



Densmore

CPA COMPETENCY MAP STUDY NOTES UPDATE TO DECEMBER 31, 2022

FINANCIAL REPORTING

Presentation of Financial Statements – IFRS – page 39 – 5th bullet under “Complete Set of F/S” revised:

- Notes, comprising material accounting policy information and other explanatory information.

Presentation of Financial Statements – IFRS – page 42 – 1st bullet at top of page revised:

- Current / non-current (cont’d)
 - Classify liabilities as current when:
 - Expect to settle the liability in its normal operating cycle;
 - Liability held primarily for purpose of trading;
 - Liability is due to be settled within one year;
 - Even if agreement to refinance on a long-term basis reached after year-end but before F/S issued
 - If entity has right at end of reporting period to refinance or roll over an obligation for at least one year past F/S date, reclassify as non-current.
 - Do not have the right at the end of the reporting period to defer settlement of the liability for at least one year.
 - If right to defer settlement is subject to compliance with conditions, must comply as of F/S date
 - If entity breaches a condition of long-term loan agreement on or before F/S date and liability becomes payable on demand – classify as current even if lender agrees after the year-end but before F/S issued, not to demand payment within one year.
 - Classification is not affected by likelihood that entity will exercise its right to defer
 - If liability meets criteria for classification as non-current, but management intends or expects to settle within one year, do not change classification but consider disclosure re timing of repayment.

FINANCIAL REPORTING (cont'd)

Presentation of Financial Statements – IFRS – page 44 – new bullet inserted before bullet that starts with “judgments, apart from those . . . “

- Disclosure of material accounting policy information
 - Material: if, when considered together with other information included in an entity’s F/S, it can reasonably be expected to influence decisions of general-purpose users.
 - No need to disclose for immaterial transactions.
 - Examples of material transactions, events or conditions:
 - Changed accounting policy during period
 - Choice of accounting policy from one or more permitted options
 - Accounting policy developed in event of no specific IFRS being available
 - Areas requiring significant judgments or assumptions in application of accounting policies
 - Areas requiring complex accounting

Change in Accounting Estimate – IFRS – page 57 – new bullet inserted at top of page before bullet that starts with “If difficult to distinguish . . . “

- Effects on an accounting estimate of a change in an input or measurement technique are changes in accounting estimates unless they result from correction of prior period errors

Financial Instruments – ASPE – page 108 – under “Derecognition: Financial liabilities – ASPE” under 2nd bullet, information added re a practical expedient.

- Practical expedient: an enterprise that modified one or more contractual terms in a debt instrument because of the interest rate benchmark reform (IBOR reform) may choose to account for such modifications as if they are not substantial

Income Taxes – IFRS – page 135 – 3rd bullet revised.

- Recognize deferred income taxes for all taxable / deductible temporary differences except for:
 - Initial recognition of goodwill OR
 - Initial recognition of an asset or liability in a transaction which:
 - Is not a business combination AND
 - At the time of the transaction, affects neither accounting profit nor taxable profit (tax loss) AND
 - At the time of the transaction, does not give rise to equal taxable and deductible temporary differences.
 - Example: At commencement date of a lease, lessee typically recognizes a lease liability and a right-of-use asset, which result in fully offsetting deferred income tax asset and liability would not be recorded.

Inventories – IFRS – page 142 – under “IAS 2 does not apply to:

- 1st bullet deleted
- 2nd bullet amended to replace IAS 39 with IFRS 9

FINANCIAL REPORTING (cont'd)

Joint Arrangements – IFRS – **page 160** – 1st bullet under “Impairment” revised to correct a typo. It now reads: “Net ~~impairment in an~~ investment in a joint arrangement”

Revenue – ASPE – **page 226** – opening paragraph revised.

In December 2019, a revised HB 3400, Revenue, was issued. It is effective for annual financial statements relating to fiscal years beginning on or after January 1, 2022. The material that follows is based on the updated standards. However, please note that the guidance relating to upfront non-refundable fees or payments has been deferred to January 1, 2025, while AcSB researches this further based on feedback received from member benefit organizations. The “old” standards did not provide detailed guidance on this topic.

STRATEGY AND GOVERNANCE

Nothing to note

MANAGEMENT ACCOUNTING

Nothing to note

ASSURANCE

Quality Control for Firms that Perform Audits and Reviews of Financial Statements and Other Assurance Engagements (CSQC-1) – All the material on **pages 437-441** has been deleted and replaced with material that follows on CSQM 1 & CSQM 2.

QUALITY MANAGEMENT FOR FIRMS THAT PERFORM AUDITS OR REVIEWS OF FINANCIAL STATEMENTS, OR OTHER ASSURANCE OR RELATED SERVICES ENGAGEMENTS

CSQM 1

CSQM 1 is at Level B for Core Module 1 (Financial Accounting and Reporting) and at Level A for the Assurance elective.

CSQM 1 and CSQM 2 (which follows the material on CSQM 1 in these notes) were issued in May 2021. These two standards revise and replace CSQC 1. CSQM 1 focuses on a risk-based approach that firms are required to follow in designing, implementing and operating a system of quality management for audits or reviews of F/S, or other assurance or related engagements. CSQM 2 deals with the appointment and eligibility of the engagement quality reviewer, and the performance and documentation of the engagement quality review. CSQM 1 and 2 are effective for audits or reviews of F/S or other assurance engagements beginning as of December 15, 2022. The effective date for related services engagements is December 15, 2023.

Components of a System of Quality Management (each will be discussed in more detail in the notes that follow):

- Firm's risk assessment process
- Establish quality objectives for each of the following:
 - Governance and leadership
 - Relevant ethical requirements
 - Acceptance and continuance of client relationships and specific engagements
 - Engagement performance
 - Resources
 - Information and communication
- Monitoring and remediation process

Firm's Risk Assessment Process

- Establish quality objectives: ones specified by this standard as well as additional ones that arise from law, regulation or professional standards.
- Identify and assess quality risks - Obtain an understanding of the conditions, events, circumstances, actions or inactions that may adversely affect the achievement of the quality objectives. Then, take into account how they may adversely affect the achievement of quality objectives.
- Design and implement responses to address quality risks

Governance and Leadership

- Firm demonstrates a commitment to quality through a culture that exists throughout the firm, which recognizes and reinforces:
 - Firm's role in serving the public interest by consistently performing quality engagements
 - Importance of professional ethics, values and attitudes
 - Responsibility of personnel for quality
 - Importance of quality in the firm's strategic decisions and actions, including the firm's financial and operational priorities.
- Leadership is responsible and accountable for quality; including through their actions and behaviours
- Appropriate organizational structure and assignment of roles, responsibilities and authority
- Consider resource needs, including financial

Relevant Ethical Requirements (including independence) - Ensure that the firm and its personnel understand and fulfill their responsibilities in relation to ethical requirements.

Acceptance and Continuance of Client Relationships and Specific Engagements

- Factors to consider:
 - Information obtained about the nature and circumstances of the engagement and the integrity and ethical values of the client (including management) and when appropriate, those charged with governance
 - The firm's ability to perform the engagement in accordance with professional standards and applicable legal and regulatory requirements
- The financial and operational priorities of the firm should not lead to inappropriate judgements about whether to accept or continue a client relationship or specific engagement

Engagement Performance

- Engagement teams understand and fulfill their responsibilities in connection with the engagements
- Overall responsibility of engagement partners for managing and achieving quality on the engagement; being sufficiently and appropriately involved throughout the engagement
- Nature, timing and extent of direction and supervision of engagement teams and review of work performed is appropriate
- Engagement teams exercise appropriate professional judgment and skepticism
- Consultation on difficult or contentious matters is undertaken and the conclusions agreed are implemented
- Differences of opinion within engagement team or between engagement team and engagement quality reviewer / team are brought to the attention of the firm and resolved
- Engagement documentation is assembled on a timely basis after the date of the engagement report and is appropriately maintained and retained to meet the needs of the firm and comply with law, regulation, relevant ethical requirements or professional standards.

Resources – Quality objectives should address appropriately obtaining, developing, using, maintaining, allocating and assigning resources in a timely manner for the following:

- Human resources
- Technological resources
- Intellectual resources
- Service providers

Information and communication – Quality objectives should address obtaining, generating or using information regarding the system of quality management, and communicating information within the firm and to external parties on a timely basis.

- Information system identifies, captures, processes and maintains relevant and reliable information that supports the system of quality management, whether from internal or external sources
- Culture of the firm recognizes and reinforces the responsibility of personnel to exchange information with the firm and with one another
- Relevant and reliable information is exchanged throughout the firm and with engagement teams and to external parties

Specified Responses

- Establish policies or procedures for:
 - Identifying, evaluating and addressing threats to compliance with the relevant ethical requirements
 - Identifying, communicating, evaluating and reporting any breaches of the relevant ethical requirements and appropriately responding to the causes and consequences of the breaches in a timely manner
 - Receiving, investigating and resolving complaints and allegations about failure to perform work in accordance with professional standards and applicable legal and regulatory requirements, or non-compliance with the firm's policies or procedures
 - Circumstances when the firm subsequently becomes aware of information that would have caused it to decline had that information been known prior to acceptance
 - Circumstances when the firm is obligated by law or regulation to accept a client relationship or specific engagement
 - Required communication with those charged with governance when performing an audit of F/S of listed entities about the system of quality management
- Obtain, at least annually, confirmation of compliance with requirements from all personnel required by relevant ethical requirements to be independent.
- Establish policies or procedures that address engagement quality reviews in accordance with CSQM 2

Monitoring and Remediation Process

- Design and perform monitoring activities to provide a basis for the identification of deficiencies, taking into account the following:
 - Reasons for assessments given to the quality risks. Also consider factors such as firm's experience performing those types of engagements, the type of entity for which the engagements are undertaken (e.g., listed entity, entity in emerging industry, entity operating in industries associated with a high level of complexity or judgment, entity operating in an industry that is new to the firm) and tenure and experience of engagement partners.
 - Design of the responses
 - Design of the firm's risk assessment process and monitoring and remediation process
 - Changes in the system of quality management
 - Results of previous monitoring activities and whether remedial actions to address previously identified deficiencies were effective
 - Other relevant information: complaints and allegations, information from external inspections and information from service providers
- Determine which engagements and engagement partners to select for inspection considering factors noted above. Select at least one completed engagement for each engagement partner on a cyclical basis determined by the firm (e.g., once every three years for partners involved with audits of F/S; once every five years for other partners). Be unpredictable in timing of inspections and consider doing more frequently for specific partners, if warranted.
- Establish policies or procedures regarding competence, capabilities, sufficient time and independence of reviewers.
- Evaluate findings and identify deficiencies
- Evaluate severity and pervasiveness of identified deficiencies by investigating root cause(s); both individually and in aggregate
- Remedial actions to respond to identified deficiencies. For example, if it relates to deficiencies for a particular engagement, consider implications re compliance with professional standards; may need to consider obtaining legal advice.
- Ongoing communication related to monitoring and remediation on a timely basis to all appropriate individuals

Evaluating the System of Quality Management

- Evaluated at a point in time and at least annually
- Conclude on whether the system of quality management provides the firm with reasonable assurance that the objectives of the system of quality management are being achieved. If not, take prompt and appropriate action.
- Perform periodic performance evaluations of the individual(s) assigned ultimate responsibility and accountability for the system of quality management, as well as the individual(s) assigned operational responsibility

CSQM 2 is at Level B for Core Module 1 (Financial Accounting and Reporting) and at Level A for the Assurance elective.

CSQM 1 (discussed previously in these notes) and CSQM 2 were issued in May 2021. These two standards revise and replace CSQC 1. CSQM 1 focuses on a risk-based approach that firms are required to follow in designing, implementing and operating a system of quality management for audits or reviews of F/S, or other assurance or related engagements. CSQM 2 deals with the appointment and eligibility of the engagement quality reviewer, and the performance and documentation of the engagement quality review. CSQM 1 and 2 are effective for audits or reviews of F/S or other assurance engagements beginning as of December 15, 2022. The effective date for related services engagements is December 15, 2023.

Engagement quality review (review)

- An objective evaluation of the significant judgments made and conclusions reached by the engagement team
- Performed in the context of professional standards and applicable legal and regulatory requirements; however, it is not intended to be an evaluation of whether the entire engagement complies with those standards and requirements.

Engagement quality reviewer (reviewer)

- A partner, other individual in the firm or an external individual, appointed by the firm to perform the review
- Does not change the responsibilities of the engagement partner for managing and achieving quality on the engagement, or for the direction and supervision of the members of the engagement team and review of their work.

Requirements*Applying and Complying with Relevant Requirements*

- Firm and reviewer must have an understanding of and comply with all applicable standards in this CSQM
- May need to take further actions to achieve objectives

Appointment and Eligibility of Engagement Quality Reviewers

- Not a member of the engagement team
- Has the competence, capabilities, including sufficient time and appropriate authority.
Consider factors such as:
 - An understanding of professional standards, applicable legal and regulatory requirements and the firm's policies or procedures relevant to the engagement
 - Knowledge of the entity's industry, including specialization and complexity of the industry or regulatory environment
 - An understanding of and relevant experience on engagements of a similar nature and complexity
 - Extent to which the engagement relates to matters requiring specialized expertise (e.g., IT, specialized areas of accounting or auditing) or scientific and engineering expertise
 - Culture of respect for the role of the reviewer
- Complies with relevant ethical requirements, including in relation to threats to objectivity and independence
 - Consider threats to objectivity (e.g., self-review, familiarity, self-interest or intimidation threats)
 - Cooling-off period – safeguards need to be put in place for individuals who have previously served as the engagement partner to reduce objectivity threats
- Complies with appropriate laws and regulations
- Consider eligibility of individuals who are assisting the reviewer (e.g., competence, capabilities, compliance with relevant ethical requirements, independence)
- Impairment of the reviewer's eligibility to perform the review
 - Need policies and procedures to assess impairment
 - If impaired, need policies and procedures to identify alternative eligible individuals and process for replacement

Performance of the Engagement Quality Review

- Responsibilities of the engagement partner:
 - Determine that a reviewer has been appointed
 - Cooperate with reviewer as well as informing other members of the engagement team to do the same
 - Discuss significant matters and judgments with reviewer
 - Not dating the auditor's report until the completion of the review
- Communication between the engagement team and the reviewer throughout the engagement may assist in facilitating an effective and timely review; but need to consider threat to objectivity
- Procedures performed by the reviewer:
 - Read and obtain an understanding of information communicated by engagement team, regarding nature and circumstances of the engagement and the entity as well as communications from firm related to monitoring and remediation process, in particular regarding deficiencies
 - Discuss with engagement partner / team, significant matters and judgments made in planning, performing and reporting on the engagement
 - Review selected engagement documentation related to significant judgments and evaluate basis for making judgments, whether documentation is sufficient to support and whether conclusions reached are appropriate
 - For audits of F/S, evaluate basis for engagement partner's determination that relevant ethical requirements relating to independence have been fulfilled
 - Evaluate whether appropriate consultation has taken place on difficult or contentious matters or matters involving differences of opinion and the conclusions arising from those consultations
 - For audits of F/S, evaluate the basis for the engagement partner's determination that the engagement partner's involvement has been sufficient and appropriate such that the engagement partner has the basis for determining that the significant judgments made and the conclusions reached are appropriate given the nature and circumstances of the engagement
 - For audits of F/S, review the F/S and auditor's report, including, if applicable, the description of key audit matters
 - For review engagements, review the F/S or financial information and the engagement report
 - For other assurance and related service engagements, review the engagement report and when applicable, the subject matter information
 - Reviewer must notify the engagement partner if there are concerns related to significant judgments or conclusions are not appropriate. If not resolved, notify an appropriate individual within the firm that the quality review cannot be completed.

ASSURANCE (cont'd)

Quality Control for an Audit of Financial Statements (CAS 220) – All the material on pages 452-454 has been deleted and replaced with material that follows on revised CAS 220.

QUALITY MANAGEMENT FOR AN AUDIT OF FINANCIAL STATEMENTS **CAS 220**

CAS 220 is at Level B for Core Module 1 (Financial Accounting and Reporting) and at Level A for the Assurance elective.

A revised CAS 220 was issued in May 2021. It is effective for audits of financial statements for periods beginning on or after December 15, 2022.

You will also need to refer to CSQM 1, Quality Management for Firms That Perform Audits or Reviews of Financial Statements or Other Assurance or Related Services Engagements and CSQM 2, Engagement Quality Reviews. CAS 220 provides guidance on the specific responsibilities of the auditor regarding quality management at the engagement level for an audit of F/S and the related responsibilities of the engagement partner.

Engagement partner has overall responsibility for managing and achieving quality on audits, including responsibility for:

- Creating an appropriate environment for the engagement.
 - All engagement team members are responsible for contributing to the management and achievement of quality at the engagement level
 - Importance of professional ethics, values and attitudes
 - Importance of open communication within the engagement team, including the ability to raise concerns without fear of reprisal
 - Importance of each engagement team member exercising professional skepticism throughout the audit engagement
- Engagement partner needs to be sufficiently and appropriately involved throughout the audit engagement in order to have a basis for significant judgments and conclusions reached.

Ethical Requirements (including independence)

- Ensure the engagement partner has an understanding of the relevant ethical requirements (including independence) for the engagement.
- Engagement partner is responsible to ensure that all engagement team members have been made aware of relevant ethical requirements and related policies / procedures, including those that address:
 - Identifying, evaluating and addressing threats to compliance
 - Circumstances that may cause a breach and their responsibilities when they become aware of breaches
 - Responsibilities when they become aware of an instance of non-compliance with laws and regulations by the entity
- Engagement partner to remain alert throughout the engagement, through observation and making inquiries, for potential breaches. If becomes aware of any threats to compliance, evaluate threat and take appropriate action.
- If matters come to the engagement partner's attention that indicate relevant ethical requirements have not been fulfilled, consult with others in the firm, before taking appropriate action.
- Conclude on compliance with ethical requirements (including independence) before dating auditor's report.

Acceptance and Continuation

- Engagement partner responsible to ensure the firm's policies / procedures have been followed and conclusions reached are appropriate.
- If become aware of information that may have caused the firm to decline the audit engagement had that information been known prior to acceptance / continuance, engagement partner will communicate that information promptly to the firm, so that necessary action can be taken.

Engagement Resources - Engagement partner responsible:

- To determine that sufficient and appropriate resources to perform the engagement are assigned or made available to the engagement team in a timely manner.
- To determine that engagement team members (including any external experts and internal auditors providing direct assistance), collectively have the appropriate competence and capabilities, including sufficient time, to perform the audit engagement.
- If any issues, engagement partner shall take appropriate action to address.

Engagement Performance

- Engagement partner:
 - Responsible for the direction and supervision of engagement team members and review of their work.
 - Review audit documentation at appropriate times including for significant matters and judgments, including those relating to difficult or contentious matters, and conclusions reached.
 - Review audit documentation and discuss with the engagement team to ensure that sufficient appropriate evidence has been obtained to support the conclusions reached and for the audit report to be issued.
 - Review the F/S and auditor's report, including key audit matters and related audit documentation to determine that the report to be issued is appropriate in the circumstances.
 - Review formal written communications to management, those charged with governance or regulatory authorities.
- For difficult or contentious matters or other matters as required, consultation should occur within the engagement team and also with other knowledgeable individuals inside or outside the firm as necessary. Conclusions from such discussions should be documented and implemented. If a difference of opinion arises, ensure there are appropriate procedures to deal with and resolve it before the report is dated.
- Engagement quality control review – for audits for which an engagement quality review is required, the engagement partner should:
 - Determine that an engagement quality control reviewer has been appointed
 - Cooperate with the reviewer and advise other engagement team members to do so as well
 - Discuss significant matters and judgments arising during the audit engagement, including those identified by the reviewer
 - Not date the auditor's report until the completion of the engagement quality review

Monitoring and Remediation – Engagement partner is responsible for:

- Obtaining an understanding of the information from the firm's monitoring and remediation process
- Determining the relevance and effect on the audit engagement of the information noted above and take appropriate action.
- Remaining alert throughout the audit engagement for information that may be relevant to the firm's monitoring and remediation process and communicate such information to those responsible for the process.

Prior to dating the auditor's report, ensure that the engagement partner has taken overall responsibility for managing and achieving quality on the audit engagement. In particular consider whether the engagement partner's involvement has been sufficient and appropriate throughout the audit engagement to support significant judgments made and that the conclusions reached are appropriate.

ASSURANCE (cont'd)

Special Reports - pages 527-528

- References to HB 9100 and 9110 have been deleted and replaced with CSRS 4400
- References to CSQC-1 have been deleted and replaced with CSQM 1 & 2

Related Service Engagements (9100 & 9110) – All the material on page 544 has been deleted and replaced with material that follows on new CSRS 4400.

AGREED-UPON PROCEDURES ENGAGEMENTS

CSRS 4400

Agreed-upon procedures engagements are at Level C for Core Module 1 (Financial Accounting and Reporting) and at Level B for the Assurance elective.

In August 2020, AASB approved a new standard, CSRS 4400, Agreed-Upon Procedures Engagements, which replaces the standards in Reports on the Results of Applying Specified Auditing Procedures to Financial Information Other than F/S (9100) and Agreed-Upon Procedures Regarding Internal Control Over Financial Reporting (9110). It is effective for agreed-upon procedures engagements for which the terms of engagement are agreed on or after January 1, 2022.

Agreed-Upon Procedures Engagement

- An engagement in which a practitioner is engaged to carry out procedures to which the practitioner and the engaging party (and if relevant, other parties) have agreed and to communicate the procedures performed and the related findings in an agreed-upon procedures report.
- Applies to financial or non-financial subject matters.
- Not an audit, review or other assurance engagement
- Does not involve obtaining evidence to express an opinion or an assurance conclusion in any form

Requirements

- Consider ethical requirements, use of professional judgment and engagement level quality management
- Engagement acceptance and continuance
 - Accept or continue engagement only when:
 - Engaging party acknowledges that the expected procedures to be performed are appropriate for the purposes of the engagement.
 - Able to obtain necessary information to perform agreed-upon procedures
 - Agreed-upon procedures and related findings can be described objectively, in terms that are clear, not misleading and not subject to varying interpretations
 - No reason to believe that relevant ethical requirements will not be complied with
 - If required to comply with independence requirements, no reason to believe that they will not be complied with
 - If subsequently become aware of issues that may have caused the firm to decline or discontinue the engagement, engagement partner shall communicate promptly to the firm and take necessary action
- Agree to terms of the engagement – especially important to have written agreement for this type of engagement – detailed requirements can be found in 4400.24 and .25
- Perform the agreed-upon procedures; consider whether to request written representations
- Using the work of a practitioner’s expert – similar to requirements in CAS 620
- Agreed-upon procedures report
 - Details can be found in 4400.30 - .33
 - Illustrative reports can be found in Appendix 2 of standard

Audit of Specific Items - page 545 - Reference to CSQC-1 has been deleted and replaced with CSQM 1 & 2

Due Diligence - page 579 - Reference to HB 9110 has been deleted and replaced with CSRS 4400

FINANCE

Nothing to note

TAXATION

Changes have been referenced by page number, with specific changes highlighted and relevant surrounding text provided for context. All figures relate to 2023 unless otherwise stated.

Page 690 – Preparer penalties

- Tax preparers who prepare more than **five** returns for a fee are required to register with the CRA and file the returns electronically
 - \$25 penalty for each paper-filed T1 and \$100 for each paper-filed T2
- Tax advisors and preparers are subject to third-party penalties if they encourage or assist clients with tax-evasive practices
 - penalty is greater of \$1,000 and the penalty assessed to the client, **to a maximum of \$100,000 plus the compensation from the client**

Page 696 – Automobile costs

- allowance paid/payable to an employee for the employment use of an automobile limited to **68 cents/km for first 5000 kms and 62 cents/km thereafter for 2023 (2022 – 61 and 55 cents/km, respectively)**

Page 700 – Accelerated Investment Incentive (AcII)

- to encourage businesses to accelerate their capital expenditures, the AcII temporarily suspends the half-year rule and replaces it with a 50% increase in the base for calculating the amount of CCA that may be deducted in the year of acquisition
 - applies to assets acquired and made available for use after November 20, 2018 and before **2024 (25% increase for 2024 through 2027 acquisitions)**
 - assets may not be previously owned by the taxpayer (or a non-arm's length person) or acquired on a rollover
 - allows a 150% deduction of the regular straight-line amount for class 13
 - allows a 100% deduction of the capital cost of acquisitions for class 53
 - not applicable to certain class 12 assets (e.g., application software, certified Canadian films)
 - note that other class 12 assets (e.g., small tools costing < \$500) and **zero-emission vehicles** are subject to 100% write-off in the year of acquisition, but that is through regulations other than the AcII

Page 700 – Immediate expensing

- CCPCs, **Canadian resident individuals, and Canadian partnerships** may expense up to \$1.5 million of capital property purchases per year **(shared among associated persons; prorated for short taxation years)**
 - acquisitions after April 18, 2021 **and before January 1, 2024 for CCPCs**
 - **acquisitions after December 31, 2021 and before January 1, 2025 otherwise**
 - does not include classes 1 to 6, 14.1, 17, 47, 49, and 51
- assets may not be previously owned by taxpayer (or non-arm's length person) or acquired on a rollover
 - **individuals/partnerships cannot use immediate expensing to create or increase a business or property loss**

TAXATION (cont'd)

Page 700 – CCA calculation

UCC of the class, beginning of the year	\$ xxx
Add: acquisitions in the year	xxx
Deduct: immediate expense amount claimed as CCA	(xxx)
Deduct: dispositions in the year (lower of cost or proceeds)	<u>(xxx)</u>
UCC before adjustment	xxx
Deduct: 50% of net acquisitions (if subject to half-year rule)	(xxx)
Add: 50% of net acquisitions (if subject to AcII)	<u>xxx</u>
UCC before CCA	xxx
Deduct: CCA in the class for the year (UCC before CCA x CCA rate %)	(xxx)
Reverse: Adjustments for half-year rule (or AcII)	<u>xxx</u>
UCC of the class, end of the year	<u>\$ xxx</u>

Page 701 – Common CCA classes

Class 10.1 – Luxury Cars (30%) – each automobile in excess of the prescribed limit **(\$36,000 + GST/HST/PST; 2022 - \$34,000; 2021 and prior - \$30,000)** must be placed in a separate class 10.1

Class 54 – Zero emission vehicles (30%) – 100% CCA may be claimed in year of acquisition. Maximum depreciable cost limit of **\$61,000 + GST/HST/PST (2022 - \$59,000; 2021 and prior - \$55,000)**. Special relieving provisions available to calculate recapture.

Page 710 – Small business deduction

- reduced if taxable capital employed in Canada exceeds \$10 million (eliminated when taxable capital reaches \$15 million)
- **range proposed to increase to \$10-\$50 million for taxation years beginning on or after April 7, 2022**

Page 715 – employer-provided automobile – operating cost benefit

- lesser of:
 - **33 cents per km of personal use for 2023 (2022 – 29 cents)**

Page 718 – Common employment income deductions

- new tools acquired by an employed tradesperson in excess of **\$1,368 (2022 – \$1,287)**, deductible up to a maximum of \$500

Page 719 – Automobiles

- lease costs in respect of passenger vehicle – maximum deduction **\$950 per month before GST/HST/PST (2022 - \$900; 2021 and prior - \$800)**

Page 726 – **Residential Property Flipping Rule**

- **profits on the sale of residential property fully taxable as business income, not capital gains, and no principal residence exemption will be allowed for residential property owned for less than 12 months**
- **applies to property sales on or after January 1, 2023**
- **exemptions available for certain “life events” (e.g., death, disability, marital breakdown)**

TAXATION (cont'd)

Page 727 – Capital Gains Deduction

- Qualified Small Business Corporation (QSBC) shares are eligible for the **\$971,190 (2022 – \$913,630)** lifetime capital gains *exemption*
 - the Capital Gains *Deduction* is one-half of the exemption
- the available deduction is the least of these three limits:
 - Capital Gains Deduction available - **\$485,595 (2022 – \$456,815)**

Page 728 – Elements of taxes payable

- Graduated tax rates
 - the calculation of federal tax payable begins with the application of progressive rates to different levels of taxable income

For 2022

<u>If taxable income is between</u>		<u>Tax on base amount</u>	<u>Tax on excess</u>
\$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%

For 2023

<u>If taxable income is between</u>		<u>Tax on base amount</u>	<u>Tax on excess</u>
\$0	and \$53,359	\$0	15%
\$53,360	and \$106,717	\$8,004	20.5%
\$106,718	and \$165,430	\$18,942	26%
\$165,431	and \$235,675	\$34,208	29%
\$235,676	and any amount	\$54,579	33%

- Refundable tax credits
 - may generate a refund regardless of amount of taxes paid or payable
 - refundable medical expense supplement
 - for low-income individuals who have paid medical or disability support expenses
 - individual must have employment/self-employment income exceeding **\$4,083 (2022 – \$3,841)**
 - maximum supplement is the lesser of **\$1,399 (2022 – \$1,316)** or 25% of eligible expenses
 - reduced by 5% of family net income in excess of **\$30,964 (2022 – \$29,129)**
 - GST credit
 - tax-free quarterly payment
 - **\$325 (2022 – \$306)** for individual
 - **\$325 (2022 – \$306)** for qualified relation (spouse / common-law partner)
 - if single, additional credit of lesser of \$171 **(2022 – \$161)** and 2% of net income > **\$10,544 (2022 – \$9,919)**
 - **\$171 (2022 – \$161)** for each qualified dependant under 19
 - total reduced by 5% of recipient's adjusted income > **\$42,335 (2022 – \$39,826)**

TAXATION (cont'd)

Canada Child Benefit

- monthly tax-free benefits, tied to income
- maximum benefit of **\$7,437 (2022 - \$6,997)** per child under 6; **\$6,275 (2022 – \$5,903)** per child aged 6 through 17
- reduced when adjusted family net income > **\$34,863 (2022 – \$32,797)**

- Non-refundable tax credits reduce the taxes otherwise payable
 - credits in excess of taxes otherwise payable are not refundable
 - the most common non-refundable tax credits are 15% of the following amounts
 - non-refundable credits that involve more complex rules and calculations are discussed in greater detail in the sections following this table

	<u>2022</u>	<u>2023</u>
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	\$ 12,719	\$ 13,521
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	14,398	15,000
Age amount – if 65 or over; reduced by 15% of net income > \$42,335 (2022 – \$39,826)	7,898	8,396
Canada employment amount	1,287	1,368
Disability amount (discussed further below)	8,870	9,428
Canada caregiver amount for children under age 18	2,350	2,499
Canada caregiver amount for other infirm dependants age 18+; reduced by net income > \$18,783 (2022 – \$17,670)	7,525	7,999
Adoption expenses (maximum per adoption)	17,131	18,210
Pension income	2,000	2,000
First time home buyer's	10,000	10,000
Volunteer firefighter / search and rescue	3,000	3,000
Teacher and early childhood educator school supply (at 25%)	1,000	1,000
Employment Insurance	actual	actual

- Non-refundable tax credits (cont'd)
 - Canada Pension Plan
 - contributions give rise to both a non-refundable tax credit and a deduction
 - maximum pensionable earnings **\$66,600 (2022 – \$64,900)**
 - basic exemption of \$3,500
 - employee and employer contribution rates **5.95% (2022 – 5.70%)**
 - maximum **\$3,754.45 each (2022 – \$3,499.80)**
 - self-employed contribution rate **11.90% (2022 – 11.40%)**
 - maximum **\$7,508.90 (2022 – \$6,999.60)**

TAXATION (cont'd)

- medical expense credit
 - for medical expenses paid for the taxpayer, spouse, child or grandchild
 - also for a parent, grandparent, sibling, aunt, uncle, niece or nephew who resided in Canada at any time during the year and depended on the taxpayer or taxpayer's spouse for support
 - only expenses in excess of the lesser of **\$2,635 (2022 – \$2,479)** or 3% of net income can be claimed

Page 732 – OAS clawback

- lesser of the Old Age Security (OAS) payments included in income and 15% of the taxpayer's net income in excess of **\$86,912 (2022 – \$81,761)**

Page 737 – Registered retirement savings plans (RRSPs)

- annual contribution limit of **\$30,780 (2022 – \$29,210)**

Page 738 – Tax free savings accounts (TFSA)

- annual contribution limit of **\$6,500 (\$6,000 for 2019-2022)**; \$5,500 for 2016-2018; 2015 – \$10,000; 2013-2014 – \$5,500; 2009-2012 – \$5,000)

DATA ANALYTICS AND INFORMATION SYSTEMS

Nothing to note