

CFE CANDIDATE NUMBER:

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**Common Final Examination
May 28, 2024 – Day 1
(Booklet #1 – KTI Version 2)**

Total examination time: 4 hours.

Further details on the examination can be found on the next page.

GENERAL INSTRUCTIONS BEFORE THE EXAMINATION

1. Fill in your candidate number on the booklets. The examination booklets (or paper response, as instructed) must be submitted before leaving the examination writing centre. They must NOT BE REMOVED from the writing centre. If these items are not received, the response may not be accepted.
2. Follow the instructions provided. Instructions must not be removed from the writing centre.
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CANDIDATE NAME (Please print)

SIGNATURE

Examination Details

The examination consists of:

Booklet #1 – Linked Case (240 minutes) (this booklet)

Booklet #2 – Capstone 1 case (for reference) and rough notes

The case should be answered using the examination software provided, which includes a word processor and spreadsheet for inputting your response. The main body of your response should be in the word processor file. Only supporting calculations should appear in the spreadsheet file, in **Sheet 1**. All financial tables in the case with ten lines or more have been preloaded into the spreadsheets that follow Sheet 1. Those spreadsheets are in read-only mode. You must copy and paste the financial information into your Sheet 1, where you can then do all your calculations. You are responsible for clearly explaining all your calculations.

Answers or part answers will not be evaluated if they are recorded on anything other than the examination software or, in the event of computer failure, the CPA Canada writing paper provided.

Rough-note paper is available in a separate booklet, which also includes a copy of the Capstone 1 case for reference only. Rough notes, and any other notations made in the examination booklets, will not be evaluated.

The CPA Canada Handbooks, the *Income Tax Act* and the *Excise Tax Act* are available in the examination software throughout the entire examination. These materials provide the standards in effect and tax laws substantively enacted as at December 31, 2023.

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

Candidates are instructed to consider and respond to the examination questions as presented even though the circumstances described in the examination questions may not be reflective of the current environment.

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

Case**(Suggested time: 240 minutes)**

It is January 2025, and you, CPA, are still working at F & W Consulting LLP (FWC). Kingsdale Tea Inc. (KTI) has again engaged FWC to assist with KTI's strategic planning. You have been forwarded the following update from Kathleen Galinsky, who became KTI's CEO after Michael's retirement in early 2024. At that time, he passed control of KTI to his three children, Jason, Sabrina, and Kathleen, who each now hold one-third of the common shares of KTI, and form KTI's Board of Directors.

At the end of 2023, KTI expanded beyond only selling private-label products by launching its own brand of tea. These new products are branded as Kingsdale Tea (KTI-branded tea), and currently sell exclusively in tea rooms and tea shops. To date, no long-term contracts have been signed for KTI's new branded products. This is mostly because the tea rooms and tea shops wanted to test the demand for KTI's tea before agreeing to something long-term.

So far, KTI-branded tea has been well received, due to the superior quality of the raw tea leaves used in production. Purchasers of KTI-branded tea are typically knowledgeable tea drinkers with sophisticated taste. The KTI-brand launch was promoted by tea rooms eager to showcase the unique story behind KTI's tea farmers. This has had a surprisingly positive impact on sales, with several popular tea rooms sharing the stories via social media. Overall, the demand for KTI-branded tea has exceeded expectations, despite KTI not directly marketing the new KTI-branded products.

KTI's financial results have improved due to the increase in cash flow generated from the sale of KTI-branded tea products. KTI currently has \$4.5 million available for investments, and has decided not to access any further debt financing.

The global supply of raw tea leaves continues to be a significant threat across the industry. Uncertain weather patterns caused by climate change threaten crops, particularly in high mountain environments, where the highest-quality teas are grown. Currently, the average price that KTI pays to purchase raw tea is \$3.64 per kilogram, while the company's average sale price per kilogram to customers is \$4.23 for KTI's private-label tea, and \$5.78 for the new, KTI-branded tea. Since FWC's last engagement, KTI has expanded its supply of raw tea leaves by securing a contract with a group of tea farmers in Kenya. So far, the Kenyan raw materials that KTI has received are of even higher quality than those of KTI's Sri Lankan supplier.

Since taking control of KTI, Kathleen, Sabrina, and Jason have become a cohesive team, and are dedicated to upholding the mission and vision that KTI was founded upon. If possible, the board would like to maintain the long-term relationships that have been built over the years with KTI's private-label customers. In addition, the board believes that KTI's rich history of building relationships with traditional, ethical, and organic tea farmers sets the company apart from other tea companies. The board is convinced that this provides KTI with a competitive advantage.

KTI's board is focused on growing the company's revenue each year. Currently, the majority of KTI's revenue is still generated from its private-label contracts. However, KTI would like a gross margin of at least 20% on all sales, which is becoming increasingly difficult to achieve from private-label sales, as these customers continue to put downward pressure on pricing during contract negotiations.

KTI's board has asked you to review the information provided and draft a report that discusses KTI's main strategic considerations, including strategically analyzing and making a recommendation for each proposal presented. For this engagement, please ignore any tax implications within your analysis and recommendations.

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APPENDIX I
BOARD MEETING DIALOGUE WITH CPA IN ATTENDANCE

January 9, 2025

Kathleen: Thank you, CPA, for assisting with our strategic planning. We are excited to build on the early success of KTI-branded products.

Jason: Yes, Kathleen. We have developed a three-year forecast for both KTI's expected sales demand and our supply of raw materials. The sales forecast is much higher than we originally anticipated. Given that we have a limited supply of raw materials, before we accept any sales order requests, we should revisit our strategy for how KTI will sell and market our new KTI-branded tea products.

Sabrina: I agree. Supply is a concern. If we cannot fulfil the sales orders that we agree to, our reputation will be harmed, and we will face penalties.

Jason: At this point in the company's evolution, I think KTI needs a website and online store where our customers can purchase tea directly from us. The website would put us in control of our marketing narrative, and the online store could help alleviate KTI from the strict supply requirements that are attached to most of the long-term sales contract offers that we have received.

Kathleen: But Jason, that might upset our existing customers. I don't think that's wise, especially because KTI's brand is still so young.

Sabrina: If we want to compete and maximize growth, an online store might be necessary. This would also allow us to leverage the unique origin stories and traditions of our tea farms. We should at least explore the idea.

Jason: I have put together some information for KTI's potential website and online store.

Kathleen: Opening an online store would only worsen our existing supply concern and would complicate our current operations. I think it makes much more sense to continue our focus on tea rooms and tea shops.

Regardless, we need to expand and secure our supply of raw tea, not only because the demand is there but also because we do not know how secure our current supply is, due to the ongoing threat of climate change.

APPENDIX I (CONTINUED)
BOARD MEETING DIALOGUE WITH CPA IN ATTENDANCE

Sabrina: Well, the good news is that we have an offer from Tea Taiwan Ltd. (TT). TT claims to be meeting the organic and Fairtrade production standards, but say they lack the experience required to complete the applications and audit processes necessary to become officially certified. TT would therefore like to collaborate with KTI. They want us to help with the certification process in return for a fixed-price raw material supply contract.

Jason: Interesting. If TT is already meeting the standards, we could certainly help them get certified. TT, which has been in operation for four years, is a modern tea processing farm with a good reputation and automated processes.

Sabrina: As long as TT is able to produce a consistent-tasting crop of black tea, it would likely satisfy the needs of KTI's private-label customers. However, for our KTI-branded tea, TT's tea is not likely to produce the unique flavours our customers have come to expect from our tea that is farmed in Sri Lanka and Kenya, so it probably won't work for our branded tea products.

Jason: I agree, Sabrina.

Also, if we agree to the collaboration with TT, we could purchase some of their oolong or green tea to augment our current product line.

Kathleen: Speaking of contract offers, we have a big renegotiation coming up with our largest private-label customer, SaveCo, for their long-term contract renewal. SaveCo represents a large portion of our overall revenue, and they want to continue to offer our products.

Jason: Excellent news!

Kathleen: Certainly. However, this is my first contract negotiation without Michael, and I am already feeling the pressure from SaveCo—their first offer seems low. I don't want to agree to a long-term contract with this low of a profit margin.

Sabrina: If we are not happy with the margin, why renew SaveCo's contract? Why not use our limited supply of raw tea to make products for KTI-branded tea, which produce a higher margin?

Jason: Good point, Sabrina.

APPENDIX I (CONTINUED)
BOARD MEETING DIALOGUE WITH CPA IN ATTENDANCE

Kathleen: Okay, but we cannot ignore that most of our revenue still comes from private-label contracts. Michael worked hard to build KTI's long-term relationships, and they provide KTI with security and stability. We have already agreed that maintaining these relationships would be ideal for KTI.

Sabrina: I guess I am just a little disappointed that we use our supply of Sri Lankan tea to satisfy our private-label contracts. It seems like a waste of these high-quality raw materials.

Kathleen: SaveCo's contract requires that they approve any changes in quality or taste, but replacing the raw materials we use to satisfy the contract is a possible negotiation tool.

Jason: We have another opportunity. As you know, some of the world's best black, green, and white teas are grown in Nepal. However, the Himalayan mountains have always presented logistical challenges, as many regions are not accessible by road. But for the Manang District, that recently changed when a newly-constructed road was opened. Vehicles can now access the remote region. In Manang, there is a tea farm called Mandala Farms (Mandala) that would like to expand operations. Mandala has proposed an agreement whereby KTI will provide its expertise in exchange for the exclusive purchasing rights to Mandala's raw tea leaves.

Sabrina: Wow, Nepali tea would be a dream to work with! Remote farms in Nepal have very traditional production processes. Everything is done by hand and the farmers' knowledge has been passed down for generations. Are these farms organic and Fairtrade certified?

Jason: Unfortunately, no. The purpose of the agreement is for KTI to help Mandala meet these standards. The process will be a challenge. However, if Mandala's current operations are high quality, I am confident that the farm will eventually meet the requirements for certification with our help. This will take at least two years, maybe more.

Kathleen: It sounds like exactly the type of raw materials we want to secure for KTI-branded tea. However, the contract's purchase price for raw materials is slightly higher than KTI's current average, and Mandala requires both an upfront and an annual payment to support their operations.

APPENDIX I (CONTINUED)
BOARD MEETING DIALOGUE WITH CPA IN ATTENDANCE

Sabrina: It would be wonderful to have another supply of high-quality raw materials that R&D could work with, to produce desirable new tea blends and flavours. Mandala's tea might be able to provide this.

Kathleen: Next up, we recently received a proposal from a tea room company, AuthenticiTea Brewing Company (ABC). In the past, ABC has purchased batches of KTI-branded tea, and their customers want more! ABC now wants to sign a long-term purchase contract.

Jason: It is great that KTI-branded tea is gaining popularity, but I am not sure that selling through tea rooms and tea shops is the best strategy. It limits KTI's scope. If we commit long-term, we will have less supply to devote to other sales channels.

Kathleen: I don't agree, Jason. ABC is a big player in the tea room segment. They only sell the highest quality tea from exclusive brands. This contract would secure our position within ABC's stores for years to come.

Sabrina: KTI-branded tea is clearly in high demand. We have received many proposals from both existing customers and potential new customers that want to sell KTI-branded tea within their stores. Some of these proposals are long-term, like ABC's, whereas others are more like the one-off batch sales that we have made for KTI-branded tea products in the past year.

Kathleen: That's true, Sabrina. But I particularly like ABC's offer, given how well known and popular their tea rooms are. ABC mentioned an interest in expanding our contract in the future to include KTI-branded tea within their entire global network of tea rooms. That is an amazing opportunity!

Jason: The margins from long-term contracts are typically lower than those from shorter term contracts. Is that the case here?

Kathleen: Yes, but that is customary. The trade-off is that we would reduce our risk by securing some long-term revenue for KTI-branded tea, something we have yet to do.

We clearly have much to consider. Meeting adjourned.

APPENDIX II
EXCERPTS FROM KTI'S FINANCIAL STATEMENTS AND FORECAST

Kingsdale Tea Inc.
Partial Income Statement
(in thousands of Canadian dollars)

	2024
	Draft
Revenue	
Revenue – private-label	\$ 44,945
Revenue – KTI-branded	16,446
Total revenue	<u>61,391</u>
Cost of sales	
Cost of sales – private-label	38,675
Cost of sales – KTI-branded	10,690
Total cost of sales	<u>49,365</u>
Gross profit	<u>\$ 12,026</u>

APPENDIX II (CONTINUED)
EXCERPTS FROM KTI'S FINANCIAL STATEMENTS AND FORECAST

Kingsdale Tea Inc.
Sales Demand and Supply Forecast
(in thousands of kilograms)

	Actual	Forecast		
	2024	2025	2026	2027
Private-label	10,625	10,838	11,055	11,276
KTI-branded (Note 1)	2,845	4,268	6,402	9,603
Total sales	13,470	15,106	17,457	20,879
Current supply (Note 2)	15,000	15,000	15,000	15,000
Over/(short)	1,530	(106)	(2,457)	(5,879)

Note 1 – The forecast for KTI-branded tea is based on sales orders that have already been requested by tea rooms and tea shops. These orders have yet to be accepted.

Note 2 – KTI's current supply of raw tea leaves comes from Sri Lanka and Kenya.

APPENDIX III WEBSITE AND ONLINE STORE DETAILS

Prepared by Jason Galinsky

Given that KTI lacks the knowledge and expertise required to both develop and maintain the proposed website and online store, these functions would need to be outsourced. The initial setup costs are estimated to be \$800,000.

Once the website and online store go live, KTI will need to pay approximately 5% of online sales revenue to the service provider for things such as ongoing maintenance and website upgrades. KTI would also need to set up an internal team that would handle any customer support issues—this will cost an estimated 2% of sales. Shipping costs are estimated to be 3% of sales, and all other operating costs associated with the project are estimated to be 2% of sales. KTI would also likely need to hire several new staff members to manage this new aspect of KTI's business. KTI would like to use a 4.5% discount rate when assessing the potential value of this project.

	2026	2027	2028
Online sales forecast (<i>in thousands of kilograms</i>)	2,500	4,000	6,000

This forecast only includes the expected demand for the highest quality KTI-branded tea that we can offer. This demand can only be satisfied with the best raw materials. Based on market research, an estimated selling price of \$5.80 per kilogram seems reasonable for these products. Also, it would be a great advantage to showcase the special and unique way each tea was developed, as this would help KTI gain more notoriety on social media. However, it is also likely that KTI could sell lesser-quality teas via the online store, although these tea types would need to be sold at a lower price.

If KTI were to run out of stock for a product offered on the online store, the item would be marked as "SOLD OUT," and customers could then sign up for alerts for when that item once again became available. Showing our products as sold out may help KTI's brand grow a reputation of being exclusive, because our products have limited availability.

Finally, the more variety that we can offer via the online store, the better—our research shows that the typical consumer of KTI-branded tea has a strong desire for diverse options.

APPENDIX IV
TEA TAIWAN LTD. CONTRACT DETAILS

Prepared by Sabrina McLean

Details of TT's Offer

- KTI must commit to purchase a minimum of 2,500,000 kg of black tea per year, for \$3.26 per kilogram. However, as TT's certifications are not likely to be received until the end of 2025, TT will waive the minimum purchase requirement in the first year (2025).
- TT will grant KTI the option to purchase up to an additional 4,500,000 kg of black, green, and/or oolong tea per year, at the same price as above.
- KTI will prepare and file TT's Fairtrade and organic certification applications, oversee the initial audit process, and pay any applicable certification fees. These costs are estimated to be \$2 million.
- The contract's initial term is for five years, with an option for KTI to extend the contract for another five years, at KTI's discretion.

Other Information

TT is a large tea farm close to Taipei that has taken their naturally productive, lower elevation tea farm and automated its processes, to allow for efficient tea farming. TT is mostly known for its oolong and green tea, but the farm was recently expanded to grow black tea, to meet the export demands of this popular variety.

TT's farm has withstood several extreme weather events in the past several years, which did not greatly impact TT's annual crop yield. As TT is located close to a major city and airport, the farm is well situated from a logistical perspective.

APPENDIX V
SAVECO PRIVATE-LABEL CONTRACT RENEGOTIATION

Prepared by Kathleen Galinsky

Contract Renewal Offer from SaveCo

SaveCo was one of KTI's original customers, and currently provides 16% of KTI's overall annual gross revenue. SaveCo's current contract, which is for 2,300,000 kg of tea annually, at \$4.33 per kilogram, expires on December 31, 2025.

SaveCo's initial offer is as follows:

- A term of ten years.
- SaveCo will purchase 2,500,000 kg of private-label tea annually, for \$4.31 per kilogram.
- SaveCo will only accept Fairtrade and organic-certified black tea.
- Packaging specifications will be updated to require 100% recycled cardboard.

Negotiation Notes

- Although KTI has the reputation of being a reliable source of quality Fairtrade and organic certified tea, there are several other suppliers that could satisfy the SaveCo contract.
- SaveCo has expressed interest in potentially expanding the contract beyond just private-label tea in the future, to include an assortment of KTI's new branded products. SaveCo has indicated that, given the two companies' long-standing relationship, our KTI-branded tea would be displayed on premium shelf space.
- The required new packaging is not available through our current packaging supplier, so KTI will have to find a new supplier in order to fulfill this aspect of the contract.
- KTI's other private-label customers are eager to know the outcome of this negotiation, so they can prepare for their own renegotiations. Most of KTI's existing private-label contracts are due to be renewed within the next three years.

APPENDIX VI MANDALA FARM AGREEMENT DETAILS

Prepared by Jason Galinsky

From the sample of teas provided by Mandala, it is evident that the farm's current farmers have incorporated their culture's traditional knowledge of tea cultivation. The quality of Mandala's raw materials is very high. I would be proud to use it for KTI-branded tea. The issue is ensuring that Mandala earns the organic and Fairtrade certifications, which, given the remote location of the farm, could make the process more challenging.

Mandala has not begun the certification process and currently lacks an awareness of what is required to become certified. Therefore, it is likely that many steps will need to be taken before Mandala's operations meet the standards. Further, the applications need to be signed by the Nepali government, and we do not have experience working in that jurisdiction. There could be additional fees and tariffs.

Mandala's tea is grown and processed using traditional methods that have been used for hundreds of years. Mandala farms black, green, and white varieties of tea.

Agreement Terms

- KTI will provide a one-time, upfront payment of CA\$1.5 million upon signing the agreement. These funds will pay for the necessary infrastructure upgrades and certification administration assistance, over the next two years.
- Starting in the second year, KTI will provide an annual fixed payment of CA\$425,000, to fund export costs.
- Over the ten-year contract term, KTI must purchase 100% of Mandala's annual crop production (which will not exceed 3,000,000 kg per year, given Mandala's land size).
- KTI's cost to purchase Mandala's raw materials will be set at \$3.88 per kilogram for the duration of the contract.

KTI would like to use a 15% discount rate when assessing the potential value of this project.

APPENDIX VI (CONTINUED)
MANDALA FARM AGREEMENT DETAILS

Mandala Farm
Organic and Fairtrade Tea Crop Forecast
(in thousands of kilograms)

	2025	2026	2027	2028	2029
Tea production	0	0	1,500	2,000	2,500

APPENDIX VII
AUTHENTICITEA BREWING COMPANY PROPOSAL

Prepared by Sabrina McLean

AuthenticiTea Brewing Company (ABC) is a popular tea room chain. ABC's target market is the younger tea-drinking demographic that is willing to pay a premium for a unique and ethically-sourced product. ABC was drawn to KTI's new branded products, given their superior taste and quality, and because of the unique traditions and stories behind KTI's suppliers in Kenya and Sri Lanka.

ABC has proposed a contract to purchase KTI-branded products, for resale in ABC's North American tea rooms and online store.

The contract proposal is as follows:

- The contract is for five years, beginning in 12 months, whereby ABC will purchase a guaranteed minimum of 1,500,000 kg of KTI-branded tea per year.
- KTI must provide four blends of tea, changing them annually. KTI will be responsible for creating the new blends; however, there must be two spiced, one black, and one other type of tea per year.
- ABC will pay \$4.88 per kilogram.
- ABC will be responsible for paying for shipment of the product.
- If KTI is unable to meet the guaranteed purchase minimum, ABC will charge KTI a penalty equal to 20% of the contract's annual value for each year the minimum is missed.
- All tea must be Fairtrade and organic certified.
- Each tea type must also include a marketing story, detailing the origin, production methods, and tasting notes of the blend; ABC will require this information to be included on product packaging.
- ABC does not require the exclusive sales rights to the teas they purchase from KTI; therefore, KTI retains the right to sell any teas produced to other customers.

End of Examination

**CPA COMMON FINAL EXAMINATION
REFERENCE SCHEDULE**

Present Value of Tax Shield for Amortizable Assets

Present value of total tax shield from CCA for a new asset acquired after January 1, 2024, and before January 1, 2028, other than those eligible for immediate expensing, which would normally be subject to the half-year rule.

$$= \frac{CdT}{(d+k)}$$

Present value of total tax shield from CCA for a new asset acquired after January 1, 2024, and before January 1, 2028, other than those eligible for immediate expensing, which would not normally be subject to the half-year rule.

$$= \frac{CdT}{(d+k)} \left(\frac{1+1.25k}{1+k} \right)$$

Present value of total tax shield from CCA for a new asset acquired after November 20, 2018, and before January 1, 2024, other than those eligible for immediate expensing.

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

Notation for above formula:

C = net initial investment

T = corporate tax rate

k = discount rate or time value of money

d = maximum rate of capital cost allowance

Selected Prescribed Automobile Amounts

Item	2023	2024
Maximum depreciable cost — Class 10.1	\$36,000 + sales tax	\$37,000 + sales tax
Maximum depreciable cost — Class 54	\$61,000 + sales tax	\$61,000 + sales tax
Maximum monthly deductible lease cost	\$950 + sales tax	\$1,050 + sales tax
Maximum monthly deductible interest cost	\$300	\$350
Operating cost benefit — employee	33¢ per km of personal use	33¢ per km of personal use
Non-taxable automobile allowance rates		
— first 5,000 kilometres	68¢ per km	70¢ per km
— balance	62¢ per km	64¢ per km

Individual Federal Income Tax Rates

For 2023:

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

For 2024:

If taxable income is between	Tax on base amount	Tax on excess
\$0 and \$55,867	\$0	15%
\$55,868 and \$111,733	\$8,380	20.5%
\$111,734 and \$173,205	\$19,833	26%
\$173,206 and \$246,752	\$35,815	29%
\$246,753 and any amount	\$57,144	33%

Selected indexed amounts for purposes of computing income tax

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

Item	2023	2024
Basic personal amount, and spouse, common-law partner, or eligible dependant amount for individuals whose net income for the year is greater than or equal to the amount at which the 33% tax bracket begins	\$13,520	\$14,156
Basic personal amount, and spouse, common-law partner, or eligible dependant amount for individuals whose net income for the year is less than or equal to the amount at which the 29% tax bracket begins	15,000	15,705
Age amount if 65 or over in the year	8,396	8,790
Net income threshold for age amount	42,335	44,325
Canada employment amount	1,368	1,433
Disability amount	9,428	9,872
Canada caregiver amount for children under age 18, and addition to spouse, common-law partner, or eligible dependant amount with respect to the Canada caregiver amount	2,499	2,616
Canada caregiver amount for other infirm dependants age 18 or older (maximum amount)	7,999	8,375
Net income threshold for Canada caregiver amount	18,783	19,666
Adoption expense credit limit	18,210	19,066

Other indexed amounts are as follows:

Item	2023	2024
Medical expense tax credit — 3% of net income ceiling	\$2,635	\$2,759
Old age security repayment threshold	86,912	90,997
Annual TFSA dollar limit	6,500	7,000
RRSP dollar limit	30,780	31,560
Lifetime capital gains exemption on qualified small business corporation shares	971,190	1,016,836

Prescribed interest rates (base rates)

Year	Jan. 1 – Mar. 31	Apr. 1 – June 30	July 1 – Sep. 30	Oct. 1 – Dec. 31
2024	6			
2023	4	5	5	5
2022	1	1	2	3

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

Maximum capital cost allowance rates for selected classes

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

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