



# Densmore

## CPA COMPETENCY MAP STUDY NOTES UPDATE TO DECEMBER 31, 2024

### FINANCIAL REPORTING

**Foreign Currency** – Example, Initial transaction date – **page 114** – typo corrected in 2<sup>nd</sup> explanatory paragraph under journal entry as follows:

But, if instead, they provide you with the **foreign currency unit equivalent for one Canadian \$**, you will need to divide.

**Goodwill and Intangible Assets** – ASPE – **page 127** – detailed information provided for AcG-20, Customer's Accounting for Cloud Computing Arrangements. See below.

A new accounting guideline, AcG-20, Customer's Accounting for Cloud Computing Arrangements, is effective for annual periods beginning on or after January 1, 2024.

- Cloud computing: on-demand delivery of computing resources over the internet or a private network.
- Arrangement consideration is allocated at the inception of the cloud computing arrangement to all significant separable items.
  - Allocation done on a rational and consistent basis; could use methodology in HB 3400 (Revenue)
  - Computing resources include for example, software, servers, data storage, networking capabilities
  - AcG-20 only provides guidance for intangible assets. Tangible elements of a cloud computing arrangement are dealt with in HB 3061 (PPE) or HB 3065 (Leases)
- Accounting policy choice:
  - Simplification approach or account for components separately as noted below
  - Whichever method you choose, must apply consistently to all cloud computing arrangements
- Simplification approach – expenditures treated as supply of services; expensed as incurred.

## **FINANCIAL REPORTING – AcG-20 (cont’d)**

- If do not choose simplification approach, individual components identified and accounted for as followed:
  - Software intangible asset – account for using HB 3064, Goodwill and Intangible Assets, if it meets the definition and recognition criteria
  - Software service – if it does not meet the definition and recognition criteria of HB 3064, expense as incurred. Example: subscription fee to access software
  - Implementation activities
    - Examples: integration, customization or coding, configuration, data conversion, testing, training, business process reengineering.
    - If implementation activities relate to a software intangible asset, account for in same manner.
    - Implementation activities could give rise to a separate intangible asset; for example, an internally generated intangible asset. Account for consistent with accounting policy choice for other internally generated intangible assets (i.e., expense or capitalize).
    - Implementation activities related to software services: accounting policy choice to expense or capitalize.
    - Implementation activities related to research or training activities must be expensed.
  - Subsequent expenditures:
    - To enhance service potential of software after initial implementation: account for in similar manner as original expenditures.
    - Maintenance activities which maintain the expected service capacity of the software must be expensed.
- Presentation and disclosure requirements are also outlined in the accounting guideline.

## **STRATEGY AND GOVERNANCE**

Nothing to note

## **MANAGEMENT ACCOUNTING**

Nothing to note

## **ASSURANCE**

**Communications with Those Charged with Governance - CAS 260 - page 463** – Under “Matters to be communicated”, an additional bullet was added (just before bullet that starts with “For listed entities . . .”). The additional bullet reads as follows:

- Relevant ethical requirements, including independence, applied for the audit engagement.

## FINANCE

Nothing to note

## TAXATION

Changes have been referenced by page number, with specific changes highlighted and relevant surrounding text provided for context. All figures relate to 2025 unless otherwise stated.

Page 697 – Automobile costs

- allowance paid/payable to an employee for the employment use of an automobile limited to **72 cents/km for first 5000 kms and 66 cents/km thereafter for 2025 (2024 – 70 and 64 cents/km, respectively)**

Page 701 – Accelerated Investment Incentive (AcII)

- **CCA rate increased to 100% for new Class 44, 46 and 50 property acquired after April 15, 2024 and available for use before 2027**

Page 702 – Common CCA classes

**Class 10.1 – Luxury Cars (30%)** – each automobile in excess of the prescribed limit (**2025, \$38,000 + GST/HST/PST; 2024, \$37,000**; 2023, \$36,000; 2022, \$34,000; 2021 and prior, \$30,000) must be placed in a separate class 10.1

Page 708 – Capital gains/losses (calculation)

Proceeds of disposition	\$	xxx
Less: Adjusted cost base (ACB)		(xxx)
Less: Expenses of disposition		____(xxx)
Capital gain (loss)		xxx
<b>Inclusion rate*</b>	<b>x</b>	<b><math>\frac{1}{2}</math> (or <math>\frac{2}{3}</math>)</b>
Taxable capital gain (allowable capital loss)	\$	<u>xxx</u>

**\* after June 24, 2024, 1/2 for individuals on the first \$250K per year and 2/3 for capital gains in excess of \$250K per year; 2/3 x CG for corporations**

Page 709 – allowable business investment loss (ABIL) = **inclusion rate \* BIL**

- similar to an allowable capital loss except that the ABIL may be applied against all other income, not just against capital gains
- unused ABILs added to non-capital losses for the year
  - if not used within carryover period, reverts to a capital loss
- **inclusion rate = 1/2 for BILs realized before June 25, 2024 and 2/3 for BILs realized after June 24, 2024**

Page 716 – employer-provided automobile – operating cost benefit

- lesser of:
  - **34 cents per km of personal use (2024 – 33 cents)**

Page 717 – stock option benefits

- taxable income deduction of 50% of employment income inclusion
  - if FMV of shares when option granted does not exceed option price; or
  - for CCPCs, the shares were held for at least two years
  - **if capital gains > \$250K, deduction = 1/3 \* benefit**

Page 719 – Common employment income deductions

- new tools acquired by an employed tradesperson in excess of **\$1,471 (2024 – \$1,433)**, deductible up to a maximum of \$1,000

Page 720 – Automobiles

- lease costs in respect of passenger vehicle – maximum deduction **\$1,100 per month (before GST/HST/PST) for new leases entered into on or after January 1, 2025 (2024 – \$1,050)**

Page 728 – Capital Gains Deduction

- Qualified Small Business Corporation (QSBC) shares are eligible for the **\$1,250,000 (before June 25, 2024 – \$1,016,836)** lifetime capital gains *exemption*
  - the Capital Gains *Deduction* is the exemption \* inclusion rate
- the available deduction is the least of these three limits:
  - Capital Gains Deduction available – **\$833,333 (before June 25, 2024 – \$508,418)**

Page 729 – Elements of taxes payable

- Graduated tax rates
  - the calculation of federal tax payable begins with the application of progressive rates to different levels of taxable income

**For 2025**

<u>If taxable income is between</u>	<u>Tax on base amount</u>	<u>Tax on excess</u>
\$0 and \$57,375	\$0	15%
\$57,376 and \$114,750	\$8,606	20.5%
\$114,751 and \$177,882	\$20,368	26%
\$177,883 and \$253,414	\$36,782	29%
\$253,415 and any amount	\$58,687	33%

- Refundable tax credits
  - may generate a refund regardless of amount of taxes paid or payable
  - refundable medical expense supplement
    - for low-income individuals who have paid medical or disability support expenses
    - individual must have employment/self-employment income exceeding **\$4,390 (2024 – \$4,275)**
    - maximum supplement is the lesser of **\$1,504 (2024 – \$1,464)** or 25% of eligible expenses
      - reduced by 5% of family net income in excess of **\$33,294 (2024 – \$32,419)**
  - GST credit
    - tax-free quarterly payment
      - **\$349 (2024 – \$340)** for individual
      - **\$349 (2024 – \$340)** for qualified relation (spouse / common-law partner)
      - if single, additional credit of lesser of **\$184 (2024 – \$179)** and **2% of net income > \$11,337 (2024 – \$11,039)**
      - **\$184 (2024 – \$179)** for each qualified dependant under 19
      - total reduced by 5% of recipient's adjusted income > **\$45,521 (2024 – \$44,324)**
  - Canada Child Benefit
    - monthly tax-free benefits, tied to income
    - maximum benefit of **\$7,997 (2024 - \$7,787)** per child under 6; **\$6,748 (2024 – \$6,570)** per child aged 6 through 17
      - reduced when adjusted family net income > **\$37,487 (2024 – \$36,502)**

- Non-refundable tax credits reduce the taxes otherwise payable
  - credits in excess of taxes otherwise payable are not refundable
  - the most common non-refundable tax credits are 15% of the following amounts, unless otherwise noted
    - non-refundable credits that involve more complex rules and calculations are discussed in greater detail in the sections following this table

	<u>2024</u>	<u>2025</u>
<b>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</b>	<b>\$ 14,156</b>	<b>\$ 14,538</b>
<b>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</b>	<b>15,705</b>	<b>16,129</b>
<b>Age amount – if 65 or over; reduced by 15% of net income &gt; \$45,522 (2024 – \$44,325)</b>	<b>8,790</b>	<b>9,028</b>
<b>Canada employment amount</b>	<b>1,433</b>	<b>1,471</b>
<b>Disability amount (discussed further below)</b>	<b>9,872</b>	<b>10,138</b>
<b>Canada caregiver amount for children under age 18</b>	<b>2,616</b>	<b>2,687</b>
<b>Canada caregiver amount for other infirm dependants age 18+; reduced by net income &gt; \$20,197 (2024 – \$19,666)</b>	<b>8,375</b>	<b>8,601</b>
<b>Adoption expenses (maximum per adoption)</b>	<b>19,066</b>	<b>19,580</b>
<b>Pension income</b>	<b>2,000</b>	<b>2,000</b>
<b>First time home buyer's</b>	<b>10,000</b>	<b>10,000</b>
<b>Volunteer firefighter / search and rescue</b>	<b>6,000</b>	<b>6,000</b>
<b>Teacher and early childhood educator school supply (at 25%)</b>	<b>1,000</b>	<b>1,000</b>
<b>Employment Insurance</b>	<b>actual</b>	<b>actual</b>

- Non-refundable tax credits (cont'd)
  - Canada Pension Plan
    - contributions give rise to both a non-refundable tax credit and a deduction
    - **year's maximum pensionable earnings (YMPE) \$71,300 (2024 – \$68,500)**
      - basic exemption of \$3,500
    - employee and employer contribution rates 5.95%
      - maximum **\$4,034.10 each (2024 – \$3,867.50)**
    - self-employed contribution rate 11.90%
      - maximum **\$8,068.20 (2024 – \$7,735.00)**
    - non-refundable tax credit calculated at 4.95%
      - excess treated as deduction (includes CPP2, described below)
        - for employees, the excess is the “additional contribution” for the enhancement of CPP benefits
        - for self-employed individuals, the excess represents the “additional contribution” plus a notional employer's share
  - CPP2
    - **a higher, second earnings ceiling (year's additional maximum pensionable earnings, or YAMPE) of \$81,200 (2024 – \$73,200) is used to determine additional CPP contributions (CPP2)**
    - **pensionable earnings between YMPE and YAMPE subject to CPP2**
    - **employee and employer CPP2 contribution rates 4.00%**
      - maximum **\$396 (2024 – \$188.00) each**
    - **self-employed CPP2 contribution rate 8.00%**
      - maximum **\$792 (2024 – \$376.00)**
- medical expense credit
  - for medical expenses paid for the taxpayer, spouse, child or grandchild
  - also for a parent, grandparent, sibling, aunt, uncle, niece or nephew who resided in Canada at any time during the year and depended on the taxpayer or taxpayer's spouse for support
  - only expenses in excess of the lesser of **\$2,834 (2024 – \$2,759)** or 3% of net income can be claimed

- *Page 733* – Alternative minimum tax (AMT)
  - taxable income is adjusted for various percentages of preference items, **including**:
    - capital gains
    - deductions on account of tax shelters (e.g., limited partnership losses)
    - losses on resource properties as a result of certain incentive deductions such as Canadian exploration expense, depletion allowance
    - employee stock option deduction
    - **business investment losses (BILs)**
  - **AMT is calculated at 20.5% of adjusted taxable income (ATI) with a basic exemption of \$177,882 (2024 – \$173,205)**
  - **ATI includes taxable dividends at their cash value (instead of the grossed-up amount) and disallows the dividend tax credit**
- *Page 733* – OAS clawback
  - lesser of the Old Age Security (OAS) payments included in income and 15% of the taxpayer’s net income in excess of **\$93,454 (2024 – \$90,997)**

*Page 738 – Tax deferral and saving opportunities*

- Registered retirement savings plans (RRSPs)
  - contributions deductible (within limits)
    - tax deferral of income earned in the plan
  - withdrawals fully taxable unless withdrawn under the:
    - Home Buyers Plan (HBP) – up to **\$60,000** for the purchase of a qualifying home, repayable over 15 years starting in the second year after the withdrawal
    - Lifelong Learning Plan (LLP) – up to \$10,000 **per calendar year to a total limit of \$20,000** for full-time learning/education for self or spouse, repayable over 10 years starting in the fifth year after the first withdrawal
  - annual contribution limit of **\$32,490 (2024 – \$31,560)**
- Tax free savings accounts (TFSAs)
  - annual contribution limit of **\$7,000 (\$7,000 for 2024**; \$6,500 for 2023; \$6,000 for 2019-2022; \$5,500 for 2016-2018; 2015 – \$10,000; 2013-2014 – \$5,500; 2009-2012 – \$5,000)

*Page 751 – Calculation of taxable capital gain on share sale*

- On the sale of shares, a capital gain will be realized to the extent that the proceeds of disposition are greater than the ACB (and any related costs)
  - **a portion of this amount will be the taxable capital gain, calculated using the appropriate inclusion rate**