



Business
Program: Continuing Education
Option:

FMGT 7410
Taxation of Close Corporations

Hours/Week:	3	Total Hours:	45	Term/Level:	Degree
Lecture:		Total Weeks:	15	Credits:	
Lab:					
Other:					

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Prerequisites

Course No.
FMGT 4410 or 4420
(or equivalent)

Course Name:
Taxation 2

FMGT is a Prerequisite for:

Course No.
FMGT 8910

Course Name
Integrative Business
Management Practices

Course Goals

- Identify significant tax issues and conduct tax research.
- Draft planning memoranda and make written, graphical and oral presentations to clients.
- Use common application software.
- Develop teamwork skills appropriate for professional tax advisors.

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

Course Outcomes and Sub-Outcomes:

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 and mechanisms.
4. Compute and compare after-tax benefits of structuring business sale/purchase agreements as assets transactions versus share transactions.
5. Differentiate the statutory corporate reorganization provisions.
6. Evaluate partnership and joint venture transaction structures.
7. Act as client 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 Record

Developed by: Allan Cobbett, Financial Management Date: August 1998
Instructor Name and Department (signature)

Revised by: Allan Cobbett, Financial Management Date: September 1998
Instructor Name and Department (signature)

Approved by: Associate Dean/Program Head Start Date: September 1998
(signature)



BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

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Effective Date

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Instructor(s)

Allan Cobbett

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Text(s) and Equipment

Required:

1. Tax research software (CCH CD-Rom) Full Service tax software
2. T-1 and T-2 compilation software
3. Spreadsheet software (e.g., Excel)
4. Word processing software
5. Presentation software
6. PC with CD-Rom Drive
7. *Canadian Tax Principles* (1998-1999 Edition), Byrd and Chen

Reference/Recommended:

Assignment Details

Week	Material Covered	Readings/References	Assignments	Due Date
1	Course overview; Tax research tools & Web sites Ethical conflicts & liabilities	CMA rules of conduct 102, 201.2; 201.3 IC73-10R3; IC-88-2 ITA s.239(2); s.163(2); s.245(3&4) Partnership Act s.4 Joint Venture articles (2) Researching a Tax Problem article	#1: Cal Ingrid-Organization structure & Interest deductibility - new business	Week 2
2	Presentation of CCH Tax Software on CD-ROM Drafting organization structures for visual presentations; Other taxes & transaction costs	Supreme Court Rules (Probate Fee schedule); Excise Tax Act (definitions & rates); Property Transfer Tax Act (rates & exemptions); SSTax (definitions, rates, timing) Corporation Capital taxes (Fed & Prov) (rates); Corporate & Personal Property Registries (Fee schedule); Byrd & Chen: Ch.16 (Incorp) – para’s 16-1 to 16-57 Ch.14 (SBD) – para’s 14-91 to 14-141 Ch.15 (RDTOH) – para’s 15-11 to 15-240 Ch.18 (Sale of Bus’) – para’s 18-116 to 18-143	#2: Mr. Sumoto – Share Ownership chart #3: Other Taxes & Transaction Costs chart	Week 3
3	Integrating Corporation and Shareholder Income Taxes Share Attributes – Rights & Restrictions Paid Up Capital Review of CCPC taxation	PUC handouts Neuman case IT-463R2	# 4: Revisions to Assign #1 #5: Memo on Neuman case	Week 4

Week	Material Covered	Readings/References	Assignments	Due Date
4	Legal Capital – CBCA & BC Company Act PUC Share Dispositions in S/H agreements	CBCA ss.24-25 BC Company Act ss.42 & 43 ITA ss.84(1),(2), & (3), and 84.1	#6: Able Companies	Week 5
5	Share Purchase/Sale transactions	Byrd & Chen – share sales and asset sales	#7: George's share sale memorandum and group presentation	Week 6
6	Asset Purchase/Sale transactions	Byrd & Chen, ITA, and Law text references to asset sale issues	#8: George's asset sale memorandum	Week 7
7	Trusts, Family Trusts, Estate Freeze overview	Byrd & Chen Ch.19		
8	Estate Freezes Crystallization of CGains Holding Companies – PUC and QSBC shares	Sample Family Trust Indenture TR-66 Langer Family Trust 92 DTC 1055 Estate Planning (Freezing) handout ITA ss.51, 85, 86		
9	Wills Asset transfer costs – inter vivos & testamentary Salary v. Dividend issues Owner/Manager issues Employee participation alternatives	Byrd & Chen Ch.10 pp.314-321 Sample Will Handouts	#9: B & C Assign' Problem 16-12	Week 10
10	Exchange of Shares (ss.85, 86) Corporate Reorganizations (ss.87, 88) Begin Term Project	Byrd & Chen – pp.619-626 (Mgmt Compensation) and Ch. 17 pp.641-659 (s.85 Rollovers)	#10: Nordor & Realco memorandum	Week 11

Week	Material Covered	Readings/References	Assignments	Due Date
11	Takeovers by share exchange (s.85.1) Estate Freezes (s.86) Comparison of ss. 85 v. 86	Byrd & Chen pp.681-689 ITA ss.85.1 and 86	Term Projects	Week 14
12	Amalgamations Windup of 90% Subs Windup of non-90% Subs	ITA ss.87, 88(1), 88(2) BC Company Act ss.247-251, 267-296	Term Projects	Week 14
13	Tax Audit Process Assessment & limitation periods Objection & Appeal process RCT Collection powers	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	Term Projects	Week 14
14	Term Project Presentations			
15	Comprehensive Final Examination			