CFE CANDIDATE NUMBER:

Common Final Examination
September 12, 2024 – Day 3
(Booklet #1 – Cases)

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

GENERAL INSTRUCTIONS BEFORE THE EXAMINATION

1. Fill in your 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.
3. Sign the Policy Statement and Agreement Regarding Examination Confidentiality below.

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I affirm that I have had the opportunity to read the *CPA Examination Regulations* and the *Policy on Academic Integrity and the Use of Artificial Intelligence* and I agree to all of their terms and conditions.

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

CANDIDATE NAME (Please print) ____________________

SIGNATURE ____________________

<u>Examination Details</u>

The examination consists of:
Booklet #1 – (this booklet)
- **Case #1 (90 minutes)**
- **Case #2 (80 minutes)**
- **Case #3 (70 minutes)**

Booklet #2 – Rough notes

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

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

Common Final Examination, 2024

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

Case #1 **(Suggested time: 90 minutes)**

Fresh Fashion Inc. (Fresh) is a company that was started by Alyssa Hamilton in 2013, which offers online, subscription-based clothing rental services. Alyssa, a Canadian resident, is the CEO and owner of all of the company's 1,500 common shares. Fresh offers mid-tier and designer-brand clothing for rent, as renting clothes has become a popular alternative to buying them. Customers pay either $225 monthly for a regular subscription, which allows them to rent five mid-tier items a month, or $300 monthly for a premium subscription, which allows them to rent five designer items a month. No unused rentals can be carried forward from month to month.

It is January 15, 2024, and you, CPA, an external consultant, are meeting with Griffin Anderson, CFO of Fresh. Griffin tells you, "As described in my business update, 2023 was an eventful year (Appendix I). There are several differences between our actual year-end numbers and the budget we prepared at the beginning of 2023. We need you to analyze the causes, and how much each contributed to the differences (Appendix II).

"Also, please calculate our 2023 federal corporate income taxes payable. We remitted income tax instalments totalling $80,000 for 2023.

"We are currently building an algorithm to suggest clothing brands, styles, and colours to customers, based on their rental history. We will also license this algorithm, which we are calling "BestFit," to retailers looking to improve their sales and customer service. Here are the draft terms of our licensing agreement with retailers (Appendix III). Please explain any risks with these terms, and provide suggestions to mitigate them. We have interest from several retailers and expect this will grow into a significant revenue stream in the future; however, we still want our business strategy to focus on our core rental business as the driver of Fresh's growth going forward.

"To date, we have financed the algorithm project through operating cash flows; however, to complete the project, we will need external financing. We have narrowed it down to two options (Appendix IV). Please analyze them and make a recommendation.

"To help us prepare for our annual audit, please describe what audit procedures the auditor will likely perform over the algorithm expenditures (Appendix V), as well as revenue and salaries and wages.

(CONTINUED ON PAGE 3)

“Lastly, Alyssa is planning to retire. She has worked hard to foster a close, cohesive workplace, and employees will be sad to see her go. We are looking to hire a new CEO, and have two candidates (Appendix VI). We would like your advice on which candidate will be the best strategic fit for Fresh.”

(CONTINUED ON PAGE 4)

APPENDIX I
2023 BUSINESS UPDATE

Due to increased designer brand recognition from social media, customers are renting designer clothing more frequently. Throughout 2023, 720 customers switched their subscriptions from regular to premium.

In July 2023, we decided to start using social media influencers to promote Fresh. We provided them with a code, valid only in the month of July, to give to their followers. The code gave the customer the first month free when signing up for six months. A total of 150 new premium subscriptions were sold, using the discount code. Given the success of this campaign, we were able to cut $30,000 from our originally planned print advertising.

We also sell fully depreciated clothing in bulk to discount chains. Our brands retained their value better than expected in 2023, and sold for $80,000 as opposed to the anticipated $12,000 salvage value.

(CONTINUED ON PAGE 5)

APPENDIX II
DRAFT INCOME STATEMENT

Fresh Fashion Inc.
Draft Income Statement
For the year ended December 31, 2023
(in thousands of Canadian dollars)

	Budget	Actual	Difference	Note
Revenue				
Sales from subscriptions	$ 3,096	$ 3,735	$ 639	
Sales discounts	(124)	(166)	(42)	
Gain on sale of clothing	0	68	68	
Net revenue	2,972	3,637	665	
Expenses				
Rental clothing depreciation	1,875	1,875	0	1
Salaries and wages	420	420	0	2
Shipping	155	187	32	3
General and administrative	120	119	(1)	4
Marketing	85	111	26	5
Rent	72	72	0	
Research and development (other than salaries and wages)	40	40	0	
Other depreciation	8	8	0	6
	2,775	2,832	57	
Income before taxes	197	805	608	
Income tax expense	80	80	0	
Net income	$ 117	$ 725	$ 608	

(CONTINUED ON PAGE 6)

APPENDIX II (CONTINUED)
DRAFT INCOME STATEMENT

Notes:

1. Rental clothing (apparel) has a useful life of two years. The opening UCC balance was nil, and additions during the year totalled $1.5 million.
2. Salaries and wages include bonuses of $30,000 for 2023 that will be paid in July 2024.
3. As Fresh pays for the return of the clothes at the end of the rental period, shipping expenses include a provision of $12,500 for the return of items currently out for rent. This provision was $7,500 at the end of 2022.
4. General and administrative expense includes $12,000 for meals and entertainment, and $5,000 for our annual, all-employee party.
5. The influencer advertising campaign cost $50,000.
6. Other depreciation is on office furniture, which had an opening UCC balance of $24,000. No new furniture was purchased during the year.

(CONTINUED ON PAGE 7)

APPENDIX III
DRAFT TERMS OF ALGORITHM LICENSING AGREEMENT

- The retailer provides Fresh with historical customer purchase data and information on upcoming product launches, so Fresh can design a customized algorithm.
- The amount of historical data provided is at the discretion of each retailer, and they can provide the data in whatever format they wish.
- All data provided by the retailer, including customer personal information, is stored by Fresh on a secure, cloud-based server. All retailers have a common link to a shared folder on this server, where they can upload their customer and product data.
- The retailer can access the algorithm’s source code upon request.
- Fresh guarantees improved customer satisfaction. The retailer agrees to send its customers a feedback form to complete after each purchase, and to report results to Fresh each month. The monthly service fee charged by Fresh to the retailer will be reduced if customer feedback for purchases made, based on a BestFit style suggestion, is less favourable than feedback from customers who purchased without using BestFit.

(CONTINUED ON PAGE 8)

APPENDIX IV
FINANCING ALTERNATIVES

Based on our forecast, we will need $350,000 in 2024 to cover the remaining BestFit development expenditures, and $150,000 for BestFit operational expenses in 2025 while we are building our customer base.

Option #1

$500,000 bank loan, received in eight equal quarterly instalments, beginning on March 1, 2024.

- Principal repayments begin one year after the final instalment is received by Fresh.
- Interest is payable monthly, starting on April 1, 2024.
- The annual interest rate is 8%.
- The bank is open to changing the timing of the funding in exchange for a slightly higher interest rate.

Option #2

Loans from several friends and family members.

- Individual loans will range from $25,000 to $100,000, to get the $500,000 needed.
- Once annual BestFit sales reach $1.5 million, lenders each have the option to be repaid or to convert their loans to common shares. Each $500 of debt is convertible into one common share.
- Interest is equal to the prime rate plus 2%. The current prime rate is 5%. Interest accrues monthly, and is paid out at the time of principal repayment, or the principal's conversion to common shares.

(CONTINUED ON PAGE 9)

APPENDIX V
BESTFIT EXPENDITURES

In March 2023, we spent $15,000 for an external consultant, to determine whether there is a market for BestFit. The consultant found that, by using BestFit, retailers would see increased sales and customer satisfaction, and lower costs associated with returned goods.

In early July 2023, we hired a team of three software developers—at an annual salary of $110,000 each—to build the algorithm. The team has extensive experience in developing similar technologies.

On October 1, 2023, the developers produced a preliminary working version of the algorithm; shortly thereafter, we incurred $25,000 in legal fees to register a copyright on the BestFit source code. We anticipate completing the project by August 2024.

Please explain the best way to account for the BestFit costs under ASPE. All BestFit expenditures to date have been expensed.

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APPENDIX VI
CEO CANDIDATES

Candidate #1 – Genevieve

Genevieve, currently VP of operations at a department store, is a fashion industry veteran who has good relationships with executives at major retailers. The fashion retail industry has been slow to adopt new technology, so Genevieve does not have experience in this area.

She has been successful in growing companies by promoting individuals to leadership positions internally. Genevieve believes there is huge potential in clothing rentals as a sustainable alternative to conventional retail. She prefers to receive salary-based compensation.

Candidate #2 – Shane

Shane is the chief technology officer at a social media start-up. He has developed a very popular app, despite concerns with its privacy policies. Although he has no experience in fashion, Shane is interested in bringing high-tech solutions to the industry and he sees BestFit's potential. He envisions Fresh growing quickly by significantly increasing the number of software developers and salespeople, and hiring remote workers. Shane prefers stock compensation over a higher salary, so he can benefit from the growth of the company.

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Case #2 **(Suggested time: 80 minutes)**

It is April 2, 2024. You, CPA, meet with your new client, Kristel Percy, CEO of Percy & Thrower Inc. (PT), an online-based company that provides legal services. Kristel needs advice on several issues.

“Thank you for meeting with us, CPA. We have been operating for a few years, and business is booming! We are preparing our financial statements for the year ended March 31, 2024, in accordance with IFRS. Our controller, Brigit, needs help accounting for the first sale of our new legal services package (Appendix I).

“Business is so good that Rashad, one of my business partners in PT, has made two investments for PT with our excess funds (Appendix II). Please explain the impact of these investments on the corporate taxable income for the year ended March 31, 2024. Also, explain the impact on corporate taxable income if we were to sell them today. Please also answer Brigit’s questions regarding the accounting treatment of the real estate investment.

“Brigit has also expressed frustration with the investment process, so can you discuss the control weaknesses you identify, and recommend improvements (Appendix III)?

“Also, Rashad has new investment ideas (Appendix IV). We want our new investments to be of low-to-moderate risk, meet our expected rate of return, and support initiatives that align with our strategy. Our strategy is to optimize performance through the use of technologies, and promote and enable flexible work arrangements. Could you assess whether each of Rashad’s ideas meet our objectives?

“Lastly, we are considering buying a small firm, Westley Legal (Westley). I have sent you a summary of the potential deal and Westley’s financial information (Appendix V). Please calculate the value of this firm.”

(CONTINUED ON PAGE 12)

APPENDIX I
NEW LEGAL SERVICES PACKAGE

We started offering a new legal services package, where customers can access all of the following services for $4,500:

Service	Stand-Alone Price
Home purchase agreement	$ 2,500
Pre-nuptial agreement	$ 2,000
Will	$ 1,500

Eveline, one of Rashad's old friends, is our first client to purchase this package. They discussed the idea over dinner, where Eveline verbally agreed to purchase the package. Eveline is waiting to free up some cash, so Rashad told her she could pay later this year. Rashad completed the legal work for Eveline's home purchase on March 31. Eveline is also getting married; Rashad started drafting the pre-nuptial agreement on March 1, 2024, but it will take about three more months to complete. No work has been done on the will so far. We have not yet recorded anything related to this package sold to Eveline.

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APPENDIX II
CURRENT INVESTMENTS

Real Estate

PT purchased real estate for $2 million in early April 2023. The property includes two adjacent commercial buildings currently leased to tenants. PT has no other buildings. The land is worth 30% of the total value of the property, and the buildings have a remaining useful life of 30 years. If PT keeps growing, this could be a good place for an office; we currently do not have an office because we all work from home. PT could occupy one building and continue to lease the other one. We recorded the purchase as property, plant, and equipment (PP&E) on our balance sheet—is that correct? How would we account for this property if we end up moving in?

The real estate market is very strong, so we are also considering selling the property; it was recently appraised at $2.3 million.

Shares

PT purchased 1,000 shares of You-Tok, a publicly traded company operating a social media video-sharing platform, on January 1, 2024, for $20 each. These are now trading at $15, compared to $5 last summer. At least we receive a quarterly dividend of $0.05 per share. You-Tok is a taxable Canadian corporation.

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APPENDIX III
INVESTMENT PROCESS

When Rashad comes up with an investment idea, he tells Kristel over coffee, or in an email or text message, and Kristel provides some feedback. Rashad then decides where and when to invest, and usually checks whether PT has the funds needed. Rashad makes most investments using PT's online broker, who withdraws funds directly from PT's bank account. Rashad also has the ability to send electronic transfers, if necessary.

Rashad monitors results, and makes the decision to sell investments when the time feels right.

Brigit is informed of the investments either incidentally, via email, or sometimes when completing the bank reconciliation, when trying to determine what withdrawals, transfers, or deposits are for. She once found out about an investment when she got a call from the broker, because the direct withdrawal could not go through due to insufficient funds. Both Rashad and Kristel have access to the accounting system.

Brigit asks Rashad to provide the financial information for the investments, as he is the one receiving the broker statements. However, he is very busy, and it sometimes takes weeks for her to get the statements, which results in delays finalizing the financial statements. Partners in the company have expressed frustration over having to wait for the financial information.

Some of the investments were not great. Rashad once invested in an ice cream company because it was a hot day! This investment did not meet the 6% annual return that the partners hope to get from investments.

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APPENDIX IV
NEW INVESTMENT IDEAS

Rashad thinks cryptocurrencies are the way of the future, and wants to invest in a new cryptocurrency called Costume. He also thinks the value of this cryptocurrency will appreciate.

Virtual Vagabond is a travel agency that helps businesses find short-term office accommodations for individuals who work remotely while travelling. The company would like to go public, has a strong earnings history, and discussed paying dividends. Rashad wants to make a $60,000 equity investment in the company. Both Kristel and Rashad enjoy working remotely.

Rashad was asked to provide a $50,000, three-year loan to a consulting company led by his long-time friend, Sid Morton, CPA. This small company has stable annual revenue and, using web-based tools, offers bookkeeping and financial statement preparation services to small businesses in remote farming communities. They will pay $8,000 of interest at the end of the loan term.

(CONTINUED ON PAGE 16)

APPENDIX V
INFORMATION ABOUT WESTLEY

Description	Amount
Net book value of PP&E	$ 55,000
Fair market value of PP&E	$ 60,000
Total liabilities (all short-term)	$ 156,000
Revenue	$ 1,500,000
Income before tax	$ 450,000
Interest expense	$ 3,600
Amortization	$ 70,000

Notes:

- The above information is based on Westley's latest annual financial statements.
- It was an unusual year, as Westley had an insurance claim, and recorded a gain of $10,000.
- Westley does not have bank debt. Interest expense is related to credit card interest paid.
- Revenue is down from the prior year by 3%. Adam, the owner, told us that this was due to a since-resolved personal health issue, but we noticed that he lost a long-time client around the same time. Adam has had many of the same clients for over 15 years.
- Adam is taking an annual salary of $100,000, which is lower than the average lawyer's annual salary of $250,000. Westley pays Adam's son $50,000 per year for administrative duties. Adam is ready to retire this year, already spending several months a year in Florida, even though all his clients are in Canada.
- Westley has two annual office leases, and the monthly payments of both are expensed for accounting purposes: one in Markham, Ontario ($3,500 per month), and one in Florida ($2,000 per month).
- Law firms are typically valued using a two-to-three times EBITDA earnings multiplier.

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

It is February 8, 2024. You, CPA, are the new controller of Prairies Wheel Company (Prairies), and are meeting with Marta Licht, the new CFO. Prairies is a bicycle manufacturing company renowned for its high-quality products, and is located in a remote industrial area near Calgary, Alberta. Prairies was acquired by Tulip Pedals Inc. (Tulip), a public Dutch company in the bicycle industry, on January 1, 2024. Marta has just arrived in Canada from the Netherlands, and is still getting familiar with Canadian tax laws and accounting standards.

“Nice to meet you, CPA. I used to work at Tulip’s corporate office, and am here to increase Prairies’ profits, now that it makes up nearly 40% of Tulip’s consolidated sales. Prairies has not been operating at full capacity, and we have opportunities to expand our product offerings (Appendix I). Please analyze the opportunities and recommend one.

“Tulip has its own vision, mission, and objectives statements (Appendix II). Please compare them to Prairies’ business practices and the way it currently manages its operations, and identify areas where Prairies is aligned with Tulip, areas where it is not, and what might need to change at Prairies in order to fit with Tulip. I gathered some social media comments provided by Prairies’ employees (Appendix III).

“Tulip has a very competitive compensation plan that we are eager to provide to Prairies’ employees (Appendix IV). Please review the plan, explain whether each feature will be effective in incentivizing Prairies’ employees, and provide recommendations for improvement.

“Being from the Netherlands, I do not understand the Canadian GST/HST system. Please provide me with an overview. Also, when do we need to file our GST/HST return and make our payments? Are we on track with deadlines? What are the consequences if we are late? Can you also explain the corporate income tax filing and payment deadlines, as well as instalment requirements? I prepared some related financial information (Appendix V).

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"Our bank now requires Prairies to submit audited financial statements as part of our loan agreement, so the audit of the December 31, 2023, financial statements will be Prairies' first audit. Please provide me with a report that includes an assessment of risks of material misstatement at the overall financial statement level, an explanation of what the auditor's materiality assessment will likely be, and a discussion of the expected audit approach. As we say, "Time is money, so let's get to work—a little overtime never hurt anybody."

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APPENDIX I
PRODUCT OFFERING OPPORTUNITIES

By adding shifts (paid at the regular rate), Prairies has up to 800 additional labour hours available per month, and we are considering two options for using them. Tulip has perfected the Cit-E-Bike, a commuting-style electric bike, and could manufacture and sell this bike here in Canada. Alternatively, we could manufacture SnoTrax, which are snow tracks that you can swap for regular tires, to use your bike in the snow.

Nowadays, it is difficult to find general labourers, and it is even harder to find specialized technicians. We pay our general labourers $35 per hour. Utility charges are $5 per labour hour. We will allocate approximately $40,000 of annual overhead costs to whichever product we decide to manufacture.

Cit-E-Bike

Based on our European sales and manufacturing data, we estimate that we could sell all bikes produced, at $2,000 each. The electrical components will require an inspection by a specialized electrical technician, which will cost us $100 per bike. Parts for the bike are shipped from China; estimated shipping costs to Canada are $4 per bike.

SnoTrax

SnoTrax would be a new product for both Prairies and Tulip. Prairies started working on this project prior to being acquired by Tulip, based on an idea from an employee. We previously spent $50,000 on design and prototyping. We estimate that we can sell all of the SnoTrax produced, at $900 for each set of two tracks. We have received interest from Canadian ski resorts. No specialized technicians are required in the manufacturing process. All materials would be sourced from Canada, with a shipping cost of $3 per set.

Additional Information

Description	Cit-E-Bike	SnoTrax
Parts cost	$1,200 per unit	$450 per set
General labour hours required	5 hours per unit	3 hours per set
Estimated monthly demand	1,000 units	2,000 sets

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APPENDIX II
TULIP'S STATEMENTS

Vision

To be a growth-focused, global bicycle business that provides innovative and sustainable mobility solutions in order to create a world where cycling is the preferred mode of transportation.

Mission

To design, manufacture, and distribute high-quality products with cycling technology that is efficient, reliable, and sustainable, and to exceed customer expectations by delivering exceptional products while promoting the values of hard work, direct feedback, and innovation with our employees.

Corporate Objectives

- Expand to new countries: Leverage hard work, expertise, and resources, to identify new market opportunities.
- Foster green business practices: Promote sustainable business practices that reduce waste, conserve energy, and use eco-friendly materials and processes.
- Innovate through efficiency: Continuously improve the efficiency and performance of our cycling technology by investing in research and development, and adopting cutting-edge technologies.

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APPENDIX III
SOCIAL MEDIA COMMENTS FROM PRAIRIES' EMPLOYEES

The following comments are a good summary of the comments we have seen online, and are reflective of what we have observed at Prairies.

"Prairies was named the top employer in Alberta because of its *people-first* culture. They encourage work-life balance, making sure working conditions exceed regulations, even if it means less production."

"At Prairies, we have strategy sessions, where we ask questions like, "Should we even stay in the bicycle market?" It is great to explore other ideas—it's not all about bikes."

"I was on the sustainability committee at Prairies. We came up with great ideas for reducing our carbon footprint, but it is really too bad that every employee still drives to work."

"Prairies is a great local company, filling local needs. We only sell in Alberta, and pride ourselves on understanding the Calgary market."

"I was fired from Prairies but never had a performance review or feedback, which is too bad, as I loved the high, stable salary. I do not miss month-end though—I worked in the accounting department, and we were always rushed to make correcting entries, sometimes having to correct entries from previous months or years."

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APPENDIX IV
TULIP'S COMPENSATION PLAN FOR PRAIRIES

Base salaries would be slightly below market rates; however, employees would get a generous bonus if certain objectives are met. For each objective achieved, employees would obtain a specified percentage of the maximum bonus.

Prairies' Objective	**Target Measure**	**% of Bonus**
Expand to new countries	10% increase in sales to new countries	20%
Foster green business practices	20% reduction in carbon footprint	30%
Innovate through efficiency	10% improvement in labour efficiency variance	25%
Increase overall profitability	5% increase in net income	25%

In addition:

- Employees who bike to work would receive an extra $100 per month.
- Every employee could get reimbursed up to $2,000 per year for health and wellness expenses.

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APPENDIX V
PRAIRIES' 2023 FINANCIAL INFORMATION

Description	Amount	Note
Total assets	$ 7,215,000	1
Net assets	$ 3,250,000	
Estimated taxes payable	$ 43,000	2
Sales	$ 4,350,000	
Expenses	$ 3,958,500	
Income before tax	$ 391,500	

Notes:

1. Inventory and PP&E make up most of the asset balance.

2. We estimate taxes payable to be $43,000, which is the same as it was last year. Prairies' last income tax instalment payment of $10,750 was made on September 30, 2023. The last GST/HST filing was done for the quarter that ended on September 30, 2023.

Alberta charges only GST, at 5%.

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End of Examination

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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

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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%

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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

(CONTINUED ON PAGE 28)

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	
Lifetime capital gains exemption for dispositions before June 25		1,016,836
Lifetime capital gains exemption for dispositions on or after June 25		1,250,000

Prescribed interest rates (base rates)

Year	Jan. 1 – Mar. 31	Apr. 1 – June 30	July 1 – Sep. 30	Oct. 1 – Dec. 31
2024	6	6	5	
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.

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

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