CHARTERED PROFESSIONAL ACCOUNTANTS CANADA

CFE CANDIDATE NUMBER:

Common Final Examination
May 27, 2022 – 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

I understand that all examination materials are the property of CPA Canada and are under the exclusive custody and control of CPA Canada. CPA Canada has the exclusive authority over examination materials to determine the content, use, retention, disposition and disclosure of this material. Candidates will not have access to their examination response, the examination marking keys or any other marking materials. The examination questions and marking guides will only be publicly available when published by CPA Canada.

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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 (75 minutes)
Case #2 (85 minutes)
Case #3 (80 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 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 using anything other than the software provided.

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

The CPA Canada Handbooks, the *Income Tax Act* and the *Excise 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, 2021.

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

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

Common Final Examination, May 2022

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

Case #1 **(Suggested time: 75 minutes)**

It is May 25, 2022, and you, CPA, are meeting with the owner-managers of Intelligent House Construction Inc. (IHC), a new consulting client.

Anthony: On January 1, 2021, Benjy, Molly, and I founded IHC, a construction company that builds and sells affordable, intelligent houses (i.e., that have automated lights, door locks, and temperature control). We are all Canadian residents and each own one-third of the company.

Molly: We completed the construction of five houses in 2021 and started two more in December, completing them at the end of April 2022. Demand for our houses is high, and Anthony just found land for sale in an excellent location. We want to buy it and build 55 intelligent houses on it over the next three years, and then find more land and build another 85 houses.

We approached the bank for financing. They said our financial statements need to comply with ASPE (Appendix I). They identified issues with the accounting for sales transactions and suggested there may be adjustments required to other accounts. Please discuss any accounting issues you identify. To determine whether we can meet the capital and interest payments, the bank also requests a calculation of our federal corporate income taxes payable for 2021 and our cash flow projections for the next three fiscal years. Please assist us with these requests. Anthony compiled information to help you (Appendix II).

Anthony: Finally, I attended a strategy and governance training session last week and have some concerns (Appendix III).

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APPENDIX I
FINANCIAL STATEMENTS
(Prepared by Molly)

Intelligent House Construction Inc.
Balance Sheet
As at December 31, 2021

			Note
Assets			
Cash	$	438,300	1
Inventory		44,700	
Property, plant and equipment		550,000	2
	$	1,033,000	
Liabilities			
Bank indebtedness	$	46,000	
Deferred revenue		200,000	3
Accounts payable		88,100	
Shareholder loan		191,000	
		525,100	
Shareholders' equity			
Share capital		9,000	
Retained earnings		498,900	
		507,900	
	$	1,033,000	

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APPENDIX I (continued)
FINANCIAL STATEMENTS
(Prepared by Molly)

Intelligent House Construction Inc.
Income Statement
For the year ended December 31, 2021

			Note
Sales	$	1,836,300	4
Cost of sales			
Materials		396,300	
Labour		447,700	
Subcontractors		263,600	4
		1,107,600	
Gross profit		728,700	
Expenses			
Insurance		47,700	
Meals and entertainment		2,900	
Bank charges and interest		6,600	5
Advertising		11,200	
Office supplies		2,500	
Association dues		1,300	
Professional fees		2,700	
Repairs and maintenance		19,000	
Phone and utilities		10,300	
Depreciation and amortization		60,000	
Miscellaneous		65,600	6
		229,800	
Net income before tax	$	498,900	7

(CONTINUED ON PAGE 5)

APPENDIX I (continued)
FINANCIAL STATEMENTS
(Prepared by Molly)

Notes:

1. Cash: This includes $175,000 that IHC is required to set aside, as part of its building contracts, until all post-construction work for its houses is complete. IHC purchased a $175,000 one-year GIC on March 1, 2021, which generates 1% annual interest. IHC received interest of $1,750, which I recorded in 2022's income.

2. Property, plant and equipment: On January 15, 2021, IHC paid $260,000 for a property (a newly constructed house valued at $220,000 and land valued at $40,000), which we use as a sales and administrative office. In February 2021, $350,000 of equipment was purchased, which belongs to Class 8 for tax purposes. The house and the equipment have been depreciated over their useful lives of 22 and 7 years, respectively.

3. Deferred revenue: In December 2021, IHC signed agreements for the sale of two houses for $400,000 each, and the buyers paid a 25% deposit. The total cost is estimated to be $250,000 per house. Costs of $62,500 per house were incurred by year end and are recorded in cost of sales.

4. Sales and subcontractors: One of our contractors, Control5, provides the materials, wires the house, and installs the control system based on the buyer's needs. If there are problems with the installation, the buyer contacts Control5 directly. Control5 establishes its price and bills IHC, which in turn charges the buyer, along with a 15% commission that IHC keeps as its fee. During the year, IHC recorded gross Control5 sales of $161,000 in revenue. The $140,000 paid to Control5 is recorded in the subcontractors' account in cost of sales.

5. Bank charges and interest: We remitted our payroll deductions late, which cost $3,800 in penalties.

6. Miscellaneous: In January 2021, IHC purchased various small tools totalling $30,600; each tool cost less than $500 and has a useful life of five years. At the end of December 2021, IHC purchased a new trailer for $35,000, which should last 10 years.

7. Taxes will be recorded using the taxes payable method.

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APPENDIX II
NOTES FROM ANTHONY

We expect to borrow $1 million, at an annual interest rate of 8%. The principal is repayable in three equal annual payments beginning at the end of the first year.

With this financing, IHC plans to build 10 houses in the first year, 15 houses in the second year, and 30 houses in the third year. We expect to earn revenue of $400,000 per house and to have the same number of houses in progress at the end of each year.

The gross margin percentage over the next three years should be comparable to 2021.

In case of damage by our equipment to the municipal roads, the city in which the 55 houses will be built requires a deposit from IHC of $20,000 per house, at the start of construction of each house. If there is no damage, the deposit is returned a year later.

We will also have to pay an environmental fee of $200,000 every time we complete the construction of 10 houses in this city.

Insurance and advertising costs are expected to be 4.5% and 2.5% of total sales, respectively.

We plan to hire employees, who will support IHC's administrative functions, and to start paying ourselves salaries. This will cost $900,000 in the first year, and it will increase by 15% per year.

We will rent a warehouse starting the first year for $15,000 per month. A second, smaller warehouse will need to be rented starting the second year, for $5,000 per month.

All other expenses should increase at the same rate as sales.

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APPENDIX III
ANTHONY'S STRATEGY AND GOVERNANCE CONCERNS

I have noted areas that need improvement at IHC and would like your thoughts and proposed solutions. Also, I have heard about key performance indicators. Please suggest some for IHC and explain how they would be helpful.

Molly is overwhelmed with the volume of accounting work. Our payroll deductions were remitted late, and, until last week, I didn't know we had a corporate income tax return to file.

We track the cost of each house as well as we can, but the spreadsheet we use is so complicated that I don't know how much profit we make on each house. I don't know what to look at in order to assess IHC's performance.

A good reputation is crucial in our industry. Buyers have complained about inappropriate comments made by some of our subcontractors. I'm not surprised—we barely have time to select subcontractors, let alone relay our values to them.

To determine the ideal price for our houses, we need to know our market. Until now, we have based our price on the margin we want.

Benjy and Molly are supposed to visit each job site weekly, but they don't have time, so they often designate one job coordinator per site to monitor the work performed. Last week, I went to a job site at 10:00 am and nobody was onsite. I wonder if our accountability structure is adequate for ensuring that everybody does their part. To be honest, Benjy, Molly, and I do not seem to be working together. I would like you to suggest ways for us to improve our governance to address these broader issues.

Benjy recently signed a $500,000 contract for electrical services on behalf of IHC with GEM Electricity. When I said he should have consulted with Molly and me beforehand, he said that since he is an electrician, he should be the one to select the electrical company. He said it was no different than Molly having just signed an offer to purchase five pieces of land without consulting us.

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

Aisha Louis grew up on a farm in Western Canada and created Agro-Share Inc. (ASI), a company that facilitates the sharing of farm equipment. She is the CEO and sole shareholder. ASI offers an app that allows farmers to locate needed equipment within a specified distance and rent it for a short period. In turn, farmers can generate extra income by renting out their idle equipment on the app. ASI was the first to market with this type of app.

Today is March 17, 2022, and you, CPA, are ASI's new controller. Theo Floyd, CFO, enters your office and begins: "ASI wants to grow its operations over the next two years and is considering two options (Appendix I). Please analyze each option from both a quantitative and a qualitative perspective.

"I would also like you to prepare a SWOT analysis of ASI for review at our next board meeting.

"ASI is considering an initial public offering (IPO) in the next year, and the Board of Directors would, therefore, like a preliminary business valuation. An expert has confirmed that technology companies such as ASI are typically valued at six times normalized EBITDA. Here is the draft income statement for the year ended December 31, 2021, and related notes (Appendix II).

"Also, we need to improve our internal controls before the IPO. I want you to review our revenue cycle, discuss the control weaknesses you identify, and recommend improvements (Appendix III).

"In addition, here are the Board of Directors' terms of reference (Appendix IV). Given the potential IPO, please review our governance practices and let me know what we are doing well and how we could improve.

"Finally, ASI is preparing for the 2021 year-end audit, its first since inception. The board has asked for a discussion of materiality, including performance materiality, and of the audit approach that the auditors are likely to take."

Later, Theo sends you an email with some additional requests (Appendix V).

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APPENDIX I
THEO'S NOTES ON THE GROWTH OPTIONS

Option 1 – Lease and Share Equipment

In addition to facilitating equipment-sharing between farmers, ASI would lease equipment that is in high demand in order to increase the amount of equipment available for rent on the app. It would lease the equipment from OGI, a farm equipment dealer in Western Canada, and would pay OGI $330,000 per year, for two years, to lease 12 pieces of equipment.

ASI spent $100,000 on market research, which determined the following annual anticipated revenue:

	High Season	Low Season
Number of days	70	295
Revenue per piece of equipment per day	$1,000	$300
Utilization rate (days in use)	100%	20%

As part of the lease agreement, ASI would pay OGI an additional $150,000 per year to maintain the equipment. Insurance would be $5,000 per year per piece of equipment. Transportation of the pieces of equipment between farms would cost $200,000 per year.

Option 2 –Expansion into the Orchard Market

ASI would expand the app's service to the orchard market in Ontario and British Columbia. It would cost an additional one-time $500,000 for app upgrades, which ASI could fund itself.

Marketing the app in these provinces would cost $100,000 per year, and ASI would use its current business model, in which fruit producers could sign up and share equipment between them. Research shows that ASI would likely earn $850,000 in annual revenue, increasing by 10% per year. A one-time, upfront provincial business licence is required, which costs $5,000 per province.

I am worried about expanding into new geographical areas. We also do not know much about orchards. Farm-4-U, a competitor, is gaining market share in our existing market, but there are no competitors in the orchard market. The fruit-growing season differs from the farming season, which would increase the number of high-season weeks.

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APPENDIX II
DRAFT INCOME STATEMENT

Agro-Share Inc.
For the year ended December 31, 2021
(in thousands of Canadian dollars)

		Note
Revenue	$ 2,975	
Expenses		
General and administrative	800	1
Salaries and wages	775	2, 3
Bad debt	150	
Interest	110	
Amortization	75	
Total expenses	1,910	
Other income	250	4
Net income	$ 1,315	5

Notes:

1. ASI incurred costs of $35,000 moving its offices this year. ASI anticipates staying at the new location for several years.

2. Aisha and Theo agreed to take salaries of $50,000 each. The CEO and CFO salaries of comparable companies are $350,000 and $300,000, respectively.

3. In 2021, ASI paid a total of $250,000 in bonuses to its senior employees. Ordinarily, bonuses are closer to $100,000 per year.

4. This year, ASI received the Tech Entrepreneur of the Year award, which has a cash prize of $250,000.

5. Income taxes are zero, as ASI is still using up losses incurred during its start-up phase.

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APPENDIX III
REVENUE CYCLE DESCRIPTION

Customers download ASI's app, create an account, and enter their personal and payment information. This data is then transmitted to a local server. There have been several attempted cybersecurity breaches.

Customers can pay by credit card or "purchase on account." The accounts receivable clerk, Betty, receives the account creation request, reviews the account information to ensure that it is complete, and adds the customer to the app. No other validation is completed.

Nightly, the revenue generated and new customer information from the app is automatically loaded into the General Ledger (GL). Betty is advised, via a system email, whether the upload is successful. If unsuccessful, Betty reviews the information in the app and manually corrects whatever caused the problem, which is typically duplicate customers or rounding errors. She then reruns the upload process.

The credit card companies deposit funds directly into ASI's bank account and send a statement listing the amounts, by credit card number, on a weekly basis. Betty reconciles the statements to the transactions uploaded from the app. Customers who have not paid by credit card are identified and invoiced. All cheques are received by Betty, who records the receipts in the GL, applying each receipt against the different customer accounts, and then deposits the cheques.

Quarterly, ASI's financial clerk, Genevieve, reconciles the bank balance to the GL. Genevieve sends the reconciliation to the controller for review. The previous controller usually had several questions for her, resulting in Genevieve making various correcting entries.

Farming has good years and bad years, which increases ASI's credit risk. Betty generates the accounts receivable aging report monthly and follows up with customers who have overdue balances. If, after three phone calls, they do not pay, Betty writes off the balance to bad debts. There is no communication back to the IT team to suspend the account.

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APPENDIX IV
BOARD OF DIRECTORS' TERMS OF REFERENCE

Composition of the Board

The board shall be composed of at least three individuals, one of whom shall be independent from the company.

Roles and Responsibilities

Strategic direction: Strategies and goals shall be set and implemented by senior management and subsequently sent to the board for information purposes.

Management oversight: The CEO reports to the board, and the day-to-day management is formally delegated to the CEO. The CEO's compensation shall be approved by the board.

Policies: Annually, the board shall approve its only existing policy, the board's terms of reference.

Meetings: Meetings of the board, and of subcommittees, shall be held at least annually.

Ethics hotline: Calls to the company's ethics hotline go directly to the board chair.

Subcommittees

Audit committee: This committee shall have an independent chair and be composed of no fewer than three individuals. The audit committee is responsible for reviewing financial statements, appointing auditors, and overseeing internal controls.

Notes

As at December 31, 2021, membership of the board consisted of

- Aisha Louis, CEO and chair of the board;
- Theo Floyd, CFO, secretary of the board, and designated financial expert; and
- Benz Louis, independent director.

Benz Louis is Aisha's uncle, who lives in Ontario. He started as an apple producer and later became a grain farmer.

The audit committee members are the same as the board members.

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APPENDIX V
EMAIL FROM THEO

From: Theo Floyd
To: CPA
Subject: Tax matters

Good morning, CPA.

I forgot to mention that we are expanding our workforce next year. My preference would be for the new workers to be contractors for tax purposes. Please explain the factors that determine whether workers are viewed as employees or contractors for tax purposes.

Also, as two of our four senior developers recently left, we want to increase employee retention by offering the following benefits:

1. Company-run daycare
2. RRSP contribution by ASI to match employee contributions
3. Allowing staff to bring their spouse to the annual “IT for Agriculture” convention in Las Vegas

Please explain the personal tax implications of each benefit from our employees’ perspective.

Thanks!

(CONTINUED ON PAGE 14)

Case #3 **(Suggested time: 80 minutes)**

Waste to Chemicals Inc. (W2C) was incorporated by Canadian residents Fred and Aurel Aquilas in 2011, with a focus on environmental sustainability. W2C uses technology to chemically convert waste into renewable biofuels, such as methanol and ethanol. In September 2017, after years of research, W2C started operating its Edmonton facility.

Today is April 10, 2022. The December 31, 2021, year-end financial statements have been prepared in accordance with IFRS and authorized for issuance by the Board of Directors. You, CPA, are a financial analyst at W2C.

Aurel calls you to her office and says, “We considered building our own headquarters, and the bank was ready to lend the necessary amount at 8% annual interest, but we opted to lease instead (Appendix I). We also entered into an agreement with a government agency (the Agency) (Appendix II). How will these two transactions be accounted for, and what are their tax implications for 2022? Also, what audit procedures are the auditors likely to perform on these transactions?

“Instead of our annual employee golf day, our social committee is proposing an outdoor adventure day, where employees can go canoeing, rafting, or hiking. The day will cost W2C $200 per employee, which is more expensive than our golf day. Before we decide, can you explain the tax implications of this change?

“We are currently building a new plant in Ontario, and management is debating whether to use it to produce methanol or ethanol. I have provided information on the production process (Appendix III). Please prepare a quantitative and qualitative analysis, and provide a recommendation.

“Chemicon, a global asset management corporation, has recently approached us about investing in W2C. As we have no immediate plans to do an initial public offering (IPO), we are considering Chemicon’s two proposals (Appendix IV). I am not interested in their accounting treatment, but rather the factors we should consider in our decision and which proposal you recommend.”

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APPENDIX I
OFFICE LEASE

W2C signed a five-year, non-cancellable lease that started on January 1, 2022. W2C pays the market rate of $150,000, at the end of each month, to rent three floors of a building. The lease includes a three-year renewal option at the same rate plus inflation.

At the beginning of January 2022, W2C paid $1 million for leasehold improvements to the building, which are expected to last 10 years. The weighted average cost of capital for W2C in December 2021 was 12%.

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APPENDIX II
AGREEMENT WITH THE AGENCY

The agreement was signed on January 31, 2022.

W2C received $6 million from the Agency on April 1, 2022, to put towards construction of the Ontario plant. The funds are provided interest-free and are repayable in 60 monthly instalments, commencing on April 1, 2023.

The agreement includes the following conditions:

- The funds must be used for engineering, construction, or equipment costs.
- W2C is not allowed to change its current ownership without the Agency's authorization.
- W2C must disclose to the Agency any close relationships with vendors used for the plant's construction.
- W2C must disclose to the Agency any other government assistance received.

If W2C does not comply with these conditions, the Agency has the right to request full repayment at any time.

Aurel mentioned that W2C is interested in entering more agreements of this type, mostly because the loan renewal for the Edmonton plant built in 2017 bore a higher interest rate and had to be guaranteed by all of W2C's assets.

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APPENDIX III
METHANOL AND ETHANOL PRODUCTION

Methanol

Methanol is toxic in its pure form but is present in thousands of everyday products, such as windshield washer fluid and adhesives. It is also used as an engine fuel in high-performance cars, such as stunt cars.

Ethanol

Ethanol is the principal alcohol found in alcoholic beverages and can be consumed in its pure form or used as an antiseptic, such as in hand sanitizer. However, with the automotive industry moving towards the use of less fossil fuel, the most common use of ethanol is as vehicle fuel, and most gasoline available in North America is now blended with 10% to 15% ethanol. Major car racing circuits are also starting to move towards using ethanol. In 2020, ethanol consumption reached an all-time high and is expected to continue increasing.

Production Process

W2C uses non-recyclable municipal waste as its raw material. Municipalities pay W2C $200 per tonne to accept this waste, and they even deliver it to W2C's plant free of charge.

One tonne of waste yields 3 kilolitres (kl) of methanol or 2 kl of ethanol.

Methanol is sold for $1,500 per kl, and ethanol is sold for $2,200 per kl.

The main production costs associated with producing methanol are as follows:

	Cost	Quantity per kl of Methanol
Electricity	$0.10 per kilowatt-hour (kWh)	5,000 kWh
Water	$1.50 per cubic metre ($m^3$)	100 m^3
Oxygen	$50 per kl	3.5 kl
Natural gas	$3 per gigajoule (GJ)	85 GJ
Consumables	$200 per unit	1 unit

Given its toxicity, there is a government-imposed environmental fee of $100 per kl of methanol produced.

To produce 1 kl of ethanol, it takes 25% more electricity and water, 30% more oxygen and natural gas, and 100% more consumables than it takes to produce 1 kl of methanol.

When ethanol is produced, W2C uses alumina to clear the toxicity. Alumina costs $400 per tonne. One tonne of alumina produces 2.5 kl of ethanol.

Ethanol production requires one additional supervisor than methanol production, at an annual salary of $65,000. At full capacity, a plant can annually produce up to either 3,500 kl of methanol or 2,000 kl of ethanol.

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APPENDIX IV
CHEMICON PROPOSALS AND OTHER INFORMATION

Proposal 1: Preferred Shares

Chemicon would buy $30 million of Class B non-voting preferred shares of W2C. Each Class B preferred share would be issued at $150. Cumulative annual dividends of 5% would be paid in either cash or additional Class B preferred shares, for a period of five years. As part of the agreement, W2C would be required to spend at least 25% of the funds on Canadian goods and services within a five-year period, commencing from the date of signature. If that requirement is not met, Chemicon can charge penalties of up to $1.5 million annually. After five years, Chemicon will have the right to require W2C to repurchase the preferred shares, at a price equal to the original issue price plus 10%.

Proposal 2: Convertible Debt

Chemicon would loan W2C $40 million, at an annual interest rate of 15%, payable quarterly. The principal would be repayable at the end of four years. The first year of interest could be deferred and added to the principal.

In the case of an initial public offering or a change of control of W2C, the loan would be convertible by Chemicon into common shares of W2C, at a fixed conversion price of $115 per common share.

Other Information:

Current Ownership of W2C

	Number of Common Shares
Aurel Aquilas	300,000
Canada Investment Institute	250,000
Fred Aquilas	150,000
Renewable Energy Foundation	100,000
Total	800,000

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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

	2021	**2022**
Maximum depreciable cost — Class 10.1	$30,000 + sales tax	$34,000 + sales tax
Maximum depreciable cost — Class 54	$55,000 + sales tax	$59,000 + sales tax
Maximum monthly deductible lease cost	$800 + sales tax	$900 + sales tax
Maximum monthly deductible interest cost	$300	$300
Operating cost benefit — employee	27¢ per km of personal use	29¢ per km of personal use
Non-taxable automobile allowance rates		
— first 5,000 kilometres	59¢ per km	61¢ per km
— balance	53¢ per km	55¢ per km

3. INDIVIDUAL FEDERAL INCOME TAX RATES

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%

For 2022

If taxable income is between			Tax on base amount	Tax on excess
$0	and	$50,197	$0	15%
$50,198	and	$100,392	$7,530	20.5%
$100,393	and	$155,625	$17,820	26%
$155,626	and	$221,708	$32,180	29%
$221,709	and	any amount	$51,344	33%

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4. SELECTED INDEXED AMOUNTS FOR PURPOSES OF COMPUTING INCOME TAX

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

	2021	2022
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	$12,421	$12,719
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	13,808	14,398
Age amount if 65 or over in the year	7,713	7,898
Net income threshold for age amount	38,893	39,826
Canada employment amount	1,257	1,287
Disability amount	8,662	8,870
Canada caregiver amount for children under age 18, and addition to spouse, common-law partner, or eligible dependant amount with respect to the Canada caregiver amount	2,295	2,350
Canada caregiver amount for other infirm dependants age 18 or older (maximum amount)	7,348	7,525
Net income threshold for Canada caregiver amount	17,256	17,670
Adoption expense credit limit	16,729	17,131

Other indexed amounts are as follows:

	2021	2022
Medical expense tax credit — 3% of net income ceiling	$2,421	$2,479
Old age security repayment threshold	79,845	81,761
Annual TFSA dollar limit	6,000	6,000
RRSP dollar limit	27,830	29,210
Lifetime capital gains exemption on qualified small business corporation shares	892,218	913,630

5. PRESCRIBED INTEREST RATES (base rates)

Year	Jan. 1 – Mar. 31	Apr. 1 – June 30	July 1 – Sep. 30	Oct. 1 – Dec. 31
2022	1			
2021	1	1	1	1
2020	2	2	1	1

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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