

Practice Examination Solution

Chapter 4 (Tax Payable For Individuals)

Examination Summary

The marks you have received on each question can be added in the final column.

Question	Type Of Question Or Subject	Total Marks	Your Mark
1	Essay Question	10	
2 - 7	True Or False Questions	9	
8 - 14	Multiple Choice Questions	21	
15	Personal Tax Credits	10	
16	Charitable Donations Tax Credit	15	
17	Medical Expenses Tax Credit	20	
18	Education Related Tax Credits	15	
Total		100	

Solution 1 (10 Marks)

A table of the possible answers is as follows:

Credit	Can Transfer To	Can Transfer To
Disability	Spouse	Parent
Tuition	Spouse	Parent
Education	Spouse	Parent
Textbook	Spouse	Parent
Child	Spouse	
Age	Spouse	
Pension	Spouse	

2 grading points for each correct pair, i.e., credit plus spouse or parent.

Total 10

Your Mark = $[(\# \text{ of grading points} \div 10)(10\%)] = __\%$

Solutions 2 Through 7 (9 Marks)

2. **True.**
3. **False.** IT-513R specifies that only one spouse can claim the spousal tax credit.
4. **True.**
5. **False.** They can be claimed, but must be reduced by the lesser of \$2,152 and 3 percent of the dependant's Net Income For Tax Purposes.
6. **False.** Charitable donations are limited to 75 percent of the taxpayer's Net Income For Tax Purposes.
7. **True.**

1 grading point for each correct answer. Total 6

Your Mark = [(# of grading points ÷ 6)(9%)] = ____%

Solutions 8 Through 14 (21 Marks)

8. **C.** Medical expenses.
9. **D.** Provincial taxes are calculated as a percentage of federal Tax Payable.
10. **D.** They are deducted in the determination of Taxable Income.
11. **C.** The maximum credits are calculated as follows:

Basic Personal	\$11,038
Spousal Including FCA	
(\$11,038 + \$2,040 - \$8,200)	4,878
Transfer Of Age From Spouse	6,854
Transfer Of Disability From Spouse	7,697
Total Credit Base	\$30,467
Rate	15%
Maximum Credit	\$ 4,570
12. **B.** If the individual is a parent or grandparent, they do not have to be under 18.
13. **B.** A payment from the Canada Pension Plan.
14. **A.** The goods and services tax credit.

1 grading point for each correct answer. Total 7

Your Mark = [(# of grading points ÷ 7)(21%)] = ____%

Solution 15 (10 Marks)

Her tax credits would be as follows:

Basic Personal Amount	\$11,038
Amount For Eligible Dependant - Daughter (\$11,038 - \$4,300)	6,738
Child - Daughter	2,234
Caregiver Including FCA - Son (\$4,490 + \$2,040)	6,530
Credit Base	\$26,540
Rate	15%
Total Credits	\$ 3,981

Since Ms. Borat claims her daughter for the eligible dependant credit, her son cannot qualify for this credit. This means that she can claim the caregiver credit, including the family caregiver amount, for him.

1 grading point for each highlighted item. Total 7

Your Mark = [(# of grading points ÷ 7)(10%)] = ____%

Solution 16 (15 Marks)

The credit base for 2013 would be limited to \$69,000 [(75%)(92,000)]. However, he chooses to claim \$23,000, leaving a carry forward of \$87,000 (\$110,000 - \$23,000). The resulting credit would be:

\$200 At 15 Percent	\$ 30
\$22,800 (\$23,000 - \$200) At 29 Percent	6,612
Total Credit	\$6,642

As his income for 2014 is unchanged from 2013, the limit would be the same \$69,000 [(75%)(92,000)]. Charitable donations can be carried forward for up to 5 years. As a result, the final year to claim any unused portion of his 2013 donation would be 2018.

1 grading point for each highlighted item. Total 12

Your Mark = [(# of grading points ÷ 12)(15%)] = ____%

Solution 17 (20 Marks)

The required calculation is as follows:

Amount B Expenses For Kevin And Spouse	\$2,842
Amount C	
Reduced By The Lesser Of:	
• [(3%)(117,000)] = \$3,510	
• 2013 Threshold Amount = \$2,152	(2,152)
Subtotal	\$ 690
Amount D	
Son's Medical Expenses	\$8,200
Reduced By The Lesser Of:	
• \$2,152	
• [(3%)(7,200)] = \$216	(216)
Allowable Amount Of Medical Expenses	\$8,674
Amount A The Appropriate Rate	15%
Medical Expense Tax Credit	\$1,301

1 grading point for each highlighted item. Total 12

Your Mark = [(# of grading points ÷ 12)(20%)] = ____%

Solution 18 (15 Marks)

The available education related credits for the year could be calculated as follows:

Tuition Amount	\$ 7,350
Education Amount [(8)(\$400)]	3,200
Textbook Amount [(8)(\$65)]	520
Education Related Amounts From Current Year	\$11,070
Rate	15%
Education Related Credits From Current Year	\$ 1,661
Carry Forward Credit	675
Total Available Education Related Credits	\$ 2,336

Alternative Calculation

Education Related Amounts From Current Year (Preceding Calculation)	\$11,070
Carry Forward Amount	4,500
Total Available Education Related Amounts	\$15,570
Rate	15%
Total Available Education Related Credits	\$ 2,336

David's Tax Payable before deducting education related credits would be \$3,264 [(15%)(32,800 - 11,038)]. This would be sufficient to absorb all of the \$2,336 in education credits, leaving no carry forward to subsequent years.

1 grading point for each highlighted item. Total 11

Your Mark = [(# of grading points ÷ 11)(15%)] = ____%