

## ***BUSI 355 Comprehensive Case Assessment Winter 2020, Term 2***

### ***Introduction***

You have been presented with some tax information from your client, Andy Surnak, who asked for your advice in determining both his 2020 taxable income and taxes payable. As the filing requirements are urgent, you will need to have this file completed by April 30, 2021.

### ***Purpose of the Assignment***

The purpose of the assignment is to incorporate the following elements:

1. Application of course concepts, Canadian Income Tax legislation, and court rulings to real-world taxation issues and scenarios.
2. Further development of analytical, problem-solving, and written business communication skills.
3. Increased working knowledge of Excel worksheet preparation.

### ***General Requirements and Assumptions***

You are required to determine Andy Surnak's Net Income for Tax Purposes by providing a breakdown of the various categories of income according to the Ordering Rules in Section 3 of the Income Tax Act. In addition, taxable income and taxes payable must also be determined using the information provided. The results must be communicated in a one page memo to him (your client).

#### **Word document - instructions**

- Attractive Cover Page (File Cover) for your report (to be presented to your client – be creative if you wish).
- Use report format for content.
- Contents - a one page memo to your client outlining the net results of your review. You will need to provide specific details that you feel will help your client gain a better understanding of how taxes payable were determined. You will need to identify the total taxes owing and a description of how you determined them. Remember, your client may not have a good understanding of the Income Tax legislation, so keep this in mind when preparing your memo. **A sample memo format has been provided in Canvas.**

#### **Excel workbook - instructions**

- The Excel worksheets are required for organizing your client's net income for tax purposes, taxable income, and taxes payable calculations according to the relevant provisions.
- All your planning assumptions are to be in one workbook (in a single Excel file.)
- Do not place more tables on any one worksheet than can be printed attractively on a single page. You will probably use several worksheets for your planning assumptions (like tax rates, capital gains rates, etc).
- **Change the name on the tabs** of the worksheets you use for your planning tables to indicate the Table number and name (i.e. *Table 1: Employment Income*). You should have one table per subsection ( i.e. *Employment Income, Business Income, etc as well as a summary tab*).
- Give each worksheet in your workbook a header with your name on the left, and indicate the purpose of the worksheet.
- Feel free to use colors and shading to enhance appearance and readability of your tables.
- **Never** enter a number in more than one location. For example, if you have calculated the total employment income in the **Employment Income** table and need that number again in your

**Summary** sheet, use a formula in the summary sheet to link to the original number's location in the Employment Income table (i.e. =**\$C\$18**)

- Use **View, Page Layout** to check that sheets will print readably and attractively.

## **Marking Guide**

### **Grading Criteria**

**This is an individual assignment worth 30% of the grade for the course**

Your report will be graded based on the following criteria:

- A one page client summary section that presents the main issues related to the tax results including the identification of and discussion about the determination of the various sources of income. You will need to determine what is important for future tax planning purposes and/or for your client to know and understand. **(15 points)**
- Excel spreadsheets supporting your income calculations.
- Referencing – complete and correct.
- Writing and English grammar - accurate, clear, and well organized

### **Format and Referencing**

**(5 points)**

- Arial, Times, or Verdana font, size 11 point, 1.5 line spacing
- Professional/business writing style (third person, without grammatical and/or spelling errors)
- Reference all assignment material taken from other sources, including ideas, facts, and concepts. Marks will be lost for improper or omitted referencing. Please include both in-text references and a bibliography.

### **Electronic Spreadsheet(s)**

**(30 points)**

- Comprehensive (includes all requirements)
- Flexible and 'linked' throughout
- Include all important items
- Organized and logical
- Clear planning assumptions
- Attractively, appropriately, and consistently formatted

### **Submission**

- Electronic copy to be uploaded to Canvas by the assignment due date/time.
- **Due date: On or before 11:30 pm (PDT) Sunday, March 28, 2021.**

**Total Marks**

**/50**

## Client Information

Andy Surnak is employed by Jupiter Technologies Inc. (JTI), a Canadian public corporation. Andy has requested your assistance in preparing his 2020 income tax return and your advice on certain other tax matters.

Information regarding Andy's financial activities for 2020 is outlined in Exhibit 3-1. Selected information from his 2019 tax return is provided in Exhibit 3-2.

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### Exhibit 3-1

#### ANDY 2020 Financial Information

1. In 2020, Andy received a salary of \$80,000. From this income, JTI deducted income tax of \$18,000 and the maximum CPP and EI. The company contributed a \$500 premium to a group sickness and accident plan, \$700 to a private health insurance premium, and \$600 to a provincial health plan premium on his behalf.
2. The company paid him an allowance of \$1,500 for general employment-related expenses. He used \$1,000 to purchase a notebook computer that is mainly used for employment-related work. He spent \$500 on a stock trading course.
3. He went on a business trip to the United States with his spouse. The total cost of the trip was \$2,200 (\$1,100 each) and was paid by JTI. Although his spouse was not part of the company, she spent 25% of her time on business-related activities by helping her husband.
4. Andy is required to use his own automobile for employment purposes. His employer has signed a T2200 for him in this respect. He was given \$2,000 as an auto allowance in 2020. He travelled a total of 20,000 km, of which 9,000 km were for employment purposes. His total operating cost for this year was \$4,000 and on December 31, 2019, the undepreciated capital cost allowance balance was \$10,000.
5. According to his employment contract, he was required to carry out his duties away from his employer's place of business. JTI paid him a monthly allowance of \$500 (\$6,000 for the year) for his out-of-town travel. In 2020, he spent \$7,000 for work-related hotels and airfare.
6. Andy owned a rental property in the city. He purchased this property in 2005 at a cost of \$120,000. The undepreciated capital cost balance of the building was \$85,000 on December 31, 2019. In 2020, he received \$12,000 as rent and paid the following expenses: interest – \$6,000, property tax – \$2,000, other eligible expenses – \$3,000.
7. On December 15, 2020, he sold 1,000 units of a mutual fund for \$15,000. He bought these funds in December 2010 for \$10,000. In July 2020, he was informed by the mutual fund company that his share of the fund's eligible dividend was \$300 and the taxable capital gain was \$500 but no cash distribution was made as it was reinvested automatically in the fund.

8. In November 2020, he gifted a painting valued at \$3,000 to his niece on her 15th birthday. He acquired this painting in 2005 for \$500. In December 2020, his niece sold this painting for \$3,500.
9. In 2020, Andy had the following other receipts and disbursements: Donation to a registered federal political party \$ 500; RRSP contribution \$ 11,000; Eye glass expenses for the whole family \$ 2,700.
10. Andy's spouse is a teacher and earned \$60,000 in 2020. They have a daughter aged 19 who works at a local coffee shop.
11. He received a dividend of \$1,000 from the active business income of a CCPC. He also received \$1,800 (net of \$200 withholding tax) from a U.S. company. He paid \$200 to an investment advisor for advice regarding an RRSP investment.
12. He sold a collection of stamps for \$2,500 on October 1, 2020. He won this collection in a lottery in 2005. The fair market value of this collection was estimated at \$800 at the time of winning.
13. He is trying to establish his own business. In 2020, he started a consulting business as a sole proprietor on weekends. His gross revenues for this business were \$3,000 and operating expenses were \$5,000. His other expenses included a golf club membership fee of \$2,000 to find the potential clients and \$3,000 home office expenses related to the business. He used a portion of his house as his principal place of business.
14. Andy owns 10,000 shares of Publix Inc., a publicly traded Canadian corporation. These shares were acquired at a cost, including brokerage fees, of \$125,000. Based on current trading values, the shares are now worth \$175,000. Andy's daughter will be attending university next year out of town and he wants her to be safe off campus and suggests purchasing a condominium. Andy gifts the shares to his daughter who in turn sells the shares and uses the proceeds to finance the condominium purchase.
15. Andy's 75 year old mother moved in with him and his family in September 2020. Her health has been declining over the past year and Andy suggested she stay with them to be closer to family.
16. Several years ago, Andy received options to acquire 250 common shares of JTI at a price of \$25/share. When the options were granted, the common shares were trading at \$25/share. During 2020, Andy exercised all of these options. On the exercise date, the shares are trading at \$32/share. Andy still held the shares at December 31, 2020.

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**Exhibit 3-2**  
**2019 Tax Return Details**

Listed Personal Property Losses – Carry forward from 2019	\$2,000
Registered Retirement Savings Plan:	
Deduction limit from previous years' Notice of (Re) Assessment	\$10,000
Maximum RRSP Deduction Available	\$10,000
Net Capital Losses – Carry forward from 2019	\$10,000

**Required - Using the Excel template provided, submit the following:**

- a. Calculate Andy's minimum net income for tax purposes in accordance with the ordering provisions found in section 3 of the *Income Tax Act*, and his minimum taxable income for the 2020 taxation year.
- b. Based on your answer to part (a), calculate Andy's minimum federal income tax for the 2020 taxation year. Show all calculations.
- c. A one page client summary section (memo) that presents the main issues related to the tax results including the identification of and discussion about the determination of the various sources of income. You will need to determine what is important for future tax planning purposes and/or for your client to know and understand.