

**CFE CANDIDATE NUMBER:**

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**Common Final Examination  
September 7, 2022 – Day 1  
(Booklet #1 – CFL Version 1)**

**Total examination time: 4 hours.**

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

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CANDIDATE NAME (Please print)

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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 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**. You are responsible for clearly explaining all your calculations.

Answers or part answers will not be evaluated if they are recorded using anything other than the software provided.

Rough-note paper is available in a separate booklet, which also includes a copy of the Capstone 1 case for reference only, and will not be evaluated. 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 *Folio Views* throughout the entire examination. *Folio Views* provides the standards in effect and tax laws substantively enacted as at December 31, 2021.

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 case as presented and ignore the potential impacts of COVID-19.

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Common Final Examination, September 2022

Chartered Professional Accountants of Canada  
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Toronto, Ontario M5V 3H2

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

It is July 4, 2025, and your boss at Serringers Consulting Group LLP (SCG) has assigned you to another engagement with CanDo Fitness Ltd. (CFL).

Since SCG's last engagement with CFL in 2022, the number of members at CFL's traditional fitness gyms has continually declined. This is largely due to an increase in competition from new companies that have entered the fitness market, which continues to grow rapidly.

Over the past three years, CFL made two major investment decisions. First, CFL entered into a five-year agreement with Zenfit to become the Western Canadian distributor of Zenfit products and to livestream videos for Zenfit's online exercise platform, Zenfit Live. Second, CFL converted eight of its fitness gyms to climbing facilities. So far, both investments have been successful. CFL declined the option to acquire Mighty Fitness Inc. (MFI), as well as the proposal to develop PurCafés at five of CFL's fitness gyms. At the company's 32 remaining fitness gyms, CFL has maintained its approach of offering the same consistent format at all locations.

CFL successfully resolved the dispute with its fitness instructors by increasing their compensation rates, and now pays them slightly above the industry average. CFL let go the personal trainers who were caught selling supplements. Also, late in 2024, Rosa resigned as a CFL board member and as the company's CFO, and wants to sell her 1,000 Class B common shares in CFL as soon as possible.

To finance the climbing-facility conversions and the ongoing need to purchase new equipment, CFL accepted the sale-leaseback option that Hume Properties REIT (HPR) offered in 2022. As of today, CFL has \$2 million of cash available for strategic investment. As most creditors have restricted lending to smaller fitness companies, the company does not have access to any new debt facilities.

The company's mission, vision, and core values have not changed.

CFL's Board of Directors has asked you, CPA, to review the information that has been provided and draft a report that analyzes and makes a recommendation for each proposal that has been presented. The board would also like you to comment on CFL's overall strategic direction, and on how each proposal might affect that direction. For this engagement, please ignore any tax implications within your analysis and recommendations.

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**APPENDIX I  
BOARD MEETING WITH CPA IN ATTENDANCE**

Phillip: Thank you for joining us today, CPA. As you know, our 32 fitness gyms are struggling. Without a major change, I am not sure whether we can keep them open for business.

Brian: In 2021, we had over 50,000 annual members at our fitness gyms. Today, we have closer to 35,000. We lowered the cost of our annual memberships, but that tactic has not worked. When you consider the cost to purchase new equipment each year, our fitness gyms are no longer profitable.

Phillip: Our competitors have invested a lot of money into both new and existing gyms, making it almost impossible for us to compete while remaining profitable. I agree with Brian—the current format of our fitness gyms is no longer working. If we want our fitness gyms to survive, we need to determine how to specialize them. It appears we have two options: target either the under-40 market or the over-55 market.

Sandra: That is right, Phillip. Our market research shows a clear distinction between these two age demographic groups. We can no longer cater to everyone.

Frank: Let's have CPA help us make that decision.

Phillip: Excellent. CPA, an objective for CFL in the coming years is to improve its EBITDA. As you analyze each proposal, please pay particular attention to that figure.

I have compiled select data from our recent member survey, which details the different preferences of our two potential target demographics (Appendix III). As you can see, it would be hard to please both groups within the same gym.

Sandra: Our market research suggests that the under-40 market is growing significantly faster than the older demographic. In fact, the under-40 group has never been so focused on their health and fitness. We could take advantage of this growth by modernizing our gyms with all the latest equipment, which is what the younger demographic clearly wants.

Brian: However, the over-55 group is willing to pay a bit more for a gym membership that suits their preferences. Also, our wage expense would decrease with the over-55 group because this demographic is satisfied with fewer fitness classes relative to the younger group.

**APPENDIX I (continued)**  
**BOARD MEETING WITH CPA IN ATTENDANCE**

Sandra: That may be true, but more of our current members are in the under-40 group. A switch in our focus to the over-55 group would be a significant change to our fitness gyms. If we focus on the older demographic, many of our current members would be pushed away.

Another reason to focus on the under-40 market is CFL's current synergy with Zenfit. Our agreement with Zenfit has worked well, and our Zenfit product sales are highest with the under-40 demographic. And we now have the opportunity to become Zenfit's exclusive national distributor in Canada.

Frank: I think we should be careful, Sandra. I reviewed our original projection for Zenfit sales and it may be overly optimistic (Appendix V). In the first six months of this year, we have seen a 20% drop in unit sales from the same period in 2024, and because of increased competition for streaming fitness videos, we also project the number of Zenfit Live subscribers will drop by 10% annually when compared to 2024. As it currently stands, I expect these trends to continue.

Sandra: That is something to consider. However, Zenfit just announced the launch of a new Zentracker machine for next year. It is technologically advanced, integrates well with almost all wearable fitness devices, and has received great reviews by early users. This upgraded machine should help boost Zenfit sales.

Brian: Becoming the national distributor of Zenfit products would help CFL's brand gain more exposure and would not require an upfront cash investment. However, there are many other new fitness machines that are expected to enter the market in the next few months and years, and many of these machines have impressive built-in technology.

Sandra: That's right, Brian. Zenfit also mentioned that, if we do not agree to extend our contract now and become their national distributor, Zenfit will not renew our contract when it expires in two years. They already have several companies interested in becoming their national distributor, one of which has offered CFL \$9 million to buy our current distributor and video production rights.

Brian: Next, I have identified six suitable locations where CFL could open new climbing facilities. So far, the performance of our existing eight climbing facilities has surpassed expectations. One reason for this success is the growing popularity of climbing, which is expected to continue to grow for the foreseeable future.

**APPENDIX I (continued)**  
**BOARD MEETING WITH CPA IN ATTENDANCE**

- Frank: Another big reason for their success has been your contribution, Brian. Your climbing expertise has been a big advantage for us, and our members are very satisfied with the climbing facilities. Across all age demographics, our membership numbers at the climbing facilities continue to increase each year. As such, we do not need to specialize this aspect of our business for any particular age demographic.
- Brian: Thanks, Frank. If we open new climbing facilities, I am confident that they will be even more successful, as we have learned a lot from opening our first eight facilities. However, once we have over 10 climbing facilities, we will have to hire a senior manager to assist me, as there is a limit to the number of locations I can effectively manage by myself. But I am not sure that will be necessary; Phillip mentioned to me before the meeting that we received an offer to purchase our climbing facilities.
- Phillip: Yes. We received a generous \$12 million offer for all eight of our existing climbing facilities. This is something we should seriously consider.
- Brian: It would be tough to let the climbing facilities go, especially because we do not have much competition in this area of our business; most new entrants to the industry seem focused on the fitness gym market.
- Phillip: Another opportunity we should consider relates to RJ's Health Clubs Limited (RJ). RJ owns 25 gyms in Eastern Canada, which share a very similar format to CFL's current fitness gyms. Unfortunately, the company is going out of business.
- Sandra: Why would we want to purchase a company that is going out of business?
- Phillip: Good question, Sandra. I am not sure that we do. However, at \$7.5 million, the asking price for RJ is very low—it was purchased for almost three times that amount just a few years ago! If we could put RJ back on track, we would significantly expand our fitness gym operations. CFL would then become a national brand.
- Frank: Each RJ location has a yoga and meditation studio. This unique feature would help CFL take advantage of the growth in popularity of those two activities.
- Sandra: Okay, but RJ is still going out of business. Do we know why it struggled so much?

**APPENDIX I (continued)**  
**BOARD MEETING WITH CPA IN ATTENDANCE**

Phillip: For the same reason that we are—RJ has lost a significant number of its members to the new competition within the industry. It tried a few tactics to boost sales, such as increasing the number and variety of fitness classes offered, and increasing its marketing, but that only increased costs and had little effect on improving member satisfaction. Like CFL, RJ is currently trying to accommodate members from all age demographics. If we acquire RJ and target a specific age group, I think that the research and analysis we have done for our existing fitness gyms would apply to the RJ locations as well.

Finally, we need to find a replacement for Rosa. In addition to needing a new director, we need to find someone to purchase Rosa's shares of CFL.

Brian: I might have someone. Louisa Rice is a CrossFit competitor who gained a large following on social media after she won last year's world championship. She used to climb competitively, and I have known her for years. She lives in British Columbia and is very interested in becoming a shareholder of CFL. She would use her winnings from the CrossFit championships to buy Rosa's shares. Her following on social media would provide CFL with instant exposure.

Phillip: Besides her social media following, what would Louisa provide as a board member?

Brian: Louisa is a professional athlete and has a passion for teaching. Her knowledge would undoubtedly help CFL create more unique fitness classes, which we could offer in our gyms. I know from experience that Louisa's workouts are always intense!

Frank: I have another potential new shareholder and board member that we should consider. His name is Albert Fong, and he lives in Quebec. We met many years ago when we were both on the professional boxing circuit. Albert sustained a shoulder injury that unfortunately ended his career. Since then, he has had a successful career in corporate finance, but now wishes to return to the fitness world.

Phillip: I like the fact that Louisa is still involved in the fitness world. Given his injury, is Albert still able to be active?

Frank: Yes, but his focus is on less intense exercise. After his injury, Albert became an expert on restorative styles of fitness, such as Pilates and yoga, and is now a certified trainer for both.

Phillip: That is very interesting.



**APPENDIX I (continued)**  
**BOARD MEETING WITH CPA IN ATTENDANCE**

Phillip: Everyone, thank you so much for coming, and contributing your thoughts today. CPA, as you can see, we have some critical decisions to make. Your analysis and advice on these matters will be greatly appreciated.

CPA: I will start working on my report immediately.

## **APPENDIX II INDUSTRY UPDATE**

The increasing popularity of fitness among all age demographics has resulted in a large increase in the number of fitness gyms across the country, which has led many fitness companies to lower their annual membership fees in the hope of attracting more members—a trend that is expected to continue. Most of these new gyms are equipped with modern, high-tech equipment.

Wearable fitness devices that integrate with exercise machines have become particularly popular in the last two years. Most wearable fitness devices can connect directly with the new, high-tech exercise machines, to track the users' exercise output and biometric data. As a result, exercise machines that can connect to these devices are in demand; this increased demand has led to the development and release of many new, technologically advanced fitness machines.

Due to the increased number of loan defaults in the past two years among smaller fitness facility operators, lenders have become reluctant to finance gym companies with fewer than 50 locations. Also, recent sales within the industry indicate that fitness and recreation facilities are being sold for an average of six times annual EBITDA.

**APPENDIX III**  
**PREFERENCES BY AGE DEMOGRAPHIC**  
*(Prepared by Phillip Rogers)*

According to the member survey recently conducted at CFL's 32 fitness gyms, there is a clear distinction between the preferences of two age demographics: those under 40 years old, and those over 55 years old. For the 40-to-55 age demographic, no clear preference patterns were noted other than a slight preference for more modern machines.

	<b>Under 40 Years</b>	<b>Over 55 Years</b>
Requested activities	Varied widely, such as free weights, resistance machines, many different kinds of fitness classes, martial arts, climbing, swimming, and diving boards.	Limited to free weights, basic resistance machines, and fitness classes.
Equipment type	Modern, high-tech, able to integrate with fitness apps and wearable fitness devices.	Simple to use, and not constantly changing.
Fitness class instructors	Prefer a variety of classes and instructors with specialized expertise.	Prefer to have the same instructor from class to class.
Fitness class types	High-intensity interval training; specialized classes focusing on either cardio or strength training.	Lower-intensity aerobics and cardio classes, and yoga/meditation classes.
Most important aspect of fitness facility	Variety (of activities, classes, machines, etc.) and technologically-advanced machines.	Consistency of equipment and classes, and community (this group is reluctant to change gyms because of their connection to the gym's community).
Least important aspect of fitness facility	Community.	High-tech equipment.
Typical length of use of the same piece of workout equipment	Less than one year, and sometimes only briefly, such as for one week.	A long time, sometimes for years.
Use of the Zentracker machine by Zenfit	Used, as the equipment is good, but many stopped using it because it does not connect to wearable fitness devices.	Very rarely, as the machines are too complicated.

**APPENDIX IV**  
**FITNESS GYMS**  
*(Prepared by Phillip Rogers)*

A 12-month earnings report for CFL's 32 fitness gyms, which still operate under the company's "one-size-fits-all" approach, is as follows:

*For the year ended December 31, 2024*

**Number of members by age**

Younger than 40	10,854
40 to 55	16,653
Older than 55	10,030
	<hr/>
	37,537
	<hr/> <hr/>

**Revenue**

Membership fees	\$ 21,396,000
Personal training sessions	13,262,000
Total revenue	<hr/> 34,658,000

**Operating expenses**

Purchases	1,191,000
Wages	19,065,000
Marketing and advertising	1,786,000
Occupancy costs	5,691,000
General and administrative	6,691,000
	<hr/>

EBITDA	<hr/> \$ 234,000
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**APPENDIX IV (continued)**  
**FITNESS GYMS**  
*(Prepared by Phillip Rogers)*

**Option #1 – Modernizing Gyms**

If CFL chooses to target the under-40 market, membership forecasts are as follows:

	2026		2027		2028	
<b>Number of members by age</b>						
Younger than 40	16,281	(+50%)	24,422	(+50%)	36,632	(+50%)
40 to 55	18,318	(+10%)	20,150	(+10%)	22,165	(+10%)
Older than 55	2,006	(-80%)	2,006	(0%)	2,006	(0%)

- Annual gym memberships will be priced at \$550.
- As more members are expected to use online training applications instead of CFL's personal trainers, revenue from personal training sessions is expected to decline by 10% in each of the next three years.
- Given the need to hire additional fitness class instructors, an initial increase in wages of 5% is expected in 2026, but should remain stable after that.
- Annual equipment investment costs are expected to be \$7 million.
- All other expenses are expected to remain the same as in 2024.

**Option #2 – Specializing Gyms**

If CFL chooses to target the over-55 market, membership forecasts are as follows:

	2026		2027		2028	
<b>Number of members by age</b>						
Younger than 40	2,171	(-80%)	2,171	(0%)	2,171	(0%)
40 to 55	14,988	(-10%)	13,489	(-10%)	12,140	(-10%)
Older than 55	12,036	(+20%)	14,443	(+20%)	17,332	(+20%)

- Annual gym memberships will be priced at \$650.
- Given the over-55 age segment's demand for personal trainers, revenue from personal training sessions is expected to increase by 5% in each of the next three years.
- Given this age segment's fitness class preferences, an initial 25% decrease in wages is expected in 2026, but should remain stable after that.
- Annual equipment investment costs are expected to be \$1 million.
- Annual marketing expense will increase to \$2.5 million.
- All other expenses are expected to remain the same as in 2024.

**APPENDIX V**  
**INFORMATION ON ZENFIT PROPOSAL**  
*(Prepared by Sandra MacCarthy)*

Actual and projected earnings information from the current Zenfit agreement is as follows:

	Actual			Projected (Note 1)	
	2022	2023	2024	2025	2026
<b>Distributor's fee</b>					
Units sold	435	683	546	700	750
Annual sales (Zenfit products)	\$ 4,350,000	\$ 6,830,000	\$ 5,460,000	\$ 7,000,000	\$ 7,500,000
Distributor's fee (15% of sales)	\$ 652,500	\$ 1,024,500	\$ 819,000	\$ 1,050,000	\$ 1,125,000
Less related direct costs	\$ 76,000	\$ 84,350	\$ 81,800	\$ 50,000	\$ 50,000
Annual distributor's fee (net)	\$ 576,500	\$ 940,150	\$ 737,200	\$ 1,000,000	\$ 1,075,000
<b>Video royalty fees</b>					
Number of subscribers	100,000	225,000	202,500	255,000	350,000
Annual CFL viewed videos	1,560,000	3,510,000	3,159,000	3,978,000	5,460,000
Royalty rate per video viewed	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75
Annual video royalties (net)	\$ 1,170,000	\$ 2,632,500	\$ 2,369,250	\$ 2,983,500	\$ 4,095,000
<b>EBITDA to CFL</b>	\$ 1,746,500	\$ 3,572,650	\$ 3,106,450	\$ 3,983,500	\$ 5,170,000

Note 1 – These figures were projected by CFL in 2022 before the original Zenfit agreement was signed.

**Additional Information:**

- The proposed exclusive national distributor contract has a five-year term.
- In order to retain exclusivity over the sale of Zenfit products, CFL must achieve a minimum of \$10 million in annual sales as Zenfit's national distributor.
- In addition to the Zenfit showrooms that CFL already has in Western Canada, the proposed contract specifies that CFL must provide at least 10 different showrooms throughout Eastern Canada, so that potential customers can try the equipment prior to purchase.
- The national distributor has the right to purchase Zenfit products for its own use at a discounted price of 15% off the normal retail price.
- With its advanced technology, Zenfit products retail at the high end of the price range of comparable products.
- Zenfit's livestreamed videos are most popular with the 25-to-39 age demographic.

**APPENDIX VI**  
**CLIMBING FACILITIES**  
*(Prepared by Brian Mitchell)*

Actual earnings information for CFL's eight existing climbing facilities is as follows:

	<u>2023</u>	<u>2024</u>
Number of members	3,500	3,920
Annual membership rate	\$ 660	\$ 660
<b>Revenue</b>		
Membership fees	\$ 2,310,000	\$ 2,587,200
Day passes	2,079,000	2,328,480
Special events	1,201,200	1,345,344
Other	1,339,800	1,500,576
Total revenue	<u>6,930,000</u>	<u>7,761,600</u>
<b>Expenses</b>		
Wages	1,455,300	1,629,936
Purchases	485,100	543,312
Marketing	207,900	232,848
Occupancy costs	1,400,000	1,400,000
Other	1,039,500	1,164,240
Amortization	622,222	622,222
Total expenses	<u>5,210,022</u>	<u>5,592,558</u>
Operating income	<u>\$ 1,719,978</u>	<u>\$ 2,169,042</u>

**Additional Information:**

- The eight existing climbing facilities were originally fitness gyms that were converted. Because the next six potential locations are not currently CFL locations, it will cost more to prepare and open these locations (\$850,000 per location).
- There has been some brand confusion between CFL's fitness gyms and its climbing facilities. When the climbing gyms were initially opened, members of CFL's fitness gyms were angry that their fitness gym membership did not give them access to CFL's climbing facilities.
- CFL received many complaints from the members who lost access to the fitness gyms that were closed in order to be converted into climbing facilities; some cancelled their memberships entirely.
- Since opening, the climbing facilities have had two major injuries. In both cases, the climber was found to have used the equipment improperly, and because the climbers signed a waiver prior to using the facilities, CFL was not held liable.

**APPENDIX VII**  
**RJ'S HEALTH CLUBS LIMITED**  
*(Prepared by Phillip Rogers)*

RJ provided CFL with the following earnings information from RJ's 25 existing gyms:

	<b>2022</b>	<b>2023</b>	<b>2024</b>
<b>Number of members by age</b>			
Younger than 40	5,524	4,630	3,528
40 to 55	9,354	8,570	7,836
Older than 55	6,980	7,735	8,174
	<u>21,858</u>	<u>20,935</u>	<u>19,538</u>
<b>Revenue</b>			
Membership fees	\$ 13,989,120	\$ 12,561,000	\$ 10,745,900
Personal training sessions	7,367,500	6,630,750	6,344,000
	<u>21,356,620</u>	<u>19,191,750</u>	<u>17,089,900</u>
<b>Operating expenses</b>			
Purchases	929,537	935,038	941,895
Wages	5,719,731	6,672,750	7,054,050
Marketing and advertising	361,587	724,230	1,207,050
Occupancy costs	3,453,500	3,453,500	3,453,500
General and administrative	4,267,625	4,272,250	4,277,021
	<u>4,267,625</u>	<u>4,272,250</u>	<u>4,277,021</u>
<b>EBITDA</b>	<u>\$ 6,624,640</u>	<u>\$ 3,133,982</u>	<u>\$ 156,384</u>

**Additional Information:**

- The number of members within both the under-40 and the 40-to-55 age demographics has been in decline. This is largely due to increased competition from gyms that offer modern facilities with high-tech equipment. Because RJ did not have sufficient cash to purchase modern equipment, its fitness machines have become outdated.
- If CFL agrees to the purchase agreement, all of RJ's current assets, lease agreements (all RJ locations are leased rather than owned), and staff members would be transferred to CFL; however, CFL would not be required to retain any of RJ's current board members.
- RJ has 10 locations in Ontario, 10 in Quebec, and 5 in Atlantic Canada.
- RJ has continually lowered its price for an annual membership, which is currently set at \$550.
- RJ members say they are satisfied with the variety of fitness classes offered, but the attendance of individual classes declined as the number of available classes increased.



**End of Examination**

**CPA COMMON FINAL EXAMINATION REFERENCE SCHEDULE**

**1. PRESENT VALUE OF TAX SHIELD FOR AMORTIZABLE ASSETS**

Present value of total tax shield from CCA for a new asset acquired after November 20, 2018

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

**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

**2. SELECTED PRESCRIBED AUTOMOBILE AMOUNTS**

	<b>2021</b>	<b>2022</b>
Maximum depreciable cost — Class 10.1	\$30,000 + sales tax	\$34,000 + sales tax
Maximum depreciable cost — Class 54	\$55,000 + sales tax	\$59,000 + sales tax
Maximum monthly deductible lease cost	\$800 + sales tax	\$900 + sales tax
Maximum monthly deductible interest cost	\$300	\$300
Operating cost benefit — employee	27¢ per km of personal use	29¢ per km of personal use
Non-taxable automobile allowance rates		
— first 5,000 kilometres	59¢ per km	61¢ per km
— balance	53¢ per km	55¢ per km

**3. INDIVIDUAL FEDERAL INCOME TAX RATES**

**For 2021**

<u>If taxable income is between</u>			<u>Tax on base amount</u>	<u>Tax on excess</u>
\$0	and	\$49,020	\$0	15%
\$49,021	and	\$98,040	\$7,353	20.5%
\$98,041	and	\$151,978	\$17,402	26%
\$151,979	and	\$216,511	\$31,426	29%
\$216,512	and	any amount	\$50,141	33%

**For 2022**

<u>If taxable income is between</u>			<u>Tax on base amount</u>	<u>Tax on excess</u>
\$0	and	\$50,197	\$0	15%
\$50,198	and	\$100,392	\$7,530	20.5%
\$100,393	and	\$155,625	\$17,820	26%
\$155,626	and	\$221,708	\$32,180	29%
\$221,709	and	any amount	\$51,344	33%

**4. SELECTED INDEXED AMOUNTS FOR PURPOSES OF COMPUTING INCOME TAX**

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

	<b>2021</b>	<b>2022</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	\$12,421	\$12,719
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	13,808	14,398
Age amount if 65 or over in the year	7,713	7,898
Net income threshold for age amount	38,893	39,826
Canada employment amount	1,257	1,287
Disability amount	8,662	8,870
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	2,295	2,350
Canada caregiver amount for other infirm dependants age 18 or older (maximum amount)	7,348	7,525
Net income threshold for Canada caregiver amount	17,256	17,670
Adoption expense credit limit	16,729	17,131

Other indexed amounts are as follows:

	<b>2021</b>	<b>2022</b>
Medical expense tax credit — 3% of net income ceiling	\$2,421	\$2,479
Old age security repayment threshold	79,845	81,761
Annual TFSA dollar limit	6,000	6,000
RRSP dollar limit	27,830	29,210
Lifetime capital gains exemption on qualified small business corporation shares	892,218	913,630

**5. PRESCRIBED INTEREST RATES (base rates)**

<u>Year</u>	<u>Jan. 1 – Mar. 31</u>	<u>Apr. 1 – June 30</u>	<u>July 1 – Sep. 30</u>	<u>Oct. 1 – Dec. 31</u>
2022	1	1	2	
2021	1	1	1	1
2020	2	2	1	1

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.

**6. MAXIMUM CAPITAL COST ALLOWANCE RATES FOR SELECTED CLASSES**

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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