

TIF PROBLEM TWENTY - 3

International Income - Multiple Choice

Determination Of Residence

1. Which of the following entities is not liable for paying Canadian income tax?
 - A. Sam Jackle, a Canadian citizen who has lived in Barbados for the last fifteen years.
 - B. Marian Jones, a U.S. citizen who lives in Buffalo, New York, but is employed in Fort Erie, Ontario.
 - C. Baron Inc., a corporation that was incorporated in Manitoba in 1977.
 - D. Marston Ltd., a U.S. corporation that employs a large sales force to sell its products in Ontario.
2. Ms. Floom has been out of Canada for several years. She is presumed to be a non-resident as long as certain tests are met. Indicate the condition that does not have to be met.
 - A. She did not leave a spouse or other dependants in Canada.
 - B. She does not return to Canada on a regular or frequent basis.
 - C. She did not leave personal property or social ties in Canada.
 - D. She did not leave taxable Canadian property in Canada.
 - E. She did establish permanent residence in another jurisdiction.
3. In which of the following situations is the person considered a non-resident of Canada, in 2010, for income tax purposes?
 - A. James Arder, a recently qualified CA, based in Montreal, accepted a transfer to an office in Sydney, Australia for the period May 1, 2010 to August 31, 2010. James is not married and had lived at his parent's house in Montreal.
 - B. Karen Cotin, a computer programmer, had been employed by ABC Systems Ltd. in Toronto. In 2009, she accepted a minimum two-year contract with CS Services Inc. in London, England. Her position with CS Services Inc. started October 1, 2009. Before moving to England, where she will join her fiancé, Karen terminated the lease on her apartment in Toronto and sold her car.
 - C. N Limited was incorporated in Canada in 1990 and, until May 2009, its manufacturing plant was located in Mississauga, Ontario. In May 2009, it moved all of its operations, including the manufacturing plant, to North Carolina, U.S.A.
 - D. B. Bath, a member of the Canadian Armed Forces, who was stationed in Lahr, Germany from September 1, 2008 to February 1, 2011.
4. The directors of Lartch Inc. have always met where the directors reside. Based on this fact, for income tax purposes, Lartch Inc. will not be resident in Canada if the Company was:
 - A. incorporated in Canada in 1963 and all of its directors are Canadian residents.
 - B. incorporated in the U.S. in 1970 and all of its directors are Canadian residents.
 - C. incorporated in Canada in 1972 and all of its directors are U.S. residents.
 - D. incorporated in the U.S. in 1965 and all of its directors are U.S. residents.

5. All of the following statements are true, except:
- A. Canadian residents must report their worldwide income for tax purposes.
 - B. If an individual is a resident of Canada for part of the calendar year, that individual only has to report his worldwide income during the period of residency for Canadian tax purposes.
 - C. An individual who immigrates to Canada during the year is a resident of Canada for tax purposes for the full calendar year.
 - D. An individual can be a resident of Canada for tax purposes, even if she is not a Canadian citizen.
6. Alex is a U.S. citizen who commutes each day to Canada for employment purposes. Bob is a U.S. citizen who lives in Canada during the week for employment purposes, but returns to the U.S. on weekends to the house he shares with his wife and children. Charles is a Canadian citizen who lived in Toronto until March of last year, at which time he left for a four year aid mission in Africa under an agreement with the Canadian International Development Agency. Dick is a Canadian citizen who goes to school in the U.S. for eight months of each year but returns to Canada to live with his parents each summer. Of these individuals, who would be a resident or deemed resident of Canada for tax purposes this year?
- A. Alex, Bob and Charles.
 - B. Bob, Charles and Dick.
 - C. Bob and Charles.
 - D. Alex and Dick.
7. With respect to the residency of an individual, which of the following statements is not correct?
- A. To be a resident for tax purposes, an individual must be a Canadian citizen.
 - B. If an individual leaves or enters Canada during the current year, he will be considered a part-year resident for tax purposes.
 - C. An individual is a Canadian resident for tax purposes if his principal residential ties are in Canada.
 - D. An individual is considered to be a Canadian resident for tax purposes if he visits for more than 183 days in a calendar year.
8. Which of the following corporations would not be considered resident in Canada for tax purposes?
- A. Dontar Inc. was incorporated in Manitoba on April 5, 1965 and has carried on business in Canada since that date.
 - B. Linco Ltd. was incorporated in Ontario on April 4, 1975 and, until the end of 1996, carried on business in Canada. At that time, all of the management and operations of the Company moved to the southern United States.
 - C. Norad Inc. was incorporated in New York state on March 1, 1985 and, until the end of 1993, carried on business in Canada. At that time, all of the management and operations of the Company moved to the southern United States.
 - D. Rio Amgal Inc. was incorporated in Montana on September 3, 2001. While the Company has operations in both Canada and the U.S., the directors live in Calgary. As a consequence, all director's meetings are held in that city.
9. Which of the following factors would not be relevant under the Canada/U.S. tax treaty tie-breaker rules for determining the residence of an individual?
- A. The country in which the individual earns business income.
 - B. The country in which the individual is a citizen.
 - C. The country in which the individual has a permanent home available to him.
 - D. The country in which the individual has a habitual abode.

TIF Problem Twenty - 3

International Income - Multiple Choice

10. Which of the following is not a factor in determining whether an individual has ceased to be a Canadian resident?
- A. The individual's spouse and dependent children have left Canada.
 - B. The individual is no longer physically present in Canada.
 - C. The individual has become a resident of another country.
 - D. The individual has given up his Canadian citizenship in order to become a citizen of another country.

Taxation Of Non-Residents

11. Mike O'Shea, a resident of Ireland, has owned a Canadian rental property for several years. The property is located in Alberta and, during the current year, it was sold for an amount that resulted in a significant capital gain. Which of the following statements is correct with respect to the gain?
- A. Mr. O'Shea is not a Canadian resident and, as a consequence, will not be taxed on this gain.
 - B. Mr. O'Shea will be assessed for a withholding tax under Part XIII of the *Income Tax Act*.
 - C. Mr. O'Shea will be subject to Canadian Part I tax.
 - D. Mr. O'Shea will be subject to Canadian Part I tax as well as Part XIII tax.
12. Many types of income are subject to withholding tax under Part XIII of the *Income Tax Act*. Which of the following would not be subject to this withholding tax when paid to a non-resident individual? Ignore any tax treaty provisions that might be applicable.
- A. A withdrawal from a RRIF by a former resident of Canada.
 - B. A deferred bonus from a former employer who is resident in Canada.
 - C. Interest on Government of Canada bonds.
 - D. Dividends received from a CCPC.
13. Certain types of Canadian income earned by non-residents is not taxed under Part I of the *Income Tax Act*. Which of the following types of income would be eligible for this treatment? Ignore any tax treaty implications that might be applicable.
- A. Income from the sale of Canadian real estate.
 - B. Interest on a GIC issued by a Canadian bank.
 - C. Income resulting from the exercise of options on the stock of a Canadian public company.
 - D. Recapture resulting from the sale of a Canadian business property.
14. Merivale is an American corporation with operations throughout the United States. In addition to its U.S. operations, it has a sales office in Calgary. Canadian employees who work out of this sales office take orders for the company's products. The orders are filled from a warehouse in Montana.
- A. Merivale is not subject to Canadian tax because it is not incorporated in Canada.
 - B. Merivale is not subject to Canadian tax because the orders are not filled from a Canadian warehouse.
 - C. Merivale is not subject to Canadian tax because the mind and management of the company is not in Canada.
 - D. Merivale is subject to Canadian tax on the income that is earned by the Calgary office.

15. A non-resident individual owns a rental property in Canada. Which of the following statements is correct?
- The gross rents are subject to withholding under Part XIII of the *Income Tax Act*. However, the taxpayer can elect to file a Canadian tax return which will include the net rental income.
 - The net rental income is subject to withholding under Part XIII of the *Income Tax Act*. However, the taxpayer can elect to file a Canadian tax return which will include the gross rents.
 - The taxpayer must file a Canadian tax return which includes the net rental income.
 - The net rents are subject to withholding under Part XIII of the *Income Tax Act*.

Immigration And Emigration

16. Mr. Winsome is a Canadian citizen and has been resident in Canada for the past 35 years. His company has offered him a position with its Australian branch, which Mr. Winsome has accepted. The position is a transfer and Mr. Winsome plans to remain in Australia for the rest of his life. Given the temperate climate in Australia, he thinks it will be a good country to retire in. Mr. Winsome has the following assets in Canada on December 15, 2010, the date of his departure from Canada:

	As At December 15, 2010	
	FMV	ACB
Shares in Bell Canada, a public company	\$10,000	\$ 7,000
Shares in TNX Co., a private company	8,000	5,000
Mutual Funds	10,000	10,000
Sailboat (that he is shipping to Australia)	15,000	18,000

He sold all of his other assets.

Which of the following is correct?

- Mr. Winsome will be deemed to have disposed of his mutual funds, sailboat, TNX Co. shares and Bell Canada shares on December 15, 2010.
 - Mr. Winsome can elect to defer the gain on the Bell Canada shares until they are sold, only if security acceptable to the CRA is provided.
 - Mr. Winsome can elect to have a deemed disposition of the Bell Canada shares on December 15, 2010, only if security acceptable to the CRA is provided.
 - None of the above.
17. When an individual departs from Canada, there is a deemed disposition of several types of property. Which of the following properties would not be subject to this deemed disposition rule?
- A large painting by a well known Canadian artist.
 - Land and building that is being used as a rental property.
 - Shares of a CCPC involved in earning active business.
 - Shares of a CCPC that is used to hold investments.

TIF Problem Twenty - 3

International Income - Multiple Choice

18. Because of his distaste for Canadian winters, Rob Johnston has emigrated from Canada to Florida. At the time of his departure, his RRSP held assets with a fair market value of \$1,500,000. Which of the following statements is correct?
- A. There will be a deemed disposition of all of these assets at the time of Rob's departure from Canada.
 - B. There will be no tax consequences at the time of departure. However, any withdrawals from the plan after his departure will be subject to Canadian Part I tax.
 - C. There will be no tax consequences at the time of departure. However, any withdrawals from the plan after his departure will be subject to Canadian Part XIII tax.
 - D. Part XIII tax will have to be paid at the time of departure, but there will be no further taxation assessed on withdrawals from the plan.
19. Joan Bias, a U.S. citizen, established Canadian residency in 2007. At the time she entered Canada, she owned shares in a U.S. company that had an adjusted cost base of \$150,000 and a fair market value \$210,000. During 2010, she sold these shares for \$170,000. Which of the following reflects the tax consequence of this sale?
- A. There would be a taxable capital gain of \$20,000.
 - B. There would be an allowable capital loss of \$20,000.
 - C. There would be a taxable capital gain of \$10,000.
 - D. There would be a business investment loss of \$40,000.

Taxation Of Foreign Source Income

20. Last year, Maria Antonelli immigrated to Canada from Italy. However, she continues to be a partner in the family business which is located in Sicily. It is the policy of the partnership to distribute 100 percent of its income to the partners. Which of the following is the correct treatment of her share of the partnership income?
- A. The amount received, net of Italian taxes, will be taxable in Canada.
 - B. The amount will be taxed only in Italy.
 - C. The gross amount received, prior to the deduction of any Italian taxes withheld, will be taxable in Canada. No consideration will be given in Maria's Canadian tax return for the Italian taxes paid.
 - D. The gross amount received, prior to the deduction of any Italian taxes withheld, will be taxable in Canada. Maria will receive a Canadian tax credit for the Italian taxes paid.
21. Which of the following conditions are required in order for a resident Canadian corporation to be able to deduct dividends from a non-resident corporation?
- A. The dividend must be paid out of active business income.
 - B. The active business income must be earned in a country with which Canada has a tax treaty or has entered into a tax exchange information agreement.
 - C. The non-resident corporation must be a foreign affiliate.
 - D. All of the above.
22. Which of the following statements with respect to foreign investment entities (FIEs) is incorrect?
- A. An FIE is also a non-resident entity.
 - B. Investors in some FIEs must include in income an amount based on the designated cost of the investment, without regard to the earnings of the FIE.
 - C. A controlled foreign affiliate is considered to be an FIE unless otherwise elected.
 - D. Investors in an FIE that is widely traded on a prescribed foreign stock exchange are not required to include in income an amount based on the designated cost of the investment.