional conduct IC73-10R3; IC-88-2 ITA s.239(2); s.163(2); s.245(3&4) Partnership Act – HTML File Read s.4, 6,7,50,51,52 Partnership Checklist - Handout GAAR – Handout - Word Sample Shareholder Agreement - Handout		
2 Sept 16	Follow-up from Week 1: Discuss Rules of Professional Discuss Business Structures Discuss Week 1 Exercise Drafting organization structures for visual presentations; Other taxes & transaction costs	<i>New Corporations Act</i> – PDF File Probate Fee Act (rates) Excise Tax Act (definitions & rates) Property Transfer Tax Act (rates & exemptions); Social Services Tax (“PST”)(definitions, rates, timing) B.C. Corporation Capital tax <i>phase out</i> - Handout Corporate & Personal Property Registries (Fee schedule); Canadian Tax Principles Paragraphs 2-95 to 2-137	#1: TBA	Week 3
3 Sept 23	Integrating Corporation and Shareholder Income Taxes Share Attributes – Rights & Restrictions REOP Reasonable Expectation of Profit Paid Up Capital PUC Review of CCPC taxation	PUC – Handouts Tax Balance Sheet – Handouts Integration and Canadian Taxpayers - Handouts IT-463R2 Paid Up Capital (PUC) Stewart v. Canada 2002 DTC 6969 Walls v. Canada 2002 DTC 6960 Canadian Tax Principles Ch 16, Ch 17	#2: TBA	Week 4

Week	Material Covered	Readings/References	Assignments	Due Date
4 Sept 30	Legal Capital – CBCA & BC Corporations Act PUC Dividend and Capital Gains Stripping Share Dispositions in S/H agreements	Canada Business Corporations Act BC Corporations Act Canadian Tax Principles Ch 18 Dividend & CG's Strips ITA ss.84(1),(2), & (3), 84.1 and 55(2)	#3: TBA	Week 5
5 Oct 7	Share Purchase/Sale transactions	Canadian Tax Principles Ch 18 Sale of Business share sale issues IT-426 Sample Agreements - Handout	#4: TBA (Group Presentations)	Week 6
6 Oct 14	Group Presentations Asset Purchase/Sale transactions	Canadian Tax Principles Ch 18 Sale of Business. Share sale issues Sample Asset Purchase Agreement - Handout	#5: TBA	Week 7
7 Oct 21	Family Trusts Crystallization of Capital Gains Holding Companies – PUC and QSBC shares	Canadian Tax Principles Ch 21 Trusts and Estates Sample Family Trust Indenture Langer Family Trust 92 DTC 1055	#6: TBA	Week 8
8 Oct 28	Wills Asset transfer costs – inter-vivos & testamentary Owner/Manager issues Compensation: - (Salary v. Dividends) Employee participation alternatives Begin Term Projects	Canadian Tax Principles Ch 21 – Death of a Taxpayer Sample Will Handouts	Term Projects	Week 12
9 Nov 4	Asset or Share rollovers s.85 Term Project Working Groups	Canadian Tax Principles Ch. 18 s.85		

Week	Material Covered	Readings/References	Assignments	Due Date
10 Nov 11	Share Rollovers (Corporate Reorganizations &/or Estate Freezes) s.85, s.86 Comparison of s. 85 v. 86 Term Project working groups	Canadian Tax Principles Ch 18, Ch19 Corporate Reorganizations Estate Planning (Freezing) handout ITA s.85, s.86	Term Projects	Week 12
11 Nov 18	Amalgamations Windup of 90% Subs Windup of non-90% Subs Term Project working groups	Canadian Tax Principles Ch19 ITA ss.87, 88(1), 88(2) BC Corporations Act	Term Projects	Week 12
12 Nov 25	Term Project Presentations			
13 Dec 2	Review Term Projects and Discuss Issues Arising			
14 Dec 9	Tax Audit Process Assessment & limitation periods Objection & Appeal process CCRA Collection powers Discussion of Term Projects Course Review & Discussions	IC-71-14R3 (Tax Audit) IC-73-10R3 (Tax Evasion) ITA s.231.1-.4 (audit & inspections) ITA ss.165, 169, 159, 160, 224, 225, 225.1		
15 Dec 16	Comprehensive Final Examination			