



## Course Outline

A POLYTECHNIC INSTITUTION

School of Business

Program: Financial Management

Option: Bachelor of Technology in Accounting

**FMGT 7410**

**Taxation of Close Corporations<sup>1</sup>**

**Start Date:** September 2002

**End Date:** December 2002

**Course Credits:** 3

**Term/Level:**

**Total Hours:** 45

Degree

**Total Weeks:** 15

**Hours/Week:** 3

**Lecture:**

**Lab:**

**Shop:**

**Seminar:**

**Other:**

### Prerequisites

**Course No.**    **Course Name**  
FMGT 4410 *or* Taxation 2  
4420  
(*or equivalent*)

### Prerequisite for:

**Course No.**    **Course Name**  
FMGT 8910  
Integrative Business Management  
Practices

### 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 <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> % |
| <b>TOTAL</b>             | <b>100%</b>                      |

## 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.

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## Course Content Verification

I verify that the content of this course outline is current, accurate, and complies with BCIT Policy.

|               |  |       |                    |
|---------------|--|-------|--------------------|
| Developed by: | <u>Allan Cobbett, Financial Management</u> | Date: | <u>August 1998</u> |
| Revised by:   | <u>Ralph Gioia B.A., C.A.</u>              | Date: | <u>August 2002</u> |
|               | Instructor                                 |       |                    |
| Approved by:  | <u>Allan Cobbett</u>                       | Date: | <u></u>            |
|               | Program Head Degree                        |       |                    |

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## Instructor

**Ralph Gioia B.A., C.A.**

Office No.: SE6 339  
Office Hrs.: TBA

Office Phone: TBA  
E-mail Address: rgioia@bcit.ca

## Learning Resources

### Required:

1. T-1 and T-2 compilation software (*included with Text below*)
2. Spreadsheet software (e.g., Excel or Lotus 123)
3. Word processing software (e.g. Word or WordPerfect)
4. Presentation software (e.g. PowerPoint)
5. PC with CD-ROM Drive
6. **Introduction to Federal Income Taxation in Canada** (2002/2003 Edition) Beam & Laiken;  
Includes Tax Research CCH CD-ROM software
7. Internet access

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

## STUDENT INFORMATION ON POLICIES AND PROCEDURES

**COURSE OUTLINES:** This course outline may assist you in the future to receive credit for all or part of a course from another post-secondary institution or from a professional program. It is strongly recommended that this course outline be safely filed for future reference.

**EXAMINATIONS:** Recently there has been a greater tendency for students to miss scheduled examinations. Students who miss examinations often request that they be allowed to write make-up examinations. This is often unfair to those who wrote the scheduled examination and time-consuming for the instructor who is asked to prepare alternative examinations.

In an effort to be consistent within Financial Management, the Department has adopted the following policy to deal with mid-term and final examinations.

It is imperative that students write examinations on either the scheduled day per the course outline or the date and time as determined by the Registrar during the formal examination periods. Please make a note of the following Departmental policy:

Subject to circumstances outlined below, a student who fails to write an examination on the scheduled date and time will receive a zero on that examination.

Other than in emergency situations, a student must provide his/her instructor with a reason acceptable to the instructor for missing an examination at least 24 hours prior to the scheduled time of the examination. Should such notice be given and should the reason be acceptable to the instructor, the student may, subject to the discretion of the instructor, be permitted to either write an alternative examination or have an agrotat mark established. It is the student's responsibility to contact the instructor by phone, fax, e-mail, etc.

It is impossible to list every acceptable reason. However, for greater certainty, reasons such as being unprepared or having too many other examinations in the same week will not be accepted. Written documentation, i.e., doctor's notes, will be required in all cases of missed examinations.

**Instructors are asked to promptly notify the program head or the academic coordinator of any student who misses an examination together with any supporting documentation.**

**PHOTO IDENTIFICATION:** To write exams, students are required to produce photo-identification at examination centres. Photo identification must be placed on the desk before an exam will be issued to the student and must remain in view 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.

**CHEATING, PLAGIARISM AND DISHONESTY:** Acts of cheating, plagiarism and dishonesty are not tolerated; the degree of punitive action may range from a written warning to withdrawal from the program. These penalties may also be applied to a student who knowingly contributes to the act of dishonesty, cheating and plagiarism. (Refer to the current BCIT Calendar.)

Programmable calculators and calculators with alphabetic capability **will not be allowed** in exams. English language dictionaries **will be allowed** in exams provided they are presented to the exam invigilator prior to the exam.

**Schedule:**

**Assignment Details**

| Week | Material Covered   | Readings/References   | Assignments | Due Date |
|------|--|---|-------------|----------|
| 1    | <p>Course overview</p> <p>Income Tax Act review</p> <p>Tax research tools &amp; Web sites</p> <p>Ethical conflicts &amp; liabilities</p> <p>Business Organization Structures</p> <p>Directors &amp; Officers</p> | <p>Beam &amp; Laiken – Chapter 1</p> <p>CA rules of professional conduct</p> <p>IC73-10R3; IC-88-2</p> <p>ITA s.239(2); s.163(2); s.245(3&amp;4)</p> <p>Partnership Act s.4</p> <p>Joint Venture articles (2)</p> <p>Researching a Tax Problem article</p>  |             |          |
| 2    | <p>Discuss CCH CD Research</p> <p>Discuss Rules of Professional Conduct &amp; Ms. Toto exercise</p> <p>Drafting organization structures for visual presentations;</p> <p>Other taxes &amp; transaction costs</p> | <p>Probate Fee Act (rates)</p> <p>Excise Tax Act (definitions &amp; rates)</p> <p>Property Transfer Tax Act (rates &amp; exemptions);</p> <p>Social Services Tax (“PST”)(definitions, rates, timing)</p> <p>B.C. Corporation Capital tax (base &amp; rate)</p> <p>Corporate &amp; Personal Property Registries (Fee schedule);</p> <p>Beam &amp; Laiken:<br/>Ch. 12</p> | #1: TBA     | Week 3   |
| 3    | <p>Integrating Corporation and Shareholder Income Taxes</p> <p>Share Attributes – Rights &amp; Restrictions</p> <p>Paid Up Capital</p> <p>Review of CCPC taxation</p>  | <p>PUC handouts</p> <p>Neuman v. Q – 98 DTC 6297</p> <p>IT-463R2 (Paid Up Capital)</p>  | #2: TBA     | Week 4   |

| Week | Material Covered   | Readings/References  | Assignment<br>s                  | Due Date |
|------|--|--|----------------------------------|----------|
| 4    | Legal Capital – CBCA & BC Company Act<br><br>PUC<br><br>Dividend and Capital Gains Stripping<br><br>Share Dispositions in S/H agreements   | CBCA ss.24-26<br>BC Company Act ss.42 & 43<br>Beam & Laiken: Ch.16 Dividend & CG's Strips<br>ITA ss.84(1),(2), & (3), 84.1 and 55(2) | #3: TBA                          | Week 5   |
| 5    | Share Purchase/Sale transactions   | Beam & Laiken: Ch. 15 Sale of Business share sale issues<br>IT-426   | #4: TBA<br>(Group Presentations) | Week 6   |
| 6    | Group Presentations<br><br>Asset Purchase/Sale transactions  | Beam & Laiken: Ch. 15 Sale of Business share sale issues, and Law text references to asset sale issues                               | #5: TBA                          | Week 7   |
| 7    | Family Trusts<br><br>Crystallization of C Gains<br><br>Holding Companies – PUC and QSBC shares   | Beam & Laiken: - Ch. 18- Trusts<br><br>Sample Family Trust Indenture<br><br>Langer Family Trust 92 DTC 1055                          | #6: TBA                          | Week 8   |
| 8    | Wills<br><br>Asset transfer costs – inter-vivos & testamentary<br><br>Owner/Manager issues<br><br>Compensation:<br>- (Salary v. Dividends)<br><br>Employee participation alternatives<br><br>Begin Term Projects | Beam & Laiken: Ch.14 – Deceased Taxpayers<br><br>Sample Will<br><br>Handouts<br><br>Beam & Laiken: Ch.13 - Management Compensation   | Term Projects                    | Week 12  |
| 9    | Asset or Share rollovers (s.85)<br><br>Term Project working groups   | Beam & Laiken: Ch. 16 s.85 Rollovers<br>ITA s.85   | Term Projects                    | Week 12  |

| Week | Material Covered   | Readings/References  | Assignment<br>s | Due Date |
|------|--|--|-----------------|----------|
| 10   | Share Rollovers (Corporate Reorganizations &/or Estate Freezes) (s.86)<br><br>Comparison of ss. 85 v. 86<br><br>Term Project working groups  | Beam & Laiken: Ch.17 – Reorg's Estate Planning (Freezing) handout<br><br>ITA s86   | Term Projects   | Week 12  |
| 11   | Amalgamations<br><br>Windup of 90% Subs<br><br>Windup of non-90% Subs<br><br>Term Project working groups   | Beam & Laiken: Ch.17 – Reorg's<br>ITA ss.87, 88(1), 88(2)<br><br>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<br><br>Assessment & limitation periods<br><br>Objection & Appeal process<br><br>CCRA Collection powers<br><br>Discussion of Term Projects<br><br>Course Review & Discussions | IC-71-14R3 (Tax Audit)<br><br>IC-73-10R3 (Tax Evasion)<br><br>ITA s.231.1-.4 (audit & inspections)<br><br>ITA ss.165, 169, 159, 160, 224, 225, 225.1 |                 |          |
| 15   | Comprehensive Final Examination  |  |                 |          |