

GLOSSARY

A B C D E F G H I J L M N O P Q R S T U V W Z

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A

Accrual Basis - A method of accounting for Income based on recording assets when the right to receive them is established and liabilities when the obligation to pay them arises.

Acquisition Of Control - Acquisition of sufficient voting shares of a corporation, by a Person, or Group Of Persons, that they have the right to elect a majority of the board of directors of the Corporation.

Active Business - A business carried on by a Taxpayer, other than a Specified Investment Business or a Personal Services Business.

Active Business Income - Income earned by an Active Business.

Additional Refundable Tax On Investment Income (ART) - A 6-2/3 percent tax on the Aggregate Investment Income of a CCPC.

Adjusted Active Business Income - A term used in calculating the M&P Deduction, defined as the excess of a Corporation's Income from Active Business, less a Corporation's losses from Active Business. It does not appear to be a different concept than Active Business Income of a Corporation.

Adjusted Cost Base - For depreciable capital property it is the cost of the property to the Taxpayer. For non-depreciable capital property it is the cost of the property to the Taxpayer, subject to ITA 53 adjustments (e.g., deduction of government grants on land purchase).

Adjusted Taxable Income - Regular Taxable Income, adjusted to remove certain tax preferences. Used to calculate the Alternative Minimum Tax.

Adoption Expenses Tax Credit - A credit against Tax Payable that is available to individuals with eligible adoption expenses.

Advance Tax Ruling - Interpretations provided, at the request of a taxpayer, by the Income Tax Rulings Directorate as to how a particular transaction will be treated for tax purposes.

Such interpretations are not binding on the CRA.

Affiliated Group Of Persons - A Group Of Persons each member of which is affiliated with every other member.

Affiliated Person [ITA 251.1(1)] - For an Individual, an Affiliated Person is that individual's Spouse or Common-Law Partner. For a Corporation, an Affiliated Person is a Person or an Affiliated Group Of Persons who Controls the Corporation, or the Spouse or Common-Law Partner of either the Person who Controls, or a member of the group that Controls. More complex rules apply to determine affiliation between two Corporations.

Age Tax Credit - A credit against Tax Payable that is available to Individuals who are 65 years of age or older.

Aggregate Investment Income - As defined in ITA 129(4), this concept of investment income includes net Taxable Capital Gains for the year reduced by any Net Capital Loss carry overs deducted in the year, Interest Income, rents, and royalties.

Alimony - A term that was used at an earlier point in time to refer to both Spousal Support and Child Support.

Allowable Business Investment Loss - The deductible portion, currently one-half, of a Business Investment Loss.

Allowable Capital Loss - The deductible portion (currently one-half) of a Capital Loss.

Allowance - An amount paid by an employer to an Employee to provide for certain types of costs incurred by the Employee, usually travel costs or automobile costs.

Alter Ego Trust - An Inter Vivos Trust established by an Individual aged 65 years or more, subject to the conditions that the Individual must be entitled to all of the Trust's Income during his/her lifetime, and the Individual must be the only Person who can access the capital of the Trust during his/her lifetime.

Alternative Minimum Tax (AMT) - A tax, calculated at the minimum federal rate on Adjusted Taxable Income, less a basic \$40,000 exemption.

Amalgamation - A Rollover provision which allows two Taxable Canadian Corporations to be combined into a single Taxable Canadian Corporation, without tax consequences.

Annual Business Limit - The amount of Active Business Income that is eligible for the Small Business Deduction in a particular taxation year (e.g., \$400,000 for calendar 2007).

Annual Child Care Expense Amount - The annual per child limit for deductible Child Care Expense. The amount is \$4,000, \$7,000, or \$10,000, depending on the age and health of the child.

Annual Gains Limit - Taxable Capital Gains for the current year on qualified assets, less the sum of Allowable Capital Losses and Net Capital Loss Carry Overs deducted during the current year, plus Allowable Business Investment Losses realized during the current year. Used to determine the Lifetime Capital Gains Deduction for the current year.

Annuitant - This term is used to describe a Person who is receiving an Annuity. However, in tax publications this term is often (and incorrectly) used to refer to the Beneficiary of an RRSP or RPP.

Annuity - A series of periodic payments that continues for a specified period of time, or until the occurrence of some event (e.g., the death of the Annuitant).

Anti-Avoidance Provision - A provision in the *Income Tax Act* that is designed to prevent a Taxpayer from taking some action that would allow him to avoid taxes.

Apprenticeship Job Creation Tax Credit - A tax credit that is available to eligible employers (individuals and corporations) for salaries and wages paid to qualifying apprentices.

ART - An acronym for "additional refundable tax on investment income".

Assessment - A formal determination of taxes to be paid or refunded. A Reassessment is a form of Assessment.

Associated Corporations - Two or more Corporations that have an ownership/control arrangement that falls into one of the categories described in ITA 256(1) (e.g., two Corporations controlled by the same Person).

At-Risk Amount - A defined measure that limits the amount of deductions that can be flowed through to a Limited Partner.

At-Risk Rules - A set of rules, directed largely at Limited Partners, designed to prevent an investment from creating tax deductions that exceed the amount invested (the At-Risk Amount).

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Basic Federal Tax Payable - An amount of individual Tax Payable that has been reduced by some, but not all of the Tax Credits available to individuals. Used in the calculation of Tax Payable of Canadian Residents who do not live in a province.

Beneficiary - The Person who will receive the benefits from a Trust.

Billed Basis - A method of determining Net Business Income based on recording inclusions

when the relevant amounts are billed. Can only be used by certain specified types of professionals (e.g., accountants).

Bonus Arrangement - As used in this material, a tax planning arrangement for Employees. A Corporation declares and deducts a bonus near the end of its fiscal year. It is usually designed to be paid to the Employee early in the following calendar year. As Employment Income is taxed on a Cash Basis, the bonus will not be taxed in the employee's hands until that year.

Bonusing Down - A process of paying deductible salary to the owner-manager of a CCPC, or related parties, in order to eliminate corporate Taxable Income that is not eligible for the Small Business Deduction.

Boot - A colloquial term used by tax practitioners to refer to Non-Share Consideration.

Business Combination - A transaction in which an enterprise acquires net assets that constitute a business, or acquires an equity interest in a Corporation that gives the enterprise Control over the operating, financing, and investing decisions of that Corporation.

Business Income - Income that is earned through Active Business activity. This would include amounts earned by producing goods, selling goods or services, or delivering services. While usage is not always consistent, this term usually refers to a net amount (i.e., inclusions less deductions, or revenues less expenses).

Business Investment Loss - A loss resulting from the Disposition of shares or debt of a Small Business Corporation.

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Canada Disability Savings Bonds - A system of grants under which the federal government makes contributions to an Individual's RDSP based on family net income.

Canada Disability Savings Grants - A system of grants under which the federal government makes contributions to an Individual's RDSP based on a percentage of the contributions to that Individual's RDSP that have been made by others.

Canada Education Savings Grants - A system of grants under which the federal government makes contributions to an Individual's RESP based on a percentage of the contributions to that Individual's RESP that have been made by others.

Canada Employment Credit - A credit against Tax Payable that is available to individuals with employment income.

Canada Learning Bonds - A system of grants under which the federal government makes

contributions to an Individual's RESP based on the number of years in which the Individual's family is eligible for the National Child Benefit supplement.

Canada Pension Plan (CPP) - A pension plan sponsored by the federal government. Individuals with Employment or Business Income must make contributions based on their income and, in return, receive benefits in future years.

Canada Pension Plan Tax Credit - A credit against Tax Payable that is available to Individuals making contributions to the Canadian Pension Plan.

Canadian Controlled Private Corporation - A Corporation that is controlled by Persons Resident in Canada and that does not have any of its shares listed on a prescribed stock exchange.

Canadian Corporation - A Corporation that is resident in Canada.

Canadian Partnership - A Partnership, all of the members of which are Residents of Canada at the time the term is relevant.

Capital Asset - An asset that is held for the purpose of producing Income.

Capital Cost - The amount paid to acquire a depreciable asset. The tax equivalent of acquisition cost in accounting.

Capital Cost Allowance (CCA) - A deduction in the determination of Business or Property Income based on the capital cost of capital assets. The tax equivalent of accounting amortization.

Capital Dividend - A Dividend paid out of a Private Corporation's Capital Dividend Account. It is received on a tax free basis.

Capital Dividend Account - A group of items, defined in ITA 89(1), that can be distributed by Private Corporations to shareholders as a tax free Capital Dividend (e.g., the non-taxable portion of realized Capital Gains).

Capital Export Neutrality - The concept that the taxation system of a particular country does not encourage or discourage the export of capital.

Capital Gain - The excess of proceeds resulting from the Disposition of a capital asset, over the sum of the Adjusted Cost Base of the asset plus any costs of disposition.

Capital Gains Reserve - A Reserve that is deductible against Capital Gains. It is available when some part of the Proceeds Of Disposition is not collected in the period of disposition.

Capital Gains Stripping - Procedures designed to allow a Corporation to convert a taxable capital gain resulting from the Disposition of investment shares to an arm's length party, into

a tax free intercorporate Dividend.

Capital Import Neutrality - The concept that the taxation system of a particular country does not encourage or discourage the import of capital.

Capital Interest (In A Trust) - All rights of the Taxpayer as a Beneficiary under the trust, other than those that are an Income Interest in the Trust.

Capital Loss - The excess of the sum of the Adjusted Cost Base of a capital asset plus any costs of disposition, over the proceeds resulting from the Disposition of the asset.

Capital Tax - A tax assessed on the capital of a Corporation, without regard to its Income.

Caregiver Tax Credit - A credit against Tax Payable that is available to an Individual who provides home care for an adult relative.

Carry Over - As used in tax work, the ability to apply current year losses against Income in earlier or later years.

Cash Basis - A method of accounting for Income based on cash receipts and cash disbursements.

Cash Damming - Situations in which a separate bank account is established to receive all deposits of borrowed funds. Expenditures from this account are then limited to those which qualify for interest deductibility. This procedure facilitates linking the borrowed money to income producing investments.

CCPC - An acronym for "Canadian controlled private corporation".

Charitable Donations Tax Credit - A credit against Tax Payable that is available to Individuals making donations to qualifying charitable organizations.

Charitable Gifts - Donations to a registered charity, a registered Canadian amateur athletic association, a housing corporation resident in Canada that is exempt from tax under ITA 149(1)(i), a Canadian municipality, the United Nations or an agency thereof, a university outside of Canada which normally enrolls Canadian students, and a charitable organization outside of Canada to which Her Majesty in right of Canada has made a gift in the year or in the immediately preceding year.

Child Care Expenses - Costs associated with caring for an Eligible Child.

Child Care Spaces Tax Credit - A tax credit that is available to businesses that have incurred costs to create new child care spaces.

Child Fitness Tax Credit - A credit against Tax Payable that is available to individuals for fees paid for the enrollment of a child under 16 in an eligible program of physical activity.

Child Support - A Support Amount that is not identified as being for the benefit of a Spouse or Common-Law Partner, or a former Spouse or Common-Law Partner.

Child Tax Benefit - A monthly payment that is available to Individuals with children. The payments may be reduced or eliminated by a deduction of Income in excess of a threshold amount.

Child Tax Credit - A credit against Tax Payable that is available to the parent of a child who is under the age of 18 years at the end of a taxation year.

Class - As used in tax work, a defined group of depreciable assets for which the *Income Tax Regulations* specify the CCA rate to be applied, as well as the method to be used in applying the rate.

Clawback - An income tested taxing back, or reduction, in the payment of Old Age Security benefits and Employment Insurance benefits.

Commercial Activity - This is a GST term which refers to any business or trade carried on by a Person, or any supply of real property made by a Person. Commercial Activity does not include any activity involved with making an exempt supply or any activity engaged in by an Individual without a Reasonable Expectation Of Profit.

Commodity Tax - A type of Transaction Tax that is applied to the sale of certain types of commodities (e.g., taxes on the sale of tobacco products).

Common Shares - Corporate shares that normally have all of the rights which are provided for under the relevant corporate enabling legislation. While there may be variations in the rights of such shares, at a minimum, voting rights would have to be present for the shares to be considered Common Shares.

Common-Law Partner - A Person who cohabits in a conjugal relationship with the Taxpayer and (a) has so cohabited with the Taxpayer for a continuous period of at least one year, or (b) is a parent of a child of whom the Taxpayer is also a parent.

Comparable Uncontrolled Price - A Transfer Pricing method that bases transfer prices on the prices used in comparable transactions between arm's length buyers and sellers, operating in the same market and under the same terms and conditions.

Competent Authority - An authorized representative of a country's tax organization that helps resolve taxpayer disputes by negotiating with the other country on matters not adequately addressed by the tax treaty.

Connected Corporation - Corporation A is connected with Corporation B if Corporation B Controls Corporation A, or if Corporation B owns more than 10 percent of the voting shares of Corporation A and more than 10 percent of the fair market value of all issued shares of

Corporation A.

Consent Form - A form that is used when a taxpayer wishes to have a different person represent him in dealing with the CRA. This form (T1013) authorizes the CRA to disclose information to, and deal with, a specified representative.

Consumption Tax - A tax levied on the consumption of some product or service. This type of tax is also called a sales tax.

Contributed Capital - In accounting usage, the amount of a Corporation's Shareholders' Equity that was received in return for issuing the shares that are currently outstanding.

Control [ITA 256(1.2)(c)] - A Corporation, Person or Group Of Persons has Control of a Corporation if that Corporation, Person or Group Of Persons owns either more than 50 percent of the Common Shares of that Corporation or, alternatively, owns shares (common and/or preferred) with a fair market value that exceeds 50 percent of the fair market value of all of the outstanding shares of that Corporation.

Control (CICA Handbook) - The continuing power to determine strategic operating, investing and financing policies of an enterprise without the co-operation of others.

Controlled [ITA 251.1(3)] - Under ITA 251.1(3), Controlled means controlled, directly or indirectly in any manner whatever. [The reference here is to de facto control, which does not necessarily require majority ownership of shares.]

Controlled Foreign Affiliate - A Foreign Affiliate of the Taxpayer that was controlled by (a) the Taxpayer, (b) the Taxpayer and not more than four other Persons Resident in Canada, (c) not more than four Persons Resident in Canada, other than the Taxpayer, (d) a Person or Persons with whom the Taxpayer does not deal at arm's length, or (e) the Taxpayer and a Person or Persons with whom the Taxpayer does not deal at arm's length.

Convertible Property - A debt or equity financial instrument of a Corporation that can be exchanged for a different debt or equity financial instrument of the same Corporation, without the payment of additional consideration.

Co-Ownership - Ownership of a single real or personal property by two or more Persons.

Corporation - An artificial legal entity created through either federal or provincial legislation.

Cost Of Capital (M&P) - For purposes of calculating the M&P Deduction, this amount is 10 percent of the Gross Cost of Capital Assets used by the corporation, plus 100 percent of rents paid for Capital Assets used by the Corporation.

Cost Of Labour (M&P) - For purposes of calculating the M&P Deduction, this is the total cost of salaries and wages, plus non-salary amounts paid for employee-like services.

Credit Method - A method for relieving a potential for Double Taxation on foreign source income by allowing a credit against Canadian Tax Payable for foreign income taxes assessed and withheld.

Crown Gifts - Gifts made to Her Majesty in right of Canada or to Her Majesty in right of a province.

Cultural Gifts - Gifts of objects that the Canadian Cultural Property Export Review Board has determined meet the criteria of the *Cultural Property And Import Act*.

Cumulative Eligible Capital (CEC) - This term is used to refer to the amortized balance of Eligible Capital Expenditures. The amortization of this amount that is deducted under ITA 20(1)(b) is usually referred to as the cumulative eligible capital amount.

Cumulative Gains Limit - Taxable Capital Gains on qualified assets that have been realized since 1984, less the sum of Allowable Capital Losses and Net Capital Loss Carry Overs deducted after 1984, plus Allowable Business Investment Losses realized after 1984, capital gains deductions claimed in previous taxation years, and the Cumulative Net Investment Loss at the end of the year. Used to determine the Lifetime Capital Gains Deduction for the current year.

Cumulative Net Investment Loss (CNIL) - The amount by which the aggregate of investment expenses for the current year and prior years ending after 1987, exceeds the aggregate of investment income for that period.

Customs Duties - A tax imposed on the importation or exportation of certain goods or services.

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Death Benefit - All amounts in excess of \$10,000 that are received by a Taxpayer in a taxation year, on or after the death of an Employee, in recognition of the Employee's service in an office or employment.

Declining Balance Method - A method of calculating CCA in which a specified rate is applied to the ending UCC balance in a depreciable asset Class in order to determine the CCA for the period.

Deduction Method - A method for relieving a potential for Double Taxation on foreign source income by allowing a deduction against Canadian Taxable Income for foreign income taxes assessed and withheld.

Deemed Disposition - A requirement to assume that a Disposition has taken place when, in

fact, a disposition transaction has not occurred (e.g., a change in use is deemed to be a Disposition).

Deemed Dividends - A group of capital transactions and distributions, as specified in ITA 84(1), that are deemed to be Dividend payments.

Deemed Resident - An Individual who is considered a Resident of Canada because of some factor other than physical presence in Canada (e.g., members of the Canadian armed forces are deemed to be Canadian Residents under ITA 250 without regard to where they are physically located).

Deemed Year End - A requirement to have a taxation year end at a specified date, or as the result of a specified event.

Deeming Rule - Rules that are used to require that an item or event be given a treatment for tax purposes that is not consistent with the actual nature of the item or event (e.g., members of the Canadian armed forces are deemed to be Canadian Residents even if they are not present in Canada at any time during the year).

Deferred Income Plans - A group of plans that allow Individuals to receive Income on a tax deferred basis. These include Registered Pension Plans, Deferred Profit Sharing Plans, Registered Retirement Savings Plans, and Registered Retirement Income Funds.

Deferred Profit Sharing Plan (DPSP) - A trusted plan to which employers can make deductible contributions, the amount of which is related to the profits of the enterprise, and which do not create a Taxable Benefit for the recipient employees. Earnings accumulate tax free within the plan. Withdrawals from the plan are subject to tax.

Defined Benefit Plan - A retirement savings plan in which the plan sponsor (usually an employer) promises a known or determinable retirement benefit and assumes financial responsibility for providing that benefit.

Defined Contribution Plan (a.k.a., Money Purchase Plan) - A retirement savings plan in which the plan sponsor (employer or individual) makes known or determinable contributions. The retirement benefit is based on the accumulated contributions and earnings on investments within the plan.

Dependant - As defined in ITA 118(6), an Individual who, at any time during the year, is dependent on the taxpayer for support and is the child or grandchild of the Individual or of the individual's Spouse or Common-Law Partner, the parent, grandparent, brother, sister, uncle, aunt, niece, or nephew, if resident in Canada at any time in the year, of the Individual or of the individual's Spouse or Common-Law Partner.

Depreciable Capital Property - Capital property, such as equipment or furniture and fixtures, that is subject to depreciation or amortization.

Designated Stock Exchange - A stock exchange that has been designated as such by the Minister of Finance. This category includes all existing stock exchanges that are currently "prescribed stock exchanges" in the Income Tax Regulations.

Disability Tax Credit - A credit against Tax Payable that is available to Individuals with a doctor certified severe mental or physical disability. Can be transferred to a supporting Individual.

Disability Tax Credit Supplement - A supplement to the Disability Tax Credit that is available for individuals who are under 18 years of age at the end of the year.

Disability Supports Deduction - A deduction available to individuals for attendant care and other disability support expenses, incurred to allow the disabled individual to work or to attend a designated educational institution.

Disappearing Source Rules - Rules designed to provide relief to investors who have borrowed money to make an investment and subsequently sold the investment for less than the related borrowings. These rules provide that any amount of debt that remains after the proceeds of the sale are used to pay off a portion of the total balance is deemed to be debt that is used to produce income.

Discretionary Trust - A Trust for which the Settlor has given the Trustee discretion to decide the amounts of income or capital to be allocated to each Beneficiary.

Disposition - The disposal of an asset through sale, gift, physical destruction, conversion, expropriation, or other means.

Dividend Gross Up - The 25 percent (non-eligible dividends) or 45 percent (eligible dividends) amount that must be added to Dividends received from Taxable Canadian Corporations before their inclusion in the Net Income For Tax Purposes of Individuals.

Dividend Stripping - Procedures designed to allow an Individual to remove accumulated Income from a Corporation in the form of tax-free capital gains, while still retaining Control of the Corporation.

Dividend Tax Credit - A credit against the Tax Payable of an Individual. At the federal level it is equal to $\frac{2}{3}$ of the Dividend Gross Up on non-eligible dividends and $\frac{11}{18}$ of the Dividend Gross Up on eligible dividends. Similar credits are available at the provincial level.

Dividends - Amounts declared and paid, at the discretion of management, as a return on equity investments.

Dividends In Kind - Dividends paid in corporate assets other than cash.

Division B Income - An alternative name for Net Income For Tax Purposes.

Double Taxation - A reference to situations in which the same stream of Income is subject to tax a second time.

Dual Resident - A taxpayer who is considered to be a Resident of two countries.

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Earned Capital (a.k.a. Retained Earnings) - In accounting usage, the amount of a Corporation's Shareholders' Equity that resulted from the retention of earnings in the corporation.

Earned Income (Child Care Expenses) - For purposes of determining the deductible amount of Child Care Expenses, Earned Income is defined as Employment Income (gross), Business Income (not losses), and Income from scholarships, training allowances, and research grants.

Earned Income (RRSP Deduction Limit) - The sum of Employment Income (without the RPP deduction), Business Income (losses), royalties (if the taxpayer is the author, inventor, or composer), taxable (deductible) support payments, supplementary unemployment benefits, income (loss) as an active partner, net rental income (loss), research grants (net of certain expenses), and CPP disability benefits.

Earned Surplus - An archaic accounting description of what now is called Retained Earnings. However, the term continues to be found in the *Income Tax Act*.

Ecological Gifts - Gifts of land certified by the Minister of the Environment to be ecologically sensitive land, the conservation and protection of which is important to the preservation of Canada's environmental heritage.

Education Tax Credit - A credit against Tax Payable that is available to Individuals attending a designated educational institution on a full or part time basis.

EFILE - EFILE is a service that lets authorized service providers send income tax return information to the CRA by Internet.

Election - A choice that is available to a Taxpayer with respect to a particular tax outcome (e.g., a Taxpayer can elect to have the spousal Rollover provision not be applicable).

Eligible Capital Expenditure - An amount expended to acquire an intangible asset that is not eligible for either write-off through CCA deductions or as a deduction in the period in which it is incurred.

Eligible Capital Property - An intangible asset that results from making an Eligible Capital

Expenditure.

Eligible Child - With respect to the deductibility of Child Care Expenses, an Eligible Child is a child of the Taxpayer, his Spouse, or a child who is dependent on the Taxpayer or his Spouse, and whose Income does not exceed the basic personal tax credit. An Eligible Child must either be under 16 years of age at some time during the year, or dependent on the Taxpayer or his Spouse by reason of physical or mental infirmity.

Eligible Dependant Tax Credit - A credit against Tax Payable that is available to a single Individual supporting a Dependant in a self-contained domestic establishment.

Eligible Dividends - Dividends that have been designated by the payor as eligible for the enhanced 45 percent gross up and tax credit procedure.

Emigration - Leaving a country, usually in order to establish permanent residency in another country.

Employee - An Individual who has an employment relationship with an entity that provides remuneration. Whether or not an Individual is working as an Employee or a Self-Employed Individual is dependent on such factors as control, ownership of tools, chance of profit or risk of loss, and integration with the entity making payments to the Individual.

Employer/Employee Relationship - A written, verbal, or tacit agreement in which an Employee agrees to work on a full-time or part-time basis for an employer for a specified or indeterminate period of time, in return for Salary or wages. The employer has the right to decide where, when, and how the work will be done. In this type of relationship, a contract of services exists.

Employment Income - The Salary, wages, and other remuneration, including gratuities, received by an Employee in the year (see Employer/Employee Relationship).

Employment Insurance (EI) - A federal insurance plan designed to provide benefits to unemployed Individuals. In order to receive benefits, Employees must make contributions when they are employed.

Employment Insurance Tax Credit - A credit against Tax Payable that is available to Employees making payments to the federal Employment Insurance plan.

Estate - As the term is used in the *Income Tax Act*, the property of a deceased Individual.

Estate Freeze - Procedures undertaken by an Individual in order to fix a tax value for all or part of the Individual's property, and to Transfer future growth in the value of this property to other Individuals.

Estate Planning - Tax planning directed towards the distribution of an Individual's property at death.

Exchange Of Shares In A Reorganization (ITA 86) - A Rollover provision that allows one class of shares in a Corporation to be exchanged for a different class of shares, without tax consequences.

Executor - A Person appointed by an Individual in their Will to oversee the administration of the Estate on their death in accordance with the terms of that Will.

Exempt Goods And Services - Goods and services that are not subject to the GST. Registrants who sell Exempt Goods And Services are not eligible for Input Tax Credits for GST paid. Examples include sales of used residential housing, most medical services, and most financial services.

Exempt Surplus - A surplus account that tracks certain sources of income of a Foreign Affiliate.

Exemption Method - A method for relieving a potential for Double Taxation on foreign source income by exempting that income from inclusion in Taxable Income in the country of residence.

Excessive Eligible Dividend Designations (EEDD) - A balance, subject to Part III.1 tax, which reflects an inappropriate designation of an amount of dividends paid as an Eligible Dividend.

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Family Trust - An Inter Vivos Trust, established by an Individual, with family members as Beneficiaries.

Fairness Package - A group of Information Circulars (IC 92-1, 92-2, and 92-3) which are designed to allow the CRA to make certain types of decisions on the basis of fairness to the Individual Taxpayer. An example would be a waiver of late filing interest and penalties because the Individual suffered a serious illness.

Farm Property - Farm Property includes real estate that is used in farming activities, a share of a Corporation that is carrying on a farming business, or an interest in a Partnership that is carrying on a farming business.

Federal Tax Abatement - A 10 percentage point reduction in the federal tax rate on Corporations, applicable to Income earned in a province.

Final Tax Return - A term used to describe the tax return filed for an Individual for the year of their death.

First Year Rules - See Half-Year Rules.

Fiscal Period - A taxation year that does not exceed 53 weeks.

Fishing Property - Fishing Property includes real estate and property that is used in fishing activities, a share of a Corporation that is carrying on a fishing business, or an interest in a Partnership that is carrying on a fishing business.

Fixed Term Annuity - An Annuity that is paid for a specified number of periods.

Flat Tax System - A tax on Income that is applied at the same rate to all Taxpayers, without regard to the level of their Income.

Foreign Accrual Property Income (FAPI) - Income of a Controlled Foreign Affiliate from property (interest, Dividends, rents, royalties), Income from inactive businesses, Taxable Capital Gains from properties not used in an Active Business, and Income from an investment business, defined as a business the principal purpose of which is to earn Property Income.

Foreign Affiliate - A non-resident Corporation in which a Canadian Taxpayer has an equity percentage of at least 1 percent. As well, the aggregate equity percentages of the Taxpayer and each Person related to the Taxpayer must be at least 10 percent.

Foreign Investment Entity - A non-resident entity that is largely devoting its activities to the production of investment or Property Income.

Foreign Taxes Paid Credit - A credit against Tax Payable based on taxes withheld by a foreign taxing authority on foreign source income.

Former Business Property - Real property that is used in the operation of a business.

Fringe Benefits - Non-cash benefits provided to Employees by an employer (e.g., contributions to an Employee's Registered Pension Plan).

Full Rate Taxable Income - For purposes of calculating the General Rate Reduction, Taxable Income reduced by amounts which have received preferential treatment under some other provision (e.g., the Small Business Deduction).

Fully Taxable Goods And Services - Goods and services that are taxable at the full 6 percent GST rate. Registrants who sell Fully Taxable Goods And Services are entitled to Input Tax Credits for GST paid. Examples include clothing, furniture, legal fees, hydro services, building materials, and restaurant meals.

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GAAP - An acronym for "generally accepted accounting principles".

GAAR - An acronym for "general anti-avoidance rule". This ITA 245 provision attempts, in a very generalized manner, to limit the ability of Taxpayers to avoid tax through certain types of transactions that have no bona fide purpose other than to obtain a tax benefit.

General Partner - A Partner who has all of the rights and assumes all of the obligations that are specified by the General Partner provisions of the relevant provincial legislation.

General Partnership - A Partnership, all of the members of which are General Partners.

General Rate Income Pool (GRIP) - A notional account that tracks amounts of a CCPC's income that can be used for the payment of Eligible Dividends.

General Rate Reduction - A 7 (for 2007) percentage point deduction in the calculation of corporate Tax Payable that is designed to reduce the general corporate tax rate of 38 percent.

Gift - A voluntary Transfer of goods or services without remuneration.

Goods And Services Tax (GST) - A type of Transaction Tax that is assessed on the sale of goods and services. As it is assessed at all stages of the production/distribution chain, the tax that an enterprise must collect and pay to the government is offset by Input Tax Credits for the tax paid on the various inputs required to produce or distribute the goods and services.

Goodwill - The excess, if any, of the total fair value of a business enterprise, over the sum of the fair values of its identifiable tangible and intangible assets.

Gross Cost - For purposes of calculating Capital Cost in the determination of the M&P Deduction, this is the cost of Capital Assets, without the deduction of government grants or Investment Tax Credits.

Group Of Persons - For purposes of determining Control of a Corporation, a Group Of Persons is any two or more Persons, each of whom owns shares in the Corporation.

GST - An acronym for the "goods and services tax".

GST Tax Credit - A Refundable Tax Credit that is available to all Resident Individuals aged 19 or older who file a T1 tax return. May be reduced or eliminated by a deduction of Income in excess of a threshold amount.

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Half-Year Rules (a.k.a. First Year Rules) - A group of rules which require, for most CCA Classes, the subtraction of one-half of the year's net additions (additions, less the amount subtracted from the class because of disposals) from the Class, prior to calculating the CCA for the year.

Harmonized Sales Tax (HST) - A combined federal/provincial sales tax that is assessed on the same basis as the federal Goods And Services Tax (GST). The combined rate is currently 14 percent and is notionally a combination of the 6 percent Goods And Services Tax and an 8 percent provincial sales tax.

Head Tax - A tax levied on the Individuals that are included in a specified classification.

Hobby Farmer - A part-time farmer who does not have a Reasonable Expectation Of Profit.

Home Buyers' Plan (HBP) - A provision that allows Individuals to make a temporary, non-taxable withdrawal from their RRSP for purposes of acquiring a residence.

Home Relocation Loan - A loan provided by an employer to an Employee to assist that Employee in acquiring a home at a new work location.

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Identical Property Rules - Rules which require that, for a group of identical Capital Assets (e.g., Common Shares) acquired at different prices, the Adjusted Cost Base used to determine the gain or loss will be the average cost of the group. The rules are used when there is a partial Disposition of the group.

Immigration - Entering a new country, usually for purposes of establishing permanent residence.

Imputed Interest - Interest on outstanding debt calculated at a specified interest rate without regard to the actual interest rate being paid. This concept is used to determine the Taxable Benefit on loans to Employees and Shareholders.

Inadequate Consideration - A term used to refer to a situation where a non-arm's length transfer of property has been made and the Proceeds Of Disposition are not equal to the fair market value.

Income - A measure of either how much an entity has earned during a period or, alternatively, how much its net worth has increased during a period. As the term is used in accounting and tax, it is a rules-based calculation. In the case of accounting, the rules are referred to as generally accepted accounting principles (GAAP), while in tax the rules are found in the *Income Tax Act* and other sources.

Income Attribution - The allocation of some types of Income, on assets that have been transferred to a Spouse or related minors, back to the Transferor for inclusion in the Transferor's Net Income For Tax Purposes.

Income Interest (In A Trust) - A right of the Taxpayer as a Beneficiary under a Personal Trust to receive all or any part of the Income of the Trust.

Income Splitting - A group of Tax Planning techniques designed to divide a given stream of Income among family members or other related parties. The value of these techniques is based on progressive tax rates which means that, if a stream of Income can be divided into a group of smaller streams, a larger portion of it will be taxed at lower rates, resulting in aggregate tax savings.

Income Tax - A tax on the Income of certain defined entities.

Income Tax Application Rules - A set of rules designed to deal with transitional problems associated with the introduction of Capital Gains taxation in 1972. While these rules were very important in the years immediately after 1971, they are of declining importance at this point in time.

Income Tax Regulations - A set of rules concerning administration and enforcement of the *Income Tax Act*. One of the major issues covered here is Capital Cost Allowance rates and procedures.

Income Tax Technical News - An irregularly published newsletter prepared by the Income Tax Rulings Directorate.

Indexation - The process of adjusting tax brackets and some Tax Credits to reflect changes in the consumer price index.

Indexed Debt Obligations - A debt obligation, the terms or conditions of which provide for an adjustment to an amount payable that is determined by reference to a change in the purchasing power of money.

Individual - A single human being.

Information Circulars - A group of separate publications that provides information regarding procedural matters that relate to both the *Income Tax Act* and the provisions of the Canada Pension Plan.

Information Return - ITA 221(1)(d) gives the CRA the right to require any class of Taxpayer to file a return providing any class of information that it would like to have. A common example of an Information Return would be the T4 which employers are required to file in order to provide information on their Employees' earnings and withholdings.

Input Tax Credit (ITC) - An amount, claimable by a registrant, for GST paid or payable on

goods or services that were acquired or imported for consumption, use, or supply in the course of the Registrant's Commercial Activity.

Instalment Threshold - An amount, currently \$3,000, of net tax owing that is used to determine the need for Individuals to make Instalment payments (i.e., Individuals are required to make Instalment payments if their Net Tax Owing in the current year and one of the two preceding years exceeds the Instalment Threshold of \$3,000).

Instalments - Payments made during a taxation year by both Individuals and Corporations. They are designed to accumulate to an amount sufficient to cover the tax liability for the year. Individuals make quarterly Instalments, while Corporations are required to remit monthly.

Integration - An approach to the taxation of Corporations that attempts to ensure that amounts of Income that are flowed through a Corporation to its Individual shareholders, are subject to the same amount of tax as would be the case if the Individuals had received the Income directly from its source.

Inter Vivos Transfer - A Transfer made by a living Individual, as opposed to a Transfer made subsequent to that Individual's death.

Inter Vivos Trust - A Trust that is not a Testamentary Trust.

Interest Income - An amount that represents compensation for the use of money, is calculated with reference to a principal sum, and that accrues on a continuous basis.

International Tax Treaty (a.k.a., International Tax Convention) - A bilateral agreement between two countries which establishes rules for dealing with cross-jurisdictional tax issues.

International Taxation - Income and other types of taxation related to transactions and events that take place in multiple jurisdictions.

Interpretation Bulletins - A group of over 500 individual publications which provides the CRA's interpretation of the various laws that they administer.

Investment Tax Credit - A credit against Tax Payable, calculated as a percentage of some specified type of expenditure made by the Taxpayer.

Involuntary Disposition - A Disposition of a capital property resulting from theft, destruction through natural causes, or expropriation by a statutory authority.

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Joint Spousal Or Common-Law Partner Trust - An Inter Vivos Trust established by an Individual aged 65 years or more, subject to the conditions that the Individual and his/her

Spouse or Common-Law Partner must be entitled to all of the Trust's Income during their lifetimes, and the Individual and his Spouse or Common-Law Partner must be the only Individuals who can access the capital of the Trust during his/her lifetime.

Joint Tenancy - A holding of property, either real or personal, by two or more Persons with each sharing the undivided interest that cannot be sold without the consent of all joint tenants.

Joint Venture - An arrangement in which two or more Persons work together in a limited and defined business undertaking, which does not constitute a Partnership, a Trust, or a Corporation, the expenses and revenues of which will be distributed in mutually agreed portions.

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Labour Sponsored Funds Tax Credit - A credit against Tax Payable that is available to Individuals making investments in prescribed labour sponsored venture capital corporations.

Legal Stated Capital - An amount that is specified in corporate enabling legislation. In general, it is equal to the amount of consideration received for the issuance of shares.

Life Annuity - An Annuity that continues until the death of the Annuitant.

Lifelong Learning Plan (LLP) - A provision that allows Individuals to make temporary, non-taxable withdrawals from their RRSP when they are enrolled in a qualifying education program at a qualifying educational institution.

Lifetime Capital Gains Deduction - A deduction in the calculation of the Taxable Income of an Individual. It permits the deduction of a cumulative lifetime amount of up to \$750,000 in Capital Gains resulting from the Disposition of Qualified Small Business Corporation shares or Qualified Farm or Fishing Property.

Limited Liability - A reference to the fact that the liability of investors in equity shares of a Corporation is limited to the amount of their invested capital.

Limited Liability Partnerships - A Partnership, all of the members of which are legislatively specified professionals. The members of such Partnerships are relieved of any personal liability arising from the wrongful or negligent action of their professional Partners, as well as Employees, agents, or representatives of the Partnership who are conducting partnership business.

Limited Partner - As defined in most provincial legislation, a Partner whose liabilities for partnership debts is limited to the amount of his contribution to the Partnership, and who is not permitted to participate in the management of the Partnership.

Limited Partnership - A Partnership composed of at least one General Partner and at least one Limited Partner.

Limited Partnership Loss - The excess of losses allocated to a Limited Partner (other than farming or capital losses), over his At-Risk Amount.

Liquidating Dividend - A Dividend that represents a return of invested capital, as opposed to a distribution from earnings.

Listed Personal Property - A defined subset of Personal Use Property. The included items are works of art, jewelry, rare books, stamps, and coins.

Loss Carry Back - The application of a loss incurred in the current taxation year against the Income reported in a previous taxation year, resulting in a refund of taxes paid in that previous year.

Loss Carry Forward - The application of a loss incurred in the current taxation year against Income reported in a subsequent taxation year, resulting in a reduction of Tax Payable in that subsequent year.

Low Rate Income Pool (LRIP) - A notional account that tracks amounts of a non-CCPC's income that cannot be used for the payment of Eligible Dividends.

Lump-Sum Payments - Retroactive payments for Spousal or Child Support, pension benefits, EI benefits, and Employment Income (including payments for termination), that relate to prior years. Qualifying amounts of such payments are eligible for an alternative Tax Payable calculation.

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M&P - An acronym for "manufacturing and processing" usually used in connection with the calculation of the Manufacturing And Processing Profits Deduction.

M&P Capital - 100/85 of the Cost Of Capital related to Qualified Activities for M&P.

M&P Labour - 100/75 of the Cost Of Labour related to Qualified Activities for M&P.

M&P Profits - A concept of Income based on M&P Capital and M&P Labour, applied in a formula contained in ITR 5200.

Manufacturing And Processing Profits Deduction (M&P Deduction) - A deduction in the calculation of corporate Tax Payable equal to 7 (for 2007) percentage points of M&P Profits.

Median Rule - A rule applicable to Capital Assets acquired before 1972. For purposes of

calculating Capital Gains on Dispositions of these assets, the Adjusted Cost Base is equal to the median of the cost of the asset, the Valuation Day value of the asset, and the Proceeds Of Disposition.

Medical Expense Tax Credit - A credit against Tax Payable that is available to Individuals with qualifying medical expenses.

Merger - A combination of two or more business enterprises. While widely used in the *Income Tax Act*, this term does not have a formal definition in that legislation.

Money Purchase Limit - An amount, specified in tax legislation that represents the maximum amount of Employee and employer contributions that can be added, for the benefit of a given Employee, to an RPP in the specified taxation year.

Money Purchase Plan (a.k.a., Defined Contribution Plan) - A retirement savings plan in which the plan sponsor (employer or Individual) makes known or determinable contributions. The retirement benefit is based on the accumulated contributions and earnings on investments within the plan.

Moving Expenses - Costs, as described in ITA 62(3), that can be deducted when an Individual is moving; to a new work location, to commence full-time attendance at a post-secondary institution, to a new work location after ceasing to be a full-time student at a post-secondary institution, or to a new location to take up employment, if unemployed prior to the move.

MUSH - An acronym which stands for "municipalities, universities, schools, and hospitals". It is used in GST work to refer to the special rules applicable to these organizations.

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"Negative" Adjusted Cost Base - A term used to refer to situations where negative adjustments to the Adjusted Cost Base of a Capital Asset exceed its original cost plus positive adjustments. While, in general, such amounts must be taken into Income, an exception is made for Partnership Interests, for which such amounts can be carried forward.

Net Assets - Assets minus the liabilities of a business enterprise.

Net Business Income - As used in this text, the net of inclusions less deductions, related to Business Income, with all amounts determined as per Division B, Subdivision b, of the *Income Tax Act*.

Net Capital Loss - The excess of Allowable Capital Losses over Taxable Capital Gains for the current year.

Net Income - As used in this text, the net of revenues plus gains, less expenses plus losses, with all amounts determined through the application of GAAP.

Net Income For Tax Purposes - The sum of Employment Income, Business and Property Income, net Taxable Capital Gains, other sources of income, and other deductions from income, determined using income tax procedures and concepts. These amounts are combined as per the rules in ITA 3. This amount is also referred to as Division B Income or simply Net Income. However, we tend to use the full Net Income For Tax Purposes title in order to avoid confusion with Net Income as determined by accounting rules.

Net Property Income - As used in this text, the net of inclusions less deductions, related to Property Income, with all amounts determined as per Division B, Subdivision b, of the *Income Tax Act*.

Net Tax Owning - A term, applicable to Taxpayers who are Individuals, used to describe the sum of federal and provincial taxes owing for the year, less amounts withheld for the year.

NETFILE - An electronic filing system that requires the use of an approved software program. An Individual uses the Internet to transmit their return directly to the CRA, without the use of a third party.

Non-Capital Loss - The sum of employment losses (for Individuals), business losses, property losses, Net Capital Losses deducted, and deductible Dividends received (for Corporations), less Income as calculated under ITA 3(c).

Non-Depreciable Capital Property - Capital property, such as land or holdings of securities, that is not subject to depreciation or amortization.

Non-Discretionary Trust - A Trust for which the Trust documents have specified the amounts of Income and capital to be allocated to each Beneficiary.

Non-Refundable Tax Credit - A Tax Credit that can only be used against the Tax Payable of an Individual. It will not be "refunded" to Individuals without sufficient Tax Payable to make use of it.

Non-Resident - A Corporation, Trust, or any other type of entity that exists, was formed or organized, or was last continued under the laws of a country, or a political subdivision of a country, other than Canada.

Non-Share Consideration - Consideration received by a Taxpayer from a Corporation that is in the form of assets other than shares of the Corporation.

Northern Residents Deductions - Deductions from the Taxable Income of residents of prescribed areas in northern Canada, designed to compensate them for the higher costs of living in these regions.

Notice Of Assessment - A form that the CRA sends to all Taxpayers after they process their returns. It tells Taxpayers whether there were any changes to the returns and, if so, what they are. It also informs Taxpayers if they owe more tax or what the amount of their refund will be.

Notice Of Objection - A statement made to the CRA which provides a statement of facts and reasons, detailing why a Taxpayer or GST Registrant disagrees with an Assessment. The notice can be filed using Form T400A or by simply writing a letter to the CRA.

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OAS Clawback - A taxing back, or reduction, in the payment of Old Age Security benefits. The federal government taxes back, or retains, an amount of these payments equal to 15 percent of the Individual's Income in excess of an indexed threshold amount.

Old Age Security Benefits (OAS) - A monthly payment to Residents of Canada who are 65 years of age or older (see also OAS Clawback).

Operating Cost Benefit - A Taxable Benefit assessed to Employees whose employers pay the operating costs of an automobile provided to the Employee. It is designed to reflect, on a notional basis, the value of these operating costs.

Ordering Rule - Rules which establish the sequence or order in which a group of deductions must be made.

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Paid Up Capital - A balance that is, in general, equal to Legal Stated Capital as determined under the legislation governing the particular Corporation. The equivalent of Contributed Capital in accounting usage.

Parent Company - A Corporation that Controls one or more Subsidiaries.

Part IV Tax - A refundable tax, applicable to Private Corporations and Subject Corporations, and assessed on Portfolio Dividends received as well as some Dividends received from Connected Corporations.

Part Year Resident - An Individual who either enters Canada during the year and becomes a Resident or, alternatively, an Individual who departs from Canada during the year and gives up their Resident status. In either case, the Individual will be taxed on their worldwide

income for the part of the year that they were considered to be a Resident of Canada.

Partner - A Person who is a member of a Partnership.

Partnership - Two or more Persons who combine forces to carry on a business together for the purpose of making a profit by contributing their skills, knowledge, labour, experience, time, or capital.

Partnership Interest - A Non-Depreciable Capital Property that reflects the Partner's original cost, adjusted for earnings, withdrawals, and other factors.

Past Service Cost - The cost of starting a pension plan and extending the benefits/contributions to years of service prior to the inception of the plan or, alternatively, amending the benefit/contribution formula of an existing plan and extending the change retroactively to years of service prior to the amendment.

Past Service Pension Adjustment (PSPA) - An adjustment to reflect the past service benefits/contributions allocated to an Employee for years of service prior to the current year.

Penalties - Amounts taxpayers or GST registrants must pay if they fail to file returns or remit or pay amounts owing on time, or if they try to evade paying or remitting tax by not filing returns. Penalties must also be paid by people who knowingly, or under circumstances amounting to gross negligence, participate in or make false statements or omissions in their returns, and by those who do not provide the information required on a prescribed form.

Pension Adjustment (PA) - An adjustment reported by employers which reflects, for each Employee, the Employee's and employer's contributions to RPPs and DPSPs for the previous year (in the case of Defined Benefit RPPs, benefits are converted to an equivalent amount of contributions).

Pension Adjustment Reversal (PAR) - An adjustment for amounts of benefits/contributions that were included in previously issued Pension Adjustments, but have subsequently been lost to the Individual (e.g., benefits earned during a pre-vesting period that did not ultimately vest).

Pension Income Tax Credit - A credit against Tax Payable that is available to Individuals with qualifying pension income.

Periodic Child Care Expense Amount - A weekly limit on deductible child care costs, defined as 1/40 of the annual child care expense limit.

Permanent Establishment - A fixed place of business of a Corporation, including an office, a branch, a mine, an oil well, a farm, a timberland, a factory, a workshop, or a warehouse.

Person - A term used in the *Income Tax Act* to refer to taxable entities. For income tax purposes, the three taxable entities are Individuals, Corporations, and Trusts.

Personal Services Business - A Corporation that provides the services of a Specified Shareholder [ITA 248(1)] who could reasonably be regarded as an officer or Employee of the business, and that does not have five or more other full time Employees throughout the year.

Personal Tax Credits - A group of credits against Tax Payable that are specified in ITA 118(1). They include credits for Individuals, Spouses, Common-Law Partners and various Dependants, as well as credits for types of income such as pension or employment.

Personal Trust - A Testamentary or Inter Vivos Trust in which no beneficial interest was acquired for consideration paid to the Trust or to a Person who contributed property to the Trust.

Personal Use Property - Any property that is owned by the Taxpayer and used primarily for his enjoyment, or for the enjoyment of one or more Individuals Related to the Taxpayer.

Phased Retirement - A term used to refer to situations where an individual over 55 years of age continues to earn partial pension benefits, despite the fact that he or she has started to receive pension benefits from that employer.

Political Contributions Tax Credit - A credit against Tax Payable that is available to persons (individuals and corporations) who have made contributions to a registered federal political party or to a candidate at the time of a federal election.

Portfolio Dividend - A Dividend received from a Corporation to which the recipient is not connected (see Connected Corporation). Usually applicable if 10 percent or less of the voting shares are owned.

Post-1971 Undistributed Surplus - Amounts earned by a Corporation after 1971 and retained in the Corporation.

Pre-1972 Capital Surplus On Hand - Capital Gains accrued before 1972 that have been realized as the result of a Disposition after 1971, less Capital Losses that accrued before 1972 that have been realized as the result of a Disposition after 1971.

Pre-1972 Undistributed Surplus - Amounts earned by a Corporation prior to 1972 and retained in the Corporation.

Pre-Acquisition Surplus - A surplus account that tracks certain sources of Income of a Foreign Affiliate.

Preferred Beneficiary - An Individual who is a Beneficiary of a Trust and who is either eligible for the Disability Tax Credit or, alternatively, 18 years of age or older and can be claimed by another Individual for purposes of the dependant tax credit for Individuals who are dependant because of mental or physical infirmity.

Preferred Beneficiary Election - An Election which allows trust Income to be allocated to a

Preferred Beneficiary without being distributed to that Beneficiary by the Trust.

Preferred Shares - Shares that do not have all the rights which are provided for under the relevant corporate enabling legislation. While there are many variations in the rights that such securities have, Preferred Shares would normally have a fixed or determinable Dividend and would not have voting rights.

Prescribed Debt Obligations - A group of non-standard debt contracts that are defined in ITR 7001 (e.g., a debt contract with no interest stipulated as payable).

Prescribed Proxy Amount - An alternative basis for calculating Scientific Research And Experimental Development overhead costs. Instead of calculating actual overhead costs, a Prescribed Proxy Amount, based on 65 percent of the Salaries and wages of Employees involved in Scientific Research And Experimental Development activities, can be used.

Prescribed Rate - An interest rate which, as described in ITR 4301, changes quarterly and is based on the average interest rate paid on 90 day Treasury Bills during the first month of the preceding quarter. The basic rate is used for a variety of purposes (e.g., calculation of the Taxable Benefits on interest free loans to Employees). The basic rate, plus 2 percentage points, is used to calculate interest owing from the government to Taxpayers (e.g., interest on late payment of a tax refund). The basic rate, plus 4 percentage points, is used to calculate interest owed by Taxpayers to the government (e.g., interest on late Instalment payments).

Prescribed Stock Exchange - A stock exchange that is referred to in the *Income Tax Regulations*. As of 2007, this term is replaced with "designated stock exchange".

Principal Residence - Any accommodation owned by the Taxpayer that was ordinarily inhabited in the year by the Taxpayer, his Spouse, a former Spouse, or a dependent child, and is designated by the Taxpayer as a Principal Residence.

Private Corporation - A Corporation that is a resident of Canada, but is not a Public Corporation.

Proceeds Of Disposition - Amounts received as the result of a Disposition. Usually related to a capital property Disposition.

Profit Sharing Plan - A trusteed plan to which employers can make deductible contributions, the amount of which is related to the profits of the enterprise. Both the contributions and the earnings resulting from their investment are taxed in the hands of the Employees as they occur. Payments from the plan are received by the Employees on a tax free basis.

Progressive Tax System - A tax system that applies higher effective rates for Individuals with higher Incomes and lower effective rates for Individuals with lower Incomes (e.g., personal income taxes).

Property Income - Income that is earned through the passive ownership of property. It

would include rents, interest, Dividends, and some royalties (i.e., royalties paid on assets that have been purchased). While usage is not always consistent, this term usually refers to a net amount (i.e., inclusions less deductions, or revenues less expenses).

Property Tax - A tax on the ownership of some particular set of goods.

Public Corporation - A Corporation that has at least one class of its shares listed on a designated stock exchange in Canada.

Public Transit Pass Tax Credit - A credit against Tax Payable that is available to individuals who purchase monthly or longer public transit passes.

PUC - An acronym for "paid up capital".

Purification Of A Small Business Corporation - A process of disposing of corporate assets that are not being used to produce Active Business Income, so that the Corporation meets the 90 percent of assets test required to qualify as a Small Business Corporation.

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Qualified Activities - Types of activity, as defined in ITR 5202, that are considered to be manufacturing and processing activities.

Qualified Farm Property - A Qualified Farm Property is a Farm Property that, prior to its Disposition was owned by the Taxpayer, his Spouse, or his Common-Law Partner, or their children for a period of 24 months or more.

Qualified Fishing Property - A Qualified Fishing Property is a Fishing Property that, prior to its Disposition was owned by the Taxpayer, his Spouse, or his Common-Law Partner, or their children for a period of 24 months or more.

Qualified Property - Certain specified types of property that, when acquired, qualify the Taxpayer for an Investment Tax Credit.

Qualified Scientific Research And Experimental Development Expenditures - Scientific Research And Experimental Development expenditures that qualify the Taxpayer for Investment Tax Credits.

Qualified Small Business Corporation - A Small Business Corporation that, at the time of its Disposition, has been owned by no one other than the Taxpayer or a related party during the preceding 24 months, and during that 24 month period, more than 50 percent of the fair market value of its assets were used in an Active Business carried on primarily in Canada.

Qualifying Acquisition - An acquisition of publicly traded shares through the exercise of

Stock Options that is eligible for the ITA 7(8) deferral of the recognition of Employment Income from the time the options are exercised until the time the shares are sold.

Qualifying Corporation - A CCPC throughout the year with Taxable Income in the immediately preceding year of no more than \$400,000 (2007 figure), thereby qualifying for the additional 15 percent tax credit on the first \$2,000,000 of Qualified Scientific Research And Development Expenditures.

Qualifying Spousal Or Common-Law Partner Trust - A Spousal Or Common-Law Partner Trust that qualifies for the Rollover of assets into the Trust under ITA 73(1.01) for Inter Vivos Trusts or ITA 70(6) for Testamentary Trusts.

Qualitative Characteristics - This term is used in our text to refer to non-quantitative characteristics of a tax system that are considered to be desirable (e.g., fairness).

Quick Method - A method of determining GST amounts available to businesses with annual GST taxable sales, including those of associated businesses, of \$200,000 or less. Specified percentages are applied to the GST inclusive sales figures to determine the GST payable or the refund. Accounting for Input Tax Credits on non-capital expenditures is not required. Input Tax Credits on capital expenditures are tracked separately.

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RDTOH - An acronym for "refundable dividend tax on hand".

Reasonable Expectation Of Profit (REOP) - A test that involves the determination of whether a business or an investment is likely to have a profit. The CRA has tried to use this test to limit the ability of Taxpayers to deduct losses resulting from businesses and investments that fail their REOP test.

Reassessment - A revision of an original Assessment (see Assessment and Notice Of Assessment).

Recapture Of CCA - An inclusion in Business and Property Income that arises when deductions from a CCA Class, engendered by disposals, leave a negative balance in that Class at the end of the taxation year.

Redemption Of Shares - A transaction in which a Corporation purchases some of its own outstanding shares, either in the open market, or through a direct purchase from shareholders.

Refundable Dividend Tax On Hand (RDTOH) - A balance made up of refundable taxes paid, less refunds received as the result of paying Dividends.

Refundable Investment Tax Credit - An Investment Tax Credit that will be paid to the

Taxpayer, even if the amount resulting from the Investment Tax Credit exceeds the Taxpayer's Tax Payable.

Refundable Medical Expense Supplement - A refundable credit against Tax Payable that increases the amount available to certain low income individuals for their eligible medical expenses.

Refundable Part I Tax - The portion of Part I tax that is applicable to a notional amount of Aggregate Investment Income earned by a CCPC.

Refundable Part XI.3 Tax - A 50 percent tax that is assessed on contributions to a Retirement Compensation Arrangement and on the earnings of amounts invested in the plan. It is fully refundable when amounts are distributed from the arrangement and taxed in the hands of the recipient Employees.

Refundable Tax Credit - An amount, based on a Tax Credit calculation, that will be paid to an Individual even if the amount resulting from the Tax Credit calculation exceeds the Individual's Tax Payable.

Registered Disability Savings Plan (RDSP) - A trustee arrangement that allows Individuals to make non-deductible contributions that will be invested on a tax-free basis, with the accumulated funds being used to make distributions to an individual who qualifies for the disability tax credit.

Registered Education Savings Plan (RESP) - A trustee arrangement that allows Individuals to make non-deductible contributions that will be invested on a tax-free basis, with the accumulated funds being used to provide for the post-secondary education of a child.

Registered Pension Plan (RPP) - A retirement savings plan sponsored by an employer, to which the employer will make contributions which are not taxable to the Employee, and the Employee may make contributions which are deductible. Earnings accumulate tax free within the plan. Withdrawals from the plan are subject to tax.

Registered Retirement Income Fund (RRIF) - A trustee plan to which a Resident Individual can transfer balances from retirement savings plans on a tax free basis. Earnings accumulate tax free within the plan. Withdrawals from the plan are subject to tax. Unlike RRSPs, a minimum withdrawal is required each year.

Registered Retirement Savings Plan (RRSP) - A trustee plan to which a Resident Individual can make deductible contributions. Earnings accumulate tax free within the plan. Withdrawals from the plan are generally subject to tax.

Registrant - An entity who is registered to collect and remit the GST.

Regressive Tax System - A tax system that applies higher effective rates for Individuals with lower Incomes and lower effective rates for Individuals with higher Incomes (e.g., most sales

taxes).

Related Persons - ITA 251(2)(a) indicates that two Individuals are related if they are connected by blood relationship, marriage or common-law partnership, or adoption. ITA 251(2)(b) describes various situations in which a Corporation would be related to other Persons (e.g., a Corporation is related to the Person who Controls it). ITA 251(2)(c) describes various situations in which two Corporations would be related to each other (e.g., the two Corporations are controlled by the same Person).

Reorganization Of Capital (ITA 86) - A Rollover provision that allows one class of shares in a Corporation to be exchanged for a different class of shares, without tax consequences.

Replacement Property Rules - A set of rules which provide for the deferral of both Recapture and Capital Gains on Involuntary Dispositions and some voluntary Dispositions of capital property. Deferral is conditional on replacing the property within a specified period after the Proceeds Of Disposition are received.

Resale Price Method - A Transfer Pricing method generally used where fair market value comparables are unavailable because of the uniqueness of the products. It also applies to situations where the purchaser adds little or no value and effectively acts as a distributor or sales agent.

Reserve - A deduction in the calculation of net Business Income or net Taxable Capital Gains.

Resident - A Person who is located in a place. This is the basis on which Canadian income taxes are assessed. That is, Canadian Resident Persons are liable for the payment of Canadian income tax, without regard to their citizenship or the source of their Income. While not defined in the *Income Tax Act*, IT-221R3 provides guidance on the determination of residency for Individuals and IT-447 provides similar guidance for Trusts.

Residential Ties - Factors that will be considered in determining whether or not an Individual is a Resident of Canada. While there are many such ties, IT-221R3 indicates that the most commonly used would be the maintenance of a dwelling in Canada, having one's Spouse or Common-Law Partner remain in Canada, and having one's Dependants remain in Canada.

Restricted Farm Loss - A farmer whose chief source of Income is not farming or a combination of farming and some other source of Income, but who has a reasonable expectation of long-run profitability, can only deduct losses to the extent of the first \$2,500, plus one-half of the next \$12,500. Losses in excess of this deductible amount are referred to as Restricted Farm Losses.

Retained Earnings (a.k.a. Earned Capital) - In accounting usage, the amount of a Corporation's Shareholders' Equity that resulted from the retention of earnings in the Corporation.

Retirement Compensation Arrangement - An unregistered plan to which employers make deductible contributions to provide Employees with benefits subsequent to their retirement. Both contributions and earnings are subject to a Refundable Part XI.3 Tax.

Retiring Allowance - Amounts received at retirement as recognition for long service, or as the result of loss of employment.

Revenue Jurisdiction Approach - An international taxation approach under which a country taxes all Income earned by its Residents, without regard to the country in which that Income is earned.

Reversionary Trust - A trust agreement under which the property held by the Trustee can revert to the Settlor.

Rights Or Things - With respect to a deceased Taxpayer, these are amounts that are due, but have not been received (e.g., wages to the end of a pay period prior to death, but not yet received).

Rollover - As this term is used in tax work, it refers to a tax free Transfer of assets under circumstances that, in the absence of a Rollover provision, would be considered a taxable Transfer.

RRSP Deduction Limit - The amount that is the sum of the Unused RRSP Deduction Room at the end of the preceding year, plus the amount by which the lesser of the RRSP Dollar Limit and 18 percent of Earned Income for the preceding year exceeds the Pension Adjustment for the preceding year. This sum is adjusted for any Past Service Pension Adjustment or Pension Adjustment Reversal. In simplified terms, it represents the maximum amount of contributions that have been made to an RRSP that can be deducted for a year.

RRSP Deduction Room - The excess of the RRSP Deduction Limit, over the amount of RRSP contributions that have been deducted.

RRSP Dollar Limit - For years other than 1996 and 2003, the Money Purchase Limit for the preceding year.

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Safe Income - For purposes of applying ITA 55(2) to Capital Gains Stripping, Safe Income is made up of amounts earned by a Corporation after 1971, or if the investment shares in that Corporation were acquired after that date, amounts earned after the acquisition.

Salary - The amount an employer pays an Employee for work done. An employer records this type of Employment Income on a T4. A common component of Employment Income.

Salary Deferral Arrangement - An arrangement, whether funded or not, under which an Individual who has the right to receive compensation postpones the receipt of that compensation, and it is reasonable to assume that one of the main purposes of this postponement was to defer the payment of taxes.

Scientific Research And Experimental Development (SR&ED) - Activities related to basic or applied research, and for the development of new products and processes.

Self-Employed Individual - An Individual who has a business relationship with a Taxpayer. Whether or not an Individual is working as an Employee or a Self-Employed Individual is dependent on such factors as control, ownership of tools, chance of profit or risk of loss, and integration with the Taxpayer making payments to the Individual.

Separate Class Rules - Rules that require certain types of assets that would, in the absence of these special rules, be included in a single Class, be allocated to a separate balance for that Class (e.g., each rental property with a cost greater than \$50,000 must be placed in a different Class 3).

Settlor - The Individual who creates a Trust by contributing property to be managed and administered by a Trustee for the Beneficiaries.

Share For Share Exchange (ITA 85.1) - A Rollover provision that allows one Corporation to acquire shares in another Corporation by issuing its own shares, without tax consequences to either of the Corporations or their shareholders.

Shared Use Capital Equipment - Capital Assets that are used more than 50 percent, but less than 90 percent, in Scientific Research And Experimental Development activities.

Shareholders' Equity - The residual interest of the shareholders of a Corporation in the Net Assets of the Corporation.

Short Fiscal Period - A taxation year that is less than 12 months in duration. Can occur in the first and last years of operation, as well as certain other situations.

Simplified ITC Accounting - A simplified method of determining Input Tax Credits available to small businesses, charities, not-for-profit organizations, and certain public service bodies. The organization must have annual GST taxable sales, including those of associated businesses, of less than \$500,000 and annual GST taxable purchases of less than \$2,000,000. Input Tax Credits are determined by multiplying all GST inclusive purchases, except real property purchases, by 6/106 rather than using the actual GST paid. Input Tax Credits on real property are tracked separately.

Small Business Corporation - A Corporation that is a Canadian Controlled Private Corporation that uses all or substantially all (90 percent or more) of the fair market value of its assets in an Active Business that is carried on primarily (more than 50 percent) in Canada.

Small Business Deduction - A deduction in the calculation of corporate Tax Payable equal to 16 percentage points on the first \$400,000 (2007 figure) of Active Business Income earned by a CCPC.

Small Suppliers Exemption - An exemption from the requirement to register for the collection and remittance of GST for those entities with less than \$30,000 in taxable supplies.

Social Benefits Repayment (a.k.a., Clawback) - An income tested taxing back, or reduction, in the payment of Old Age Security Benefits and Employment Insurance Benefits.

Sojourner - An Individual who is deemed under ITA 250 to be a Canadian Resident for the full taxation year as the result of having sojourned (i.e., been temporarily present) in Canada for 183 days or more.

Source Deductions - Amounts that are withheld by an employer from the Income of Employees. The withholdings for income taxes, Canada Pension Plan contributions, and Employment Insurance premiums must be remitted to the government.

Source Jurisdiction Approach - An international taxation approach under which a country taxes all Income earned within its borders, without regard to whether it is earned by Residents or Non-Residents.

Specified Class [ITA 256(1.1)] - A class of shares that has certain specified terms and conditions, including a fixed or determinable Dividend and an absence of voting rights. Would generally be referred to as Preferred Shares.

Specified Employee - An Employee who owns 10 percent or more of the shares of the Corporation, or who does not deal at arm's length with the Corporation.

Specified Individual - An Individual who has not attained the age of 17 before the beginning of the year and who has a parent who is Resident in Canada.

Specified Investment Business - A Corporation that does not have five or more full time Employees throughout the year, whose principal purpose is to derive Income from property.

Specified Member - A Limited Partner or a General Partner who is not actively involved in partnership business activity.

Specified Non-Resident Shareholder - A specified shareholder who is a non-resident Person or non-resident investment company.

Specified Shareholder [ITA 248(1)] - A shareholder of a Corporation who owns, directly or indirectly, at any time in the year, not less than 10 percent of the issued shares of any class of the capital stock of the Corporation, or of any other Corporation that is related to the Corporation. (NOTE There is an alternative definition under ITA 18(5) that is applicable to thin capitalization situations.)

Split Income - Certain types of Income received by a Specified Individual from non-arm's length sources that will be taxed at the maximum federal rate of 29 percent.

Spousal Support - A Support Amount that is for the benefit of a Spouse or Common-Law Partner, or a former Spouse or Common-Law Partner.

Spousal RRSP - An RRSP to which the Spouse or Common-Law Partner of the Annuitant (i.e., Beneficiary of the RRSP) has made contributions that the Spouse or Common-Law Partner can deduct in calculating Net Income For Tax Purposes.

Spouse - An Individual to whom a Taxpayer is legally married.

Spousal Or Common-Law Partner Trust - An Inter Vivos or Testamentary Trust that has an individual's Spouse or Common-Law Partner as a Beneficiary (see also Qualifying Spousal Or Common-Law Partner Trust).

Standby Charge - A Taxable Benefit assessed to Employees who have been provided with an automobile by their employer. It is designed to reflect, on a notional basis, the value of having the car available on a standby basis for personal usage.

Stock Dividend - A pro rata distribution of a Corporation's shares to its existing shareholders.

Stock Option - A contractual arrangement which gives the holder the right to purchase a specified number of shares for a specified period of time at a specified acquisition price.

Stop Loss Rules - A group of rules which, under specified conditions, prevent the deduction of a loss.

Straight-Line Method - A method of calculating CCA in which a specified or determinable rate is applied to the Capital Cost of acquired assets in order to determine the CCA for the period.

Subject Corporation - For purposes of the Part IV Tax, a Public Corporation that is controlled by, or for the benefit of, an Individual or a related group of Individuals. Also used in the determination of Dividend Stripping (ITA 84.1) and share sales to non-residents (ITA 212.1) to describe a Corporation, the shares of which have been sold.

Subsidiary - An enterprise that is controlled by another enterprise (the Parent Company). The Parent Company has the right and ability to obtain future economic benefits from the resources of the Subsidiary and is exposed to the related risks.

Superficial Loss (ITA 54) - A loss on the Disposition of property that is disallowed for tax purposes because the Taxpayer has acquired an identical property, either 30 days before the Disposition or, alternatively, 30 days after the Disposition.

Supply - A broad range of transactions between Persons. To "make a supply of property or a service" means to provide it in any way, including sale, transfer, barter, exchange, licence, rental, lease, gift, or Disposition.

Support Amount - Amounts paid as the result of the separation or divorce of two Individuals who were Spouses or Common-Law Partners. Can be divided into Spousal Support and Child Support.

Surtax - An additional or extra tax on something already taxed.

Syndicates - A group of Persons combined or making a joint effort to undertake some specific project or to carry out a specific transaction.

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Tariffs - A tax imposed on the importation or exportation of certain goods or services.

Tax Avoidance - The undertaking of transactions or arrangements with a view to avoiding or minimizing the payment of taxes. As the term is generally used, it refers to legitimate procedures that could also be described as Tax Planning.

Tax Base - The income source, class of transaction, type of property, or other factor on which tax is assessed (e.g., sales tax is assessed on sales).

Tax Court Of Canada - A court that hears appeals about income tax and GST/HST assessments. In addition, the Court has jurisdiction to hear appeals under the Canada Pension Plan Act, Employment Insurance Act, and several other Acts. The Tax Court maintains four offices (Vancouver, Ottawa, Toronto, and Montréal) and regularly conducts hearings in major centres across Canada.

Tax Credit - A credit against Tax Payable.

Tax Deferral - An important type of Tax Planning. The basic idea here is to find procedures that will put off the payment of taxes until a later taxation year. The value of these procedures reflects the time value of money. That is, there is a value associated with making a payment later, rather than sooner.

Tax Evasion - The commission or omission of an act knowingly, the conspiracy to commit such an act, or involvement in the accommodation of such an act, which can result in a charge being laid in the Criminal Court under Subsection 239(1) of the *Income Tax Act*.

Tax Expenditures - Foregone tax revenues due to special exemptions, rate reductions, rebates, and credits that reduce the amount of tax that would otherwise be payable. Often

designed to encourage certain kinds of activities or to serve other objectives, such as providing assistance to lower-income or elderly Canadians.

Tax Haven - A foreign country used to avoid or reduce income taxes, especially by investors from another country.

Tax Incidence - The Person who ultimately pays a tax, regardless of the legal basis of assessment (e.g., taxes paid by Corporations may be passed on to either Employees or customers).

Tax Neutrality - As applied to a tax system, the concept that the various features of that system do not influence business or other economic decisions.

Tax Planning - The undertaking of legitimate transactions or arrangements with a view to avoiding or minimizing the payment of taxes. Some or all of such efforts could also be referred to as Tax Avoidance.

Tax Shelter (ITA 237.1) - A property where the purchaser will likely be entitled to deduct losses or other amounts, in the four years following the acquisition of the investment, that are in excess of the cost of the investment.

Tax Shelter (Other Meaning 1) - An investment that shelters Income from other sources (e.g., Employment Income) by producing tax losses.

Tax Shelter (Other Meaning 2) - An investment with a positive cash flow that is sheltered by sufficient non-cash deductions (e.g., CCA) to produce a nil Taxable Income.

Taxable Allowance - An allowance provided by an employer to an Employee that must be included in the Employee's Employment Income. The amount is included on the Employee's T4.

Taxable Benefit - An amount of money, or the value of goods or services, that an employer pays or provides in addition to Salary.

Taxable Canadian Corporation - A Canadian Corporation that is not exempt from Canadian income tax by way of a statutory provision.

Taxable Canadian Property - A group of assets that are listed under the definition of Taxable Canadian Property in ITA 248(1). These assets are distinguished by the fact that gains on their Disposition are taxable without regard to the residence of the selling Taxpayer. For example, if a U.S. Resident sells Canadian real estate, Canadian income tax will be assessed on any gain resulting from the sale.

Taxable Capital Employed In Canada - For purposes of calculating the reduction of the Small Business Deduction, this amount is the GAAP-determined capital of the Corporation, less the allowance for investments in other Corporations, multiplied by the percentage of the

Corporation's activity at Permanent Establishments in Canada as determined under ITR 402.

Taxable Capital Gain - The taxable portion (currently one-half) of a Capital Gain.

Taxable Entity - A defined organization or Individual that is subject to tax (e.g., Corporations are taxable entities for income tax purposes).

Taxable Income - Net Income For Tax Purposes, less certain deductions that are largely specified in Division C of Part I of the *Income Tax Act*. These deductions include loss carry overs, the Lifetime Capital Gains Deduction, and for Corporations, Dividends and charitable contributions.

Taxable Surplus - A surplus account that tracks certain sources of Income of a Foreign Affiliate.

Taxation Year - The period that is covered by a Taxpayer's return. As defined in ITA 249, it is equal to a calendar year for Individuals and Inter Vivos Trusts, and a Fiscal Period for Corporations and Testamentary Trusts.

Taxpayer - An entity that is required to file a tax return and pay taxes. For income tax purposes, a Taxpayer is an Individual, a Corporation, or a Trust.

TELEFILE - An electronic system for filing tax returns that uses telephone lines rather than the Internet to submit returns to the CRA. It is available to any Individual with a touch tone telephone, but can only be used for filing relatively simple tax returns.

Tenancy In Common - A holding of property, either real or personal, by two or more Persons, with each having a divisible interest that can be sold.

Term Preferred Shares - Preferred Shares which have a provision which allows them to be redeemed by the issuer or redeemed at the request of the holder.

Terminal Loss - A deduction in the calculation of Business and Property Income which arises when the last asset in a CCA Class is retired and a positive balance is left in the Class.

Testamentary Trust - A Trust that arises on, and as a consequence of, the death of an Individual.

Textbook Tax Credit - A credit against Tax Payable that is available to individuals who qualify for the education credit.

Thin Capitalization - A reference to situations where a non-resident Specified Shareholder is receiving interest on an amount of debt that exceeds two times the sum of his share of contributed capital plus 100 percent of Retained Earnings.

Tie-Breaker Rules - Provisions in International Tax Treaties that are designed to prevent the

Double Taxation of Dual Residents.

Transaction Tax - A tax that is assessed on specified types of transactions. Such taxes are most commonly applied to transactions involving the sale of goods or services.

Transfer - To convey or move from one Taxpayer to a different Taxpayer.

Transfer Pricing - An expression used to describe the price at which services, tangible property, and intangible property are traded across international borders between related or non-arm's length parties.

Transfer Tax - A tax on the Transfer of property from one owner to another.

Transferee - A Taxpayer to whom a Transfer is made.

Transferor - A Taxpayer who makes a Transfer.

Trust - A relationship in which one Person holds the title to property for the benefit of another Person.

Trustee - An Individual or trust institution that holds legal title to property in trust for the benefit of the Trust Beneficiaries.

Tuition Tax Credit - A credit against Tax Payable that is available to Individuals making qualifying tuition payments.

Twenty-One (21) Year Deemed Disposition Rule - A requirement, applicable to some types of Personal Trusts, that requires a deemed disposition of the Trust's capital property at the end of every twenty-one years.

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Undepreciated Capital Cost (UCC) - The Capital Cost of a depreciable asset class, less the cumulative CCA that has been taken to date. The tax equivalent of net book value in accounting.

Universal Child Care Benefit - A \$100 monthly payment that is available to Canadian families for each of their children under the age of 6 years.

Unused RRSP Deduction Room - The cumulative total of all RRSP Deduction Limits, less amounts deducted in those years. The end of the preceding year balance is used when calculating the RRSP Deduction Limit.

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Valuation Day (V-Day) - December 22, 1971 for publicly traded assets and December 31, 1971 for other assets.

Value Added Tax (VAT) - A tax based on the value added to a product at each stage of production or distribution by a particular entity. It is generally based on some accounting measurement of Income.

Vertical Amalgamation - An Amalgamation of a Parent Company and one or more of its Subsidiaries.

Vested Benefit - A benefit is vested if the beneficiary has an irrevocable right to receive it.

Vested Contribution - A contribution is vested if the Individual making the contribution has an irrevocable right to either the amount of the contribution or a benefit of equivalent value.

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Wholly Dependent Person - A Dependant who lives with the Taxpayer (this requirement is not applicable if the Dependant is the Taxpayer's child) in a self-contained domestic establishment and is eligible for the Eligible Dependant Tax Credit (a.k.a., equivalent to spouse tax credit).

Will - A document that is a legal declaration of an Individual's wishes as to the Disposition of his or her property after death.

Winding-Up Of A 90 Percent Owned Subsidiary - A Rollover provision that allows a 90 percent or more owned Subsidiary to be combined with its Parent Company without tax consequences.

Winding-Up Of A Canadian Corporation - A series of transactions that result in substantially all of the assets of a Canadian Corporation being distributed to the shareholders of that Corporation.

Working Income Tax Benefit - A benefit equal to 20 percent of earned income in excess of \$3,000. Limited to \$500 for individuals and \$1,000 for families.

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Zero-Rated Goods And Services - Goods and services that are taxable at a zero GST rate. The fact that they are designated as "taxable" means that Registrants who sell such goods and services are eligible for Input Tax Credits for the GST that they pay. Examples include basic groceries (e.g., milk, bread, and vegetables), prescription drugs, and exports.