

## ***Comprehensive Individual Case Assessment***

### ***Introduction***

You have been presented with some tax information from your client, Tandiwe Okara, who asked for your advice in determining both her 2022 taxable income and taxes payable. As the filing requirements are urgent, you will need to have her file completed by the filing deadline.

### ***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, professional judgment, and written business communication skills.
3. Increased working knowledge of Excel worksheet preparation.

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

You are required to determine Tandiwe Okara'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 addressed directly to your client.

### **Word document - instructions**

- Attractive Cover Page (File Cover) for your report (to be presented to your client – be creative if you wish).
- 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 (i.e., items and/or events the client may question). You will need to identify the total taxes owing and address key taxation issues that may be relevant to your client in the current and future taxation years. 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 worksheet - 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 20% of the grade for the course.**

Your report will be graded based on the following criteria:

#### **One-page memo (25 points)**

- 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.
- 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) (20 points)**

- One Excel document containing several worksheets supporting your income calculations.
- Comprehensive (includes all requirements)
- Flexible and 'linked' throughout
- 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 11:59 pm (PST) Sunday, December 4, 2022.**

**Total Marks                      /50**

**Required – Please submit the following two documents:**

1. Using Excel, submit the following:
  - i. Calculate Tandiwe's minimum net income for tax purposes in accordance with the ordering provisions found in section 3 of the *Income Tax Act*, and her minimum taxable income for the 2022 taxation year.
  - ii. Based on your answer to part (a), calculate Tandiwe's minimum federal income tax for the 2022 taxation year. Show all calculations.
2. In a Word document, 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. This is where you are expected to demonstrate your understanding of the more important personal tax provisions that you feel impact your client the most.

## Client Information

Tandiwe Okara is employed by Rocky Coast Environmental Ltd, a Canadian controlled private corporation. She was recently promoted from Associate Engineer to Director of Engineering, a promotion she worked very hard for over the past three years. Tandawe has requested your assistance in preparing her 2022 income tax return and your advice on certain other tax matters.

Information regarding Tandawe's financial activities for 2022 is outlined in Exhibit 3-1. Selected information from her 2021 tax return is provided in Exhibit 3-2.

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### Exhibit 3-1

#### Tandiwe Okara 2022 Financial Information

1. In 2022, Tandawe received a salary of \$120,000. From her income, Rocky Coast deducted income tax of \$33,000 and CPP and EI of \$3,754. The company contributed \$700 as Tandawe's premium on a supplementary unemployment insurance plan and paid \$1,000 to a professional engineering association as an annual membership fee. The company also contributed \$5,000 to its registered pension plan on Tandawe's behalf, and Tandawe made a matching contribution of \$5,000.
2. Tandawe is provided with an automobile leased by Rocky Coast. During 2022, the company paid total lease costs of \$6,000, including \$900 for insurance and all applicable taxes. Tandawe drove her vehicle for a total of 20,000 kilometres, of which 8,000 were employment related.
3. In 2020, Tandawe was granted an option to buy 100 shares of Rocky Coast at \$50 per share when the shares were valued at \$55 each. She exercised her option in 2021 and purchased the shares when they were valued at \$70 per share. In November 2022, Tandawe sold these shares for \$80 each. Before selling the shares, Tandawe received a \$200 dividend from the company. All the company's income is eligible for the small business deduction and/or is investment income.
4. Tandawe sold a bond on February 1, 2022. The selling price of the bond was \$20,300, including interest of \$300 for the period from November 1, 2020 to January 31, 2022. The bond was purchased on January 1, 2019 for \$19,200 (\$200 being the interest amount).
5. Tandawe gifted \$3,000 to her daughter Jayne (age 16) to buy an investment. Jayne invested her money and earned \$400 in interest. In December 2022, Jayne sold her investment for \$4,000.
6. In 2022, Tandawe had the following other receipts and disbursements:

Counselling fee paid by the company for re-employment	\$ 500
Safety deposit box fee	100
Legal fee to defend last year's income tax reassessment	1,000

7. Tandiwe sold her guitar for \$500, which was purchased for \$2,000 in 2006. She also sold an antique vase for \$2,200, which was purchased for \$800 in 2005.
8. During the year, Tandiwe paid \$500 for the purchase of vitamins and other supplements prescribed by her doctor. He also paid \$700 for private dental insurance.
9. Tandiwe is divorced and lives with her 15-year-old son and 17 year old daughter. Her son had zero income in 2022 and Tandiwe paid \$2,500 for her eligible medical expenses, including \$500 for prescription eyeglasses. In accordance with the legal agreement, she paid an annual support payment of \$6,000 to her former spouse and \$8,000 as half the private school day student fees for her daughter.
10. The company paid Tandiwe an allowance of \$5,500 for general employment-related expenses. From this allowance, she used \$1,000 to purchase a notebook computer that is primarily used for employment-related work. She spent \$500 on a stock trading course.
11. Tandiwe owns a condominium in the city that is designated a rental property. She purchased her 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 2022, she received \$20,000 as rent and paid the following expenses: interest – \$6,000, property tax – \$2,000, strata fees - \$5,000, and repairs and maintenance - \$3,000.
12. Tandiwe is an active member in her community and decided to volunteer as a firefighter during the year. Given the hotter summers and increased forest fires in her area, she feels her environmental engineering background would bring value to her local volunteer fire department.
13. In 2022, Tandiwe had the following other receipts and disbursements: Donation to the David Suzuki Foundation - \$ 500 and the BC School District #79 for development of an environmental education program - \$1,000; RRSP contribution \$ 11,000.
14. Tandiwe received a dividend of \$1,000 from the active business income of a CCPC. She also received \$1,800 (net of \$200 withholding tax) from a U.S. company. She paid \$200 to an investment advisor for advice regarding her RRSP investment.
15. Tandiwe began consulting with her condominium Strata to collaborate on ways to reduce waste and upcycle materials from residents. Given her environmental engineering expertise, the strata voted for Tandiwe to provide a report about options available to the residents. Tandiwe did not want payment for doing this but the residents voted to give her three months of strata fees in exchange for her services.

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**Exhibit 3-2**  
**2021 Tax Return Details**

Listed Personal Property Losses – Carry forward from 2020	\$1,000
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 2020	\$10,000