CHARTERED PROFESSIONAL ACCOUNTANTS CANADA

CFE CANDIDATE NUMBER:

Common Final Examination
May 28, 2021 – Day 3
(Booklet #1 – Cases)

Total examination time: 4 hours.
Further details on the examination can be found on the next page.

GENERAL INSTRUCTIONS BEFORE THE EXAMINATION

1. Fill in your 7-digit candidate number on the booklets. The examination booklets (or paper response, as instructed) must be submitted before leaving the examination room. They must NOT BE REMOVED from the examination room. If these items are not received, the response may not be accepted.
2. Follow the instructions provided. Instructions must not be removed from the examination room.
3. Sign the Policy Statement and Agreement Regarding Examination Confidentiality below.

Policy Statement and Agreement Regarding Examination Confidentiality

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- Refer to unauthorized material or use unauthorized equipment during testing;
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I further agree to report to CPA Canada any situations where there is a material risk of compromising the integrity of the examination.

I affirm that I have had the opportunity to read the *CPA Examination Regulations* and I agree to all of its terms and conditions.

In addition, I understand that failure to comply with this Policy Statement and Agreement will result in the invalidation of my results, and may result in my disqualification from future examinations, expulsion from the profession and possible legal action.

_____ _____

CANDIDATE NAME (Please print) SIGNATURE

Examination Details

The examination consists of:

Booklet #1 – (this booklet)
- **Case #1 (85 minutes)**
- **Case #2 (85 minutes)**
- **Case #3 (70 minutes)**

Booklet #2 – Rough notes

Times noted above are guidelines. Candidates are responsible for managing the time allocation.

The cases should be answered using the software provided, which includes a word processor and a spreadsheet for inputting your response. Make sure that you indicate the case number before your answer to each case in the word processor and the spreadsheet. The main body of your response should be in the word processor file. Only supporting calculations should appear in the spreadsheet file, in **Sheet 1**. You are responsible for clearly explaining all your calculations.

Answers or part answers will not be evaluated if they are recorded on anything other than on the computer or the CPA Canada writing paper provided.

The CPA Canada Handbooks and the *Income Tax Act* are available in *Folio Views* throughout the entire examination. *Folio Views* provides the standards in effect and tax laws substantively enacted as at December 31, 2020.

A tax shield formula and other relevant tax information are available at the end of this booklet.

Rough-note paper is available in a separate booklet. Rough notes, and any other notations made in the examination booklets, will not be evaluated.

Candidates are instructed to consider and respond to the case as presented and ignore the potential impacts of COVID-19.

Common Final Examination, May 2021

Chartered Professional Accountants of Canada
277 Wellington Street West
Toronto, Ontario M5V 3H2

Case #1 **(Suggested time: 85 minutes)**

Sally Byrd is the owner of Sally's Good Furniture (SGF), an Alberta-based furniture manufacturing and retail company. SGF's vision is for every home in Calgary to have access to affordable and distinctive furniture collections, rather than generic furniture typically sold at big box retailers. Sally believes in making SGF's collections accessible to all, in a customer-friendly manner that prioritizes customer service.

It is March 10, 2021, and Sally has hired you, CPA, to consult on several matters.

Sally has provided you with a costing data summary (Appendix I). SGF unintentionally accepted some unprofitable orders, and Sally wants you to assess the quality of data used in SGF's costing, and how it could be improved to help her decision-making.

She also asks you to assess whether the proposed technology solution is aligned with SGF's strategic direction (Appendix II).

SGF recently expanded and Sally is struggling to oversee certain processes (Appendix III). She asks you to discuss the internal control weaknesses, and provide recommendations for improvement.

New Era Furniture (NEF), an Ontario-based furniture retailer, approached SGF with a potential order (Appendix IV). Sally wants you to analyze whether SGF should accept the order, and if so, in total or in part. She also asks you to describe the decision factors to be considered, and make a recommendation.

Finally, SGF is considering purchasing Summer Living Inc. (SL), a British-Columbia-based furniture company. To assess whether the asking price of $2.78 million is fair, Sally wants you to perform a capitalized earnings valuation. Sally's research determined that a business of this nature is typically valued using an after-tax-earnings multiple of 11. She would like you to explain the limitations of using this approach in this situation. Sally received an unaudited income statement from SL for the year ended December 31, 2020. In case SGF proceeds with the purchase, Sally wants you to suggest audit procedures that would be part of a due diligence for the areas of concern that she has noted (Appendix V).

(CONTINUED ON PAGE 3)

APPENDIX I
COSTING DATA SUMMARY

Management uses SGF's software to automatically generate future manufacturing budgets. The software uses the following four main categories of costing data in its planning algorithm.

Direct Labour

The labourers record the time they spend on each unit produced in the software; however, to not interrupt their work, they often wait until the end of the day, relying on their memory. Several years ago, to keep costs down, Sally instituted a bonus for the labourer with the lowest average time spent per unit.

Direct Materials

As direct materials are used, labourers manually scan a barcode from a list of barcodes they keep at their workstation, and the software tracks what materials are used for what units.

Indirect Labour

To allocate indirect labour, the software analyzes historical data and identifies a set of factors that correlates with the indirect labour used. Sally does not know how this works but is happy not to have to do it herself.

Indirect Materials

The labourers say they use indirect materials, such as screws and nails, in roughly the same proportion, no matter what they are making. Sally is skeptical, but since the labourers seemed frustrated when she questioned them further, she did not press the issue. Therefore, SGF allocates indirect materials using direct labour hours at a rate of $8.50 per labour hour.

(CONTINUED ON PAGE 4)

APPENDIX II
PROPOSED TECHNOLOGY SOLUTION

Aleisha Ting, one of SGF's vice presidents, has put forth a proposed technology solution.

It includes the implementation of a new online platform to manage customer interactions. Currently, SGF spends significant resources dealing with customers in person and by phone. This new platform would automate customer requests using artificial intelligence. As a consequence, SGF would no longer employ a customer service team.

The solution also addresses what Aleisha believes is a slow and costly product design phase. SGF has specialty designers who create original furniture designs for each of its collections. However, new technology is available that automatically generates furniture designs using a simple set of inputs. For example, designers choose the type of furniture and material, and choose from a few generic style options. According to Aleisha, if SGF transitions to this new technology, the margins would increase significantly.

Aleisha also plans to implement a smart pricing system that would use an algorithm that evaluates external market data and internal product details, to set an optimal price for each product. Typically, SGF prices its furniture at what it thinks is reasonable in order to build its brand reputation. This new pricing system would allow SGF to extract maximum value from each transaction and identify high-margin products to promote. Aleisha's analysis supports that this new pricing system, paired with the design and customer service cost savings, could significantly increase SGF's margins.

(CONTINUED ON PAGE 5)

APPENDIX III
SGF PROCESSES

SGF's software tracks the manufacturing and sale of inventory and is relied on for reporting and planning, which has saved the effort of manually tracking or counting inventory. However, SGF ran into trouble last year when it agreed to a bulk sale of tables that the software incorrectly showed as being in stock.

Sales representatives record the sales in the software, which automatically reduces inventory. They also collect payments. While most customers pay by credit card, SGF also accepts cash.

SGF allows its labourers to order directly from suppliers. If they stay within their monthly budget, no approvals are required. Sally has noted that many orders go through at the end of the month and sometimes include wood and materials that she does not recognize as being used in SGF products.

Supplies are stored in a secured room. Labourers and certain other staff have access cards for the room. Supplies sometimes go missing but Sally is unable to identify who took them.

Sally recently realized that the year-end cash balance in the general ledger was slightly different than on the bank statement. When she inquired, the bookkeeper told Sally not to worry, saying, "We don't bother reviewing the differences because they usually clear out shortly after year end."

(CONTINUED ON PAGE 6)

APPENDIX IV
NEF ORDER

NEF has offered to purchase the following pieces, all part of the same collection created by NEF, in separate orders:

Order (s)	Quantity	Price
Coffee tables	1,200	$220
Dining tables	800	$335
Dining chairs	1,500	$145

NEF will only accept the exact quantity stated for each order but SGF has the option to fill one, two or all three orders. The designs for each are standard and generic, intended to be mass marketed in Ontario. SGF has one year in which to fill the order(s).

A condition of the offer is that all customer support will be provided by NEF. However, NEF will have the right to market itself as “an official SGF partner and seller of SGF furniture,” and to use the SGF trademark on all three products of the collection, regardless of the order(s) SGF decides to fill.

SGF’s labour costs are $45 per hour without a rate increase for overtime hours, which is permitted by provincial regulations. SGF expects to incur 1.5 hours per coffee table, 2.5 hours per dining table and 1.0 hour per chair. For indirect labour, SGF’s software calculated a cost of $12.60 per coffee table, $15.80 per dining table and $9.40 per chair.

SGF will use pine planks, and expects to use 4.5 planks per coffee table, 7.0 planks per dining table, and 2.5 planks per chair.

SGF has 400 planks of pine in inventory, purchased for $19 each. SGF had planned to use these planks in upcoming regular orders but more planks can be ordered at a cost of $22.50 each.

As SGF has some excess capacity, management believes this order can be filled. However, because there is a shortage of labourers, and it takes too long to train them, management does not want to hire additional labourers for this order. SGF employs 10 full-time labourers who work a standard 38 hours per week, 49 weeks a year. Their overtime is capped at six (6) hours per week per labourer. Some of the labourers have expressed their reluctance to work overtime hours. SGF’s current production requires 17,140 hours of labour per year.

(CONTINUED ON PAGE 7)

APPENDIX V
INCOME STATEMENT

Summer Living Inc.
Income Statement
For the year ended December 31, 2020
(Unaudited)

		Note
Sales	$ 2,480,000	
Cost of goods sold	1,642,000	
Gross margin	838,000	1
Salaries and wages	329,000	2
Fixed overhead	83,000	
Rent	26,000	3
Professional fees	10,000	
Other expenses	39,000	
Net income before tax	351,000	
Income tax	94,770	
Net income	$ 256,230	

Notes:

1. In 2020, SL had a larger-than-normal sale with a gross margin of $36,000, which is unlikely to recur.

2. Sally believes that SGF could save $45,000 in management salaries through synergies between SGF and SL.

3. SL is renting its current space at a discount. After the purchase, Sally believes that rent would be $30,000 for the year.

Sally is particularly concerned with whether:
- all the 2020 sales have actually occurred.
- there are any significant outstanding liabilities against SL.
- SL's inventory is correctly reported, and whether any items are obsolete and should be written off.

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Case #2 **(Suggested Time: 85 minutes)**

Kitchen Apparel Inc. (KAI), located in Vancouver, British Columbia, sells kitchen accessories through several retail locations. KAI's year end is December 31, and it reports under ASPE.

It is January 15, 2021, and you, CPA, have been hired by KAI as a consultant. You are meeting with KAI's chief executive officer, Jill Sarangi.

Jill starts: "On March 1, 2020, KAI implemented a new system (Appendix I). Because the vendor for the old system had been sold and would soon stop providing security updates, implementation of the new system was rushed. We are having issues with the new system, and the Board of Directors would like you to document the broader operational risks the new system exposes the company to and recommend ways to mitigate them.

"One of the issues we are having with the new system is related to foreign currency (Appendix II). I am wondering how the foreign currency transactions should be reported in the financial statements.

"Also, please explain how the changes made this year, including the new system implementation, will affect the auditor's assessment of the risk of material misstatement for the 2020 audit. In 2019, our auditors relied on our controls.

"Finally, the board regularly monitors working capital. They would like you to provide a ratio analysis on working capital and each of its components, and to suggest ways to better manage working capital (Appendix III)."

During the engagement, you meet Kane, a consultant for KAI. You accept a separate engagement to prepare his 2020 income tax return (Appendix IV).

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APPENDIX I
INFORMATION ON NEW SYSTEM

(Provided by Jill Sarangi)

All the information recorded into the new system is also recorded, in summarized form only, in the old system. When the new system was implemented, no training was provided to staff and many mistakes were made initially. No one on staff fully understood the new system, or reconciled the information to the old system. However, most staff now seem to know what they are doing.

We did not test the security of the new system before its implementation. We are not aware of any hacking attempts on it, but we did hear of a competitor's system being compromised earlier this year.

Manual steps are taken to deal with modules that do not function as expected. As a result, our staff are experiencing increased stress and decreased morale. I also need to review the financial statements on a weekly basis, which is the only report the system can generate.

We discovered that the new system mixes up customers who have the same name. The system will override the original customer's address with the new customer's address. When customers with the same name order items online, they are shipped to the newest customer's address.

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APPENDIX II
FOREIGN CURRENCY ISSUES

KAI has a separate bank account for each currency it uses. In November 2020, a new account was opened in a foreign currency, the SUN. We noticed that the new system was recording the SUN currency transactions without converting the amount to Canadian dollars (CAD).

Only one sale occurred in SUN, as follows:

	Sale, Nov. 15, 2020	**Bank Account Balance, Dec. 31, 2020**
Amount	SUN 100,000	SUN 100,000
Amount per G/L	$100,000	$100,000
Exchange rate	CAD 11 = SUN 1	CAD 10 = SUN 1

The sale proceeds were received in SUN by electronic transfer on November 15, 2020. On January 13, 2021, KAI exchanged the SUN it received to Canadian dollars at a rate of CAD 20 = SUN 1.

KAI also has a small investment of 0.5% of the common shares in one of its suppliers, Niseko Corporation (NC), a Japanese company. On November 1, 2020, NC declared a dividend. KAI has not yet received its share, which is 2.5 million Japanese Yen (JPY). The investment income and dividend receivable were originally recorded using the November 1, 2020, rate of CAD 0.020 = JPY 1, and were both subsequently adjusted using the year-end rate of CAD 0.012 = JPY 1.

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APPENDIX III
INTERNALLY PREPARED FINANCIAL STATEMENTS

Kitchen Apparel Inc.
Balance Sheet
As at December 31
(in thousands of Canadian dollars)

	2020	2019
Assets		
Cash (Note 1)	$ 5,000	$ 4,500
Accounts receivable	1,200	1,000
Inventory	6,000	7,000
Dividend receivable	30	0
Long-term investment	10	10
Property, plant, and equipment	7,020	7,000
	$ 19,260	$ 19,510
Liabilities and equity		
Accounts payable	$ 150	$ 100
Current portion of long-term debt	1,100	1,100
Long-term debt	5,800	6,900
Total liabilities	7,050	8,100
Common shares	1	1
Retained earnings	12,209	11,409
	$ 19,260	$ 19,510

Note 1 – Sales generate a high volume of cash each year. We use some of it to ensure that we are well stocked and never turn customers down due to out-of-stock items. We can do this because our items do not usually go out of style.

(CONTINUED ON PAGE 12)

APPENDIX III (continued)
INTERNALLY PREPARED FINANCIAL STATEMENTS

Kitchen Apparel Inc.
Income Statement
For the years ended December 31
(in thousands of Canadian dollars)

	2020	2019
Revenue		
Sales (Note 1)	$ 10,000	$ 8,000
Cost of goods sold (Note 2)	4,000	3,200
	6,000	4,800
Expenses		
Selling and administrative	4,380	3,480
Salaries and wages	650	520
	5,030	4,000
Operating income	970	800
Investment income	30	0
Net income	$ 1,000	$ 800

Notes:

1. Sales are made to retail consumers and corporate customers. 90% of sales are on credit and 10% are in cash. KAI does not have a credit policy for its corporate customers.

2. KAI pays its suppliers as soon as possible, even when the suppliers extend payment deadlines at no additional cost.

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APPENDIX IV
INFORMATION PROVIDED BY KANE

I am a widower and live with my two-year-old son in British Columbia. I paid $12,000 in childcare expenses in 2020. I earned employment income of $134,000, with deductions of $856 for employment insurance, $2,898 for Canada Pension Plan, and $50,000 for income tax.

In addition to my employment income, I provide consulting services as a sole proprietor to several clients. During the year, I collected $150,000 in revenue from different consulting engagements, including KAI. This amount excludes $50,000 that I invoiced another customer on January 3, 2021, for consulting services provided in 2020. I expect to receive the funds tomorrow. One client owes me $30,000 from two years ago, but as they went bankrupt during 2020, I doubt that I will receive it.

Business expenses are as follows:

Advertising	$3,000
Business insurance	$2,200
Memberships	$1,200
Travel expenses	$22,000

Memberships include dues to professional bodies related to my consulting work, as well as my online video gaming account ($800) that I use to entertain myself during travel.

Travel expenses include hotels ($14,000), flights ($6,000), and meals ($2,000).

My employment and business income are all used to cover my living expenses.

Please calculate my federal personal income taxes payable for 2020. Also, please tell me, if I had incorporated my business before January 1, 2020, what the corporate federal income taxes payable for 2020 would have been. I would also like to know the benefits and drawbacks of incorporating.

(CONTINUED ON PAGE 14)

Case #3 **(Suggested time: 70 minutes)**

Wicked Water Sarnia Inc. (WWS) is a kayak and canoe manufacturer located in Sarnia, Ontario. You, CPA, work for WWS in its finance and accounting department, but have been temporarily assigned to the kayak manufacturing division after your boss received the following email.

From: Carolyn.Babatundé@WWS.ca
To: Alex.Yang@WWS.ca
Subject: Help!

I am the new manager of the kayak manufacturing division. Although I enjoy challenges, this division is struggling more than I realized when I accepted the job. Can you send a CPA to help me? I have prepared some background and other information for them (Appendix I).

We are experiencing some human resource issues. Morale is low, the retention rate is below industry average, and recruiting skilled labour has been difficult lately. I have some ideas for ways to attract and retain staff (Appendix II). I would like CPA's thoughts on whether they address the employees' needs and concerns, and are in the best interest of the company. I would also like to understand the income tax consequences of each idea, from the company's and the employees' perspectives. I am also seeking other suggestions for improving labour relations.

The previous manager neglected numerous tasks. Due to a lack of maintenance, the fibreglass vacuums used in production are slower than normal. As this is creating safety issues, they will need to either be repaired or replaced. I have received quotes for repairing or replacing the vacuums (Appendix III); hopefully, CPA can recommend which option to choose. Because repaired vacuums will still be slower than new vacuums, the number of kayaks we can produce will be affected by the option we choose. I am concerned that repairing the equipment will not allow us to meet demand.

Thanks in advance!
Carolyn

You spent a week at the manufacturing division; during that time, you overheard certain discussions between employees (Appendix IV).

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APPENDIX I
BACKGROUND AND OTHER INFORMATION

(Prepared by Carolyn Babatundé)

Manufacturing Processes

WWS's kayaks are made of fibreglass, polyester gel coating, and polyester resin. These direct materials are laid into kayak moulds designed by WWS, one for the hull and one for the deck. A vacuum is then used to merge both parts of the kayak together, hardening the materials and forming a seal. In their current state, each of the six (6) vacuums has the capacity to process one (1) kayak in two (2) hours, and can operate for 2,000 hours per year.

Costs per kayak are as follows:

Direct materials	$665
Direct labour hours	4 hours
Direct labour rate	$60/hour
Variable overhead allocation	$250/direct labour hour
Fixed overhead allocation	$50/direct labour hour

Annual market demand for our kayaks is 10,000 units and is growing. Kayaks sell for $2,400 each.

Each vacuum could currently be sold for $45,000 but would have no material value at the end of its original useful life.

Equipment Exchange

We exchanged a piece of equipment with a third party, so that all our moulding equipment comes from the same supplier. This makes repairs and maintenance easier, but not cheaper, and has no real impact on production capacity. Here is the information on the equipment:

	Cost	**Net Book Value**	**Fair Value**
Equipment transferred out	$160,000	$84,000	$124,000
Equipment transferred in	$190,000	Unknown	$126,000

We paid $2,000 to compensate for the difference in the fair values. We recorded the equipment transferred in at $126,000 and recorded a gain of $40,000 on the exchange. Alex asks that you explain the accounting treatment of this exchange in accordance with ASPE.

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APPENDIX II
IDEAS FOR IMPROVING LABOUR RELATIONS

(Prepared by Carolyn Babatundé)

As WWS pays well in comparison to industry standards, I am not concerned about wage rates. I am, however, considering improving employee benefits, using some of the following options.

Private Health Services Plan

Currently, only office staff has access to WWS's private health services plan. WWS could expand the plan to include its manufacturing employees, providing coverage for prescription drugs, dental, vision care, physiotherapy, chiropractic services, and massage therapy.

Service Gifts

WWS could provide gifts to recognize employees' years of service, such as for one, two, five, 10, and 15 years. The gifts could be items such as watches or tablets. Or, if you think it would be more enticing, cash.

Training

WWS could pay for manufacturing staff to attend school part time. We encourage, and already pay for, additional training for our office staff. Given the nature of the manufacturing jobs, there is little additional training necessary, but manufacturing staff could also take courses in other subjects.

Subsidized Cafeteria Meals

I have noticed that the manufacturing staff frequent our onsite cafeteria often. WWS could provide the meals at a discounted price, or for free.

Recreational Facilities

Labour laws require us to provide staff with breaks, including an hour for lunch, but they look bored during that time. WWS could establish a games room or fitness centre so they would have something to do on their breaks.

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APPENDIX III
VACUUM QUOTES

Per Vacuum	Repaired Vacuum	New Vacuum
Upfront cost	$50,000	$200,000
Ongoing annual maintenance costs	$5,000	$1,000
Remaining life	5 years*	12 years*
Hours per kayak	1.3 hours	1.1 hours

*Whether the vacuums are repaired or replaced, new vacuums will be bought in five years, to keep up with technology.

Each repaired or new vacuum would still operate for 2,000 hours per year.

If WWS purchases new vacuums, it would also purchase a five-year warranty, for an additional $10,000 per vacuum. New vacuums will have a resale value of $40,000 each after five years.

WWS's pre-tax required rate of return is 10%.

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APPENDIX IV
DISCUSSIONS OVERHEARD IN MANUFACTURING DIVISION

"My back hurts from leaning over the moulds all day. Feel this knot! That's not going to help my performance in my kayak race this weekend!"

"The new manager seems okay. Better than Ralph. I got so tired of him eyeing the clock as we went on breaks and counting the tools each night to make sure we didn't steal them. What am I going to do at home with a roller for polyester gel? And I hate that he installed video cameras in the warehouse. They make me feel like a criminal."

"How's Jimmy? I can't believe he got a concussion from slipping on spilled paint! No one remembered to mark off the area as a hazard, or knew where to find the pylons. When was the last time we updated our health and safety training? Aren't those required annually? Ralph probably thought they were a waste of time and money. Jimmy is pretty upset that there is no disability coverage."

"A few employees have been talking about forming a union. I know we get paid well, but I'm concerned about our safety. We ran out of work gloves a while back. I bring my own now since I wouldn't dare touch the polyester resin."

"Those were some nice-looking kayaks that you and Toni made yesterday! I'm not sure why you bother making them so perfect. No one around here cares anyway. We get our wage increase each year regardless. We never receive feedback on how we are doing."

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End of Examination

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CPA COMMON FINAL EXAMINATION REFERENCE SCHEDULE

1. PRESENT VALUE OF TAX SHIELD FOR AMORTIZABLE ASSETS

Present value of total tax shield from CCA for a new asset acquired after November 20, 2018

$$= \frac{CdT}{(d+k)}\left(\frac{1+1.5k}{1+k}\right)$$

Notation for above formula:
C = net initial investment
T = corporate tax rate
k = discount rate or time value of money
d = maximum rate of capital cost allowance

2. SELECTED PRESCRIBED AUTOMOBILE AMOUNTS

	2020	**2021**
Maximum depreciable cost — Class 10.1	$30,000 + sales tax	$30,000 + sales tax
Maximum depreciable cost — Class 54	$55,000 + sales tax	$55,000 + sales tax
Maximum monthly deductible lease cost	$800 + sales tax	$800 + sales tax
Maximum monthly deductible interest cost	$300	$300
Operating cost benefit — employee	28¢ per km of personal use	27¢ per km of personal use
Non-taxable automobile allowance rates		
— first 5,000 kilometres	59¢ per km	59¢ per km
— balance	53¢ per km	53¢ per km

3. INDIVIDUAL FEDERAL INCOME TAX RATES

For 2020

If taxable income is between			Tax on base amount	Tax on excess
$0	and	$48,535	$0	15%
$48,536	and	$97,069	$7,280	20.5%
$97,070	and	$150,473	$17,230	26%
$150,474	and	$214,368	$31,115	29%
$214,369	and	any amount	$49,644	33%

For 2021

If taxable income is between			Tax on base amount	Tax on excess
$0	and	$49,020	$0	15%
$49,021	and	$98,040	$7,353	20.5%
$98,041	and	$151,978	$17,402	26%
$151,979	and	$216,511	$31,426	29%
$216,512	and	any amount	$50,141	33%

(CONTINUED ON PAGE 21)

4. SELECTED INDEXED AMOUNTS FOR PURPOSES OF COMPUTING INCOME TAX

Personal tax credits are a maximum of 15% of the following amounts:

	2020	2021
Basic personal amount, and spouse, common-law partner, or eligible dependant amount for individuals whose net income for the year is greater than or equal to the amount at which the 33% tax bracket begins	$12,298	$12,421
Basic personal amount, and spouse, common-law partner, or eligible dependant amount for individuals whose net income for the year is less than or equal to the amount at which the 29% tax bracket begins	13,229	13,808
Age amount if 65 or over in the year	7,637	7,713
Net income threshold for age amount	38,508	38,893
Canada employment amount	1,245	1,257
Disability amount	8,576	8,662
Canada caregiver amount for children under age 18	2,273	2,295
Canada caregiver amount for other infirm dependants age 18 or older (maximum amount)	7,276	7,348
Net income threshold for Canada caregiver amount	17,085	17,256
Adoption expense credit limit	16,563	16,729

Other indexed amounts are as follows:

	2020	2021
Medical expense tax credit — 3% of net income ceiling	$2,397	$2,421
Annual TFSA dollar limit	6,000	6,000
RRSP dollar limit	27,230	27,830
Lifetime capital gains exemption on qualified small business corporation shares	883,384	892,218

5. PRESCRIBED INTEREST RATES (base rates)

Year	Jan. 1 – Mar. 31	Apr. 1 – June 30	July 1 – Sep. 30	Oct. 1 – Dec. 31
2021	1			
2020	2	2	1	1
2019	2	2	2	2

This is the rate used for taxable benefits for employees and shareholders, low-interest loans, and other related-party transactions. The rate is 4 percentage points higher for late or deficient income tax payments and unremitted withholdings. The rate is 2 percentage points higher for tax refunds to taxpayers, with the exception of corporations, for which the base rate is used.

(CONCLUDED ON PAGE 22)

6. MAXIMUM CAPITAL COST ALLOWANCE RATES FOR SELECTED CLASSES

Class 1…….	4%	for all buildings except those below
Class 1…….	6%	for buildings acquired for first use after March 18, 2007 and ≥ 90% of the square footage is used for non-residential activities
Class 1…….	10%	for buildings acquired for first use after March 18, 2007 and ≥ 90% of the square footage is used for manufacturing and processing activities
Class 8…….	20%	
Class 10……..	30%	
Class 10.1…….	30%	
Class 12……..	100%	
Class 13……..	n/a	Straight line over original lease period plus one renewal period (minimum 5 years and maximum 40 years)
Class 14……..	n/a	Straight line over length of life of property
Class 14.1…….	5%	For property acquired after December 31, 2016
Class 17……..	8%	
Class 29……..	50%	Straight-line
Class 43…….	30%	
Class 44……..	25%	
Class 45……..	45%	
Class 50……..	55%	
Class 53……..	50%	
Class 54……..	30%	

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