



BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

Course Outline **Part A**

School of Business

Program: Financial Management

Option: Bachelor of Technology in Accounting

**FMGT 7410**

**Taxation of Close Corporations**

**Hours/Week:** 3

**Lecture:**

**Lab:**

**Other:**

**Total Hours:** 45

**Total Weeks:** 15

**Term/Level:** Degree

**Credits:**

**Instructor:** Ralph Gioia  
**Home Phone:** (604) 931-3307

**Office Phone:** (604) 451-6841  
**E-mail:** rgioia@bcit.ca

**Office Location:** SE6-318  
**Fax:** (604) 439-6700

### 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.
- Integrate all of the preceding goals by working within a "tax pool" to prepare and present a mock "Tax File"

### 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 <sup>1</sup> / <sub>3</sub> %
Research and Assignments	33 <sup>1</sup> / <sub>3</sub> %
Group Project	33 <sup>1</sup> / <sub>3</sub> %
TOTAL	100%

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### 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 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.

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### Course Record

Developed by:	Allan Cobbett, Financial Management Instructor Name and Department (signature)	Date:	August 1998
Revised by:	Ralph Gioia, Financial Management Instructor Name and Department (signature)	Date:	August, 2001
Approved by:	Allan Cobbett Associate Dean/Program Head (signature)	Start Date:	September, 2001



BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

Course Outline Part B

School of Business  
Program: Financial Management  
Option: Bachelor of Technology in Accounting

**FMGT 7410**  
**Taxation of Close Corporations**

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**Effective Date**

September, 2001

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**Instructor(s)**

Ralph Gioia

Office No.: SE6-318  
Fax No.: (604) 439-6700

Phone: (604) 451-6841  
Email: rgioia@bcit.ca

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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 or Lotus 123)
4. Word processing software (e.g. Word or WordPerfect)
5. Presentation software (e.g. PowerPoint)
6. PC with CD-ROM Drive
7. Canadian Tax Principles (2000/2001 Edition), Byrd, Chen & Jacobs
8. Internet access

**I.D. Required In Exam Centres**

Students will be required to produce photo-identification for admittance to examination centres. 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.

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**Reference/Recommended:**

1. Diploma program level Business Law text, or equivalent

### Assignment Details

Week	Material Covered	Readings/References	Assignments	Due Date
1	Course overview;  Tax research tools & Web sites  Ethical conflicts & liabilities  Business Organization Structures  Directors & Officers	Byrd & Chen – Preface to 2001/2002 ed.  CA rules of professional conduct  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		
2	Discuss CCH CD Research  Discuss Rules of Professional Conduct & Ms. Toto exercise  Drafting organization structures for visual presentations;  Other taxes & transaction costs	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 (base & rate)  Corporate & Personal Property Registries (Fee schedule);  Byrd & Chen: Ch.16 (Incorp) Ch.14 (SBD)	#1: TBA	Week 3
3	Integrating Corporation and Shareholder Income Taxes  Share Attributes – Rights & Restrictions  Paid Up Capital  Review of CCPC taxation	PUC handouts  Neuman v. Q – 98 DTC 6297  IT-463R2 (Paid Up Capital)	#2: TBA	Week 4

Week	Material Covered	Readings/References	Assignment s	Due Date
4	Legal Capital – CBCA & BC Company Act  PUC  Dividend and Capital Gains Stripping  Share Dispositions in S/H agreements	CBCA ss.24-26 BC Company Act ss.42 & 43 Byrd & Chen (Dividend & CG's Strips) - ITA ss.84(1),(2), & (3), 84.1 and 55(2)	#3: TBA	Week 5
5	Share Purchase/Sale transactions	Byrd & Chen (Sale of Business) share sale issues IT-426	#4: TBA (Group Presentations)	Week 6
6	Group Presentations  Asset Purchase/Sale transactions	Byrd & Chen (Sale of Business) ITA, and Law text references to asset sale issues	#5: TBA	Week 7
7	Family Trusts  Crystallization of C Gains  Holding Companies – PUC and QSBC shares	Byrd & Chen (Trusts) - Ch. 19  Sample Family Trust Indenture  Langer Family Trust 92 DTC 1055	#6: TBA	Week 8
8	Wills  Asset transfer costs – inter-vivos & testamentary  Owner/Manager issues  Compensation: - (Salary v. Dividends)  Employee participation alternatives  Begin Term Projects	Byrd & Chen (Ch.10 – Deceased Taxpayers)  Sample Will  Handouts  Byrd & Chen: (Ch.16 - Mgmt Compensation)	Term Projects	Week 12
9	Asset or Share rollovers (s.85)  Term Project working groups	Byrd & Chen: Ch. 17 (s.85 Rollovers) ITA s.85	Term Projects	Week 12

Week	Material Covered	Readings/References	Assignment s	Due Date
10	Share Rollovers (Corporate Reorganizations &/or Estate Freezes) (s.86)  Comparison of ss. 85 v. 86  Term Project working groups	Byrd & Chen (Ch.18 – Reorg's) Estate Planning (Freezing) handout  ITA s86	Term Projects	Week 12
11	Amalgamations  Windup of 90% Subs  Windup of non-90% Subs  Term Project working groups	Byrd & Chen (Ch.18 – Reorg's) ITA ss.87, 88(1), 88(2)  BC Company Act ss.247-251, 267-296	Term Projects	Week 12
12	Term Project Presentations			
13	Review Term Projects and Discuss Issues Arising			
14	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	Comprehensive Final Examination			