**Canadian Income Taxation: Planning and Decision Making- 2020-2021 Edition**

**Exam Case Questions**

Cases 1 – 4 address material from the first ten chapters. Cases 5 – 10 cover both personal and corporate tax issues. Cases 11 to 14 covers material from specific chapters (detailed below). The cases have been designed to allow instructors to delete paragraphs that may be more advanced in nature, thus tailoring each case to the material that has been covered in class.

‘Required’ questions have been provided with the cases, though instructors may choose to omit these and simply request that reports be written for the individuals and or the businesses.

Case 2020-1 addresses concepts found in Chapters 3, 4, 6, and 9.

Case 2020-2 addresses concepts found in Chapters 3, 4, 5, 8, and 10.

Case 2020-3 addresses concepts found in Chapters 3, 8, 9, and 10.

Case 2020-4 addresses concepts found in Chapters 7, 8, 9, and 10.

Case 2020-5 addresses concepts found in Chapters 3, 4, 5, 6, 9, 10, 11, and 13.

Case 2020-6 addresses concepts from Chapters 5, 6, 8, 10, 12, and 13.

Case 2020-7 addresses concepts from Chapters 3, 4, 5, 6, 7, 8, 9, 10, and 11.

Case 2020-8 addresses concepts from Chapters 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 14, and 15.

Case 2020-9 addresses concepts from Chapters 3, 4, 5, 7, 8, 10, 13, 14, and 19.

Case 2020-10 addresses concepts from Chapters 5, 7, 10, and 12.

Case 2020-11 addresses concepts from Chapter 18.

Case 2020-12 addresses concepts from Chapter 12.

Case 2020-13 addresses concepts from Chapter 13.

Case 2020-14 addresses concepts from Chapter 22.

**Exam Case 2020-1**

It is March of 2021 and you are about to prepare the 2020 tax return for Kelsey Lee. Your meeting with Kelsey has provided the following information:

Kelsey is thirty years old, divorced, and has an eight-year-old child from a former marriage. Child support payments from Kelsey are $500 a month.

Kelsey lives in Moncton, and is a salesperson for Triton Inc.. The earnings from the job include a base salary of $6,000 per month plus a commission of 1% on the sales Kelsey makes in the month, which were $50,000 every month in 2020.

Kelsey moved to Moncton from Halifax on December 1, 2019 due to a promotion with Triton. Kelsey’s tax deductible moving expenses totaled $9,500, and there was no reimbursement from Triton. $4,500 of this expense was accurately claimed on the 2019 tax return. Kelsey took out a $120,000 mortgage to purchase a new home in Moncton. The total interest payments were $8,400 in 2020.

Kelsey’s personal vehicle is used to perform the work duties, and Kelsey pays for the expenses with no reimbursement from Triton. However, an allowance of $400 is received each month which is treated as unreasonable for tax purposes. Kelsey purchased a new car in 2019 which is used seventy-five percent of the time for business purposes. The undepreciated capital cost of the vehicle at the beginning of 2020 was $28,000. Total costs to operate the vehicle are $800 per month. Interest expense on the car loan is $200 per month.

Kelsey spends $300 per month on fashionable clothing for work, and $500 per year on a new cell phone. The cell phone bill is $80 per month, of which seventy-five percent is for employment use.

Kelsey takes files home from the office at the end of the day and reviews the sales calls in a home office. The files are then returned to the office at Triton in the morning prior to leaving for the day to make sales calls. Kelsey’s monthly total expense for the home insurance, property taxes, maintenance, and utilities is $1,000. The home office occupies ten percent of the square footage in the home.

Kelsey maximizes RRSP contributions each year. The 2019 Notice of Assessment showed RRSP room of $12,000. Earned income was $42,000 in 2019 which consisted of $6,000 in commissions. Triton does not have a registered pension plan. CPP for enhanced contribution is $166.

**Required:**

1. Calculate Kelsey’s minimum net income for tax purposes for 2020. Use the aggregating formula from Section 3 of the Income Tax Act to show your answer.
2. Indicate why any items have been omitted from your calculations.

(Work must be shown for marks to be awarded.)



**Exam Case 2020-2**

It is February 12, 2021 and Mackenzie and Jayden have come to ask you some questions regarding their 2020 tax returns. The couple lives in a common-law relationship. Jayden is a chef at Posh Hotel and Mackenzie is an electrician.

Jayden’s remuneration (salary) in 2020 was $84,000. The following information is available from Jayden’s 2020 T4 slip:

Deductions from pay:

CPP and EI 3,754

Registered Pension Plan Contribution 2,000

Income tax deducted 25,000

Posh contributes an equal portion to Jayden’s RPP. Jayden is also provided with a company car for use during the entire year. The car is leased by Posh. Lease payments are $550 per month. Posh pays $400 per month for the operating costs of the vehicle. Jayden drove the car a total of 22,000 kilometres in 2020. 9,000 of these were for personal travel. Jayden also earned $3,000 in 2020 from Posh’s dining room tip pool. Lux did not report the tips on Jayden’s T4. CPP enhanced contribution is $166.

Jayden withdrew $10,000 from an RRSP in 2020 for use other than education or home ownership. Both Jayden and Mackenzie contribute to their TFSAs each year. They each have a balance of $8,000 in their TFSAs, bearing 3% annual interest.

Mackenzie earns $65,000, and is waiting for the 2020 T4 from the electrical company to arrive in the mail, so will address some other issues at this point in time which might affect the 2020 taxes.

1. Mackenzie sold a small piece of land in 2020 (which is capital in nature) for $68,000. The land originally cost $50,000. Selling costs were $800. Proceeds of $35,000 were received in 2020 and the remainder of the funds will be received this year (2021).
2. Mackenzie began a small farming operation on the couple’s acreage in 2020. The farm revenue totaled $5,000 in 2020 and expenses were $17,000. Mackenzie has never farmed before, but the business looks promising and a significant increase in sales is expected in 2021.

**Required:**

1. Calculate Jayden’s minimum net income for tax purposes, and taxable income, for 2020. Show your work using the statutory formula from Section 3 of the Income Tax Act.
2. Calculate Jayden’s federal tax liability for 2020.
3. Calculate the 2020 tax consequences from Mackenzie’s two issues.

(Work must be shown for marks to be awarded.)

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