CHARTERED PROFESSIONAL ACCOUNTANTS CANADA

CFE CANDIDATE NUMBER:

Common Final Examination
September 7, 2022 – Day 1
(Booklet #1 – WDI Version 3)

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 7-digit candidate number on the booklets. The examination booklets (or paper response, as instructed) must be submitted before leaving the 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.

Policy Statement and Agreement Regarding Examination Confidentiality

I understand that all examination materials are the property of CPA Canada and are under the exclusive custody and control of CPA Canada. CPA Canada has the exclusive authority over examination materials to determine the content, use, retention, disposition and disclosure of this material. Candidates will not have access to their examination response, the examination marking keys or any other marking materials. The examination questions, and marking guides will only be publicly available when published by CPA Canada.

I hereby agree that I will not:

- Obtain or use answers or information from, or give answers or information to, another candidate or person during the sitting of the examination;
- Refer to unauthorized material or use unauthorized equipment during testing;
- Remove or attempt to remove any CPA Canada Examination materials, notes or any other items from the writing centre.

I further agree to report to CPA Canada any situations where there is a material risk of compromising the integrity of the examination.

I affirm that I have had the opportunity to read the *CPA Examination Regulations* and I agree to all of its 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

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.

Chartered Professional Accountants of Canada, CPA Canada, CPA
are trademarks and/or certification marks of the Chartered Professional Accountants of Canada.
Copyright © 2022, Chartered Professional Accountants of Canada. All Rights Reserved.
Common Final Examination, September 2022

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

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

It is November 2024, and Shawn Bryson, your boss at Stineman Consulting Group (SCG), informs you, CPA, that Kingsley Investment Inc. (Kingsley) has hired SCG for a consulting engagement related to Waste Disposal Inc. (WDI). He has forwarded you the following update from Brian Leung, WDI's CFO.

Soon after SCG issued its last report, Laura Simmons announced that she was unhappy with the direction of the company and decided to exit WDI. Kingsley purchased her common shares and now owns 100% of WDI.

After the last engagement, WDI decided to partner with the municipalities to build an organic-waste treatment facility. During its first year of operations, as many of WDI's existing customers signed up for this sustainability-focused addition to their contracts, the project generated a higher-than-expected profit margin. Given the increased priority that many organizations have placed on environmentally-responsible business practices, the addition of the organic-waste treatment facility has also helped WDI retain customers. While Jack and the Board of Directors still view WDI's strong customer relationships and traditional waste management service contracts as the most valuable part of the business, the organic-waste treatment facility's success has made them more receptive to investments in sustainable alternatives.

Over the past several years, due to a rapid increase in demand, the selling prices of recycled materials have increased. This has allowed WDI to reopen its recycling plants, and all collected OCC and glass can currently be recycled and sold at a profit. Because WDI decided the upfront cost of converting its fleet of vehicles to biogas was too high, its vehicles still rely exclusively on regular diesel fuel. The current price of diesel fuel is $1.25 per litre (L), but due to an increase in taxes and pressure on the diesel fuel supply chain, prices are rising rapidly.

With stricter regulations around less sustainable waste management methods, the cost to operate landfills continues to rise. Also, because of public opposition to converting additional land to landfills, it has become more difficult for companies within the industry to secure landfill space. There is growing awareness and societal demand for a higher commitment to sustainability in the industry. Recently, a potential new customer turned down WDI's services because too much of their waste would be directed to landfills.

In 2022, as part of a new government incentive program, WDI began producing an annual greenhouse gas (GHG) emission statement, and set an emission reduction target to be achieved by 2025. However, WDI does not currently expect to meet this target. Also, in an effort to achieve their own sustainability targets, some of WDI's customers have asked WDI about its sustainability efforts. This is because WDI's emissions are higher than the industry average. Most of WDI's competitors are implementing programs to reduce GHG emissions to satisfy their customers' demands and to qualify for the growing number of government incentives available for reducing emissions.

Copyright © 2022 Chartered Professional Accountants of Canada. All rights reserved.
(CONTINUED ON PAGE 3)

Shawn asks you to review the information provided and prepare a report for WDI's board that strategically analyzes and makes a recommendation for each proposal being discussed. You are also to advise the board of any significant factors that may not have been considered, identify information that should be obtained before making any decisions, and recommend an overall course of action that will best meet the objectives specified by WDI's board. For this engagement, please ignore any tax implications within your analysis and recommendations.

Copyright © 2022 Chartered Professional Accountants of Canada. All rights reserved.
(CONTINUED ON PAGE 4)

INDEX OF APPENDICES

Copyright © 2022 Chartered Professional Accountants of Canada. All rights reserved.
(CONTINUED ON PAGE 5)

APPENDIX I
BOARD MEETING WITH CPA IN ATTENDANCE

Marlene: Thank you, CPA, for attending our board meeting. Now that Kingsley has 100% control of WDI, we have very clear directives for the future. Jack has replaced Laura on the board as CEO; otherwise, the board composition remains the same.

Jack: Nice to meet you, CPA. WDI has performed well for the last two years, and Kingsley is on track to sell WDI within our expected timeframe. WDI has $5 million in cash available to use for investments, if required. However, any investments made should provide a first-year return of at least 10% and should align with our plan to sell WDI within the next two years.

Marlene: It's funny you should mention that, Jack. Yesterday, we received an offer to sell 100% of WDI's outstanding shares to Sustainable Disposal Ltd. (SDL). The offer price, which expires in two months, is $35 million. SDL has a great reputation, a lot of capital to invest, and is very familiar with the industry and WDI's operations.

Robert: I'm familiar with SDL. It is known for purchasing underperforming waste management businesses and modernizing them with operations that emphasize sustainability.

Jack: The offer is interesting. However, with the improvements we have made over the past few years, I do not consider WDI to be underperforming, especially given the strength of our long-term and loyal customer list. Either way, the offer is worth evaluating.

Marlene: Since most of the board is not familiar with selling a waste management company, I had Brian contact an experienced business broker. Brian has summarized the details of the offer and the broker's comments on the market.

Jack: I would like to maximize Kingsley's return on the sale of WDI, but I recognize that the market will limit the price we receive.

Robert: Next, we must develop a plan to tackle our GHG emission target. We are not currently forecast to meet our targeted reduction by 2025, which means we will not receive the significant federal incentive. In addition, if we miss the 2025 target, we also miss out on improving our relationship with customers who have committed themselves to sustainable practices.

Copyright © 2022 Chartered Professional Accountants of Canada. All rights reserved.
(CONTINUED ON PAGE 6)

APPENDIX I (continued)
BOARD MEETING WITH CPA IN ATTENDANCE

Jack: That is disappointing. We have already made some big sacrifices in our current operations to cut GHG emissions, and have spent extra money and time to train staff on how to compile our GHG emission statement. All this money and effort may not be worth it for one incentive program, especially when we might not even receive the incentive.

Robert: The target we set in 2022 was quite aggressive because, at that time, we were considering some significant upgrades to WDI's sustainable practices that we did not actually complete. If we had, the target would have been achievable. However, at this point, the target cannot be changed.

Marlene: Regardless, we need to determine whether it is still possible to qualify for the $500,000 incentive by next year. We must also decide whether WDI should commit to future incentive programs. As well, if there are any potential investments that would help us qualify for the incentive, it could influence our decisions on which strategic investment options to choose.

Jack: The $500,000 would be a significant contribution to our income for the year.

Brian: Whether we accept SDL's offer or not, there is currently an open bid for a ten-year waste management contract for the municipality of Truro, Nova Scotia (Truro). The municipality signed up for our new organic-waste program, and has invited WDI to bid on their waste management contract. They had to suddenly terminate their existing contract due to the contractor's non-compliance with dumping regulations. The bid is only open for two weeks, and Truro wants the contract to begin one month from now. As we are used to dealing with this kind of short timeline, I do not think it will pose a problem. We can use our standard process to calculate our bid price.

Marlene: Although it would be short notice, I am confident our suppliers can provide us with any new capital equipment needed to satisfy the contract. I wonder if adding this long-term contract would help attract a higher sale price for WDI, especially because the potential client is a municipality as big as Truro. I have also heard that the previous contractor's reputation has been tarnished. With an increased presence in the area, WDI might be able to attract other organizations that want to move away from this non-compliant contractor.

Copyright © 2022 Chartered Professional Accountants of Canada. All rights reserved.
(CONTINUED ON PAGE 7)

APPENDIX I (continued)
BOARD MEETING WITH CPA IN ATTENDANCE

Brian: Also, Truro has excess landfill capacity, and given how difficult it has become to obtain new landfill space, that is quite an advantage. They are also including an incentive for the successful bidder to use that excess capacity right away, and to potentially purchase an entire landfill if the relationship goes well. This would help us relieve some capacity pressure at our other landfills.

Jack: This contract aligns well with our operations and creates efficiencies. If the costs and profit margin of the contract are acceptable for us, there does not seem to be much risk in moving forward with it. We should look at the project's details more closely to see if we can come up with a competitive bid.

Brian: Next, my friend Lucy is selling her Halifax-based PET plastic recycling plant assets and operations. I know we opted out of building a similar plant in the past, due to how long construction would take, but operations would begin right away with this purchase. Based on the information Lucy has provided, we would be profitable from the first day after purchase.

Jack: If we can reach our targeted return on investment (ROI) in the first year, it may be worth it.

Brian: The recycling industry is on the rise right now, with both selling prices and demand for recycled materials trending upward. However, some analysts are concerned about the potential for significant short-term price volatility.

Robert: WDI should invest and further develop our recycling services purely to keep up with our competitors. The last time we took a risk was with the organic-waste treatment facility agreement, and it has outperformed expectations. Recycling PET plastics rather than dumping them into a landfill would allow us to reduce our GHG emissions while also reducing the environmental burden of landfills.

Jack: I wonder if investing in the recycling plant would be the right choice as we prepare to sell the business within the next two years, or even the next two months, if SDL's offer is attractive enough.

Copyright © 2022 Chartered Professional Accountants of Canada. All rights reserved.
(CONTINUED ON PAGE 8)

APPENDIX I (continued)
BOARD MEETING WITH CPA IN ATTENDANCE

Robert: There is one other investment we should consider. A new biodiesel company in our area, Fried Fuels Company (FFC), is looking for a partner who currently collects waste cooking oil from restaurants. The plan is to send the oil to FFC's new facility for conversion into what FFC calls "ecodiesel." FFC wants the partner to loan them $1 million for three years, and to guarantee to collect and deliver a minimum volume of waste cooking oil.

Marlene: Does redirecting waste cooking oil to this ecodiesel operation mean we will no longer incur disposal costs?

Robert: Correct. The waste cooking oil we already collect will be dropped off at this facility instead of having to incur the costs of dumping it in our landfills. Plus, FFC is giving us the opportunity to purchase, at a discounted price, the same volume of ecodiesel fuel that we drop off in waste cooking oil. We could use the ecodiesel to fuel our trucks. What a forward-thinking concept!

Jack: That may be, Robert, but loaning money to a start-up business is risky. As our disposal cost for waste cooking oil is minimal, I am not sure there is any financial benefit from this proposal. Also, ecodiesel is more expensive than the regular diesel fuel we typically use.

Robert: That is true, but alternative vehicle fuels are becoming the industry standard. We have fallen behind our competitors in this respect, and our customers have noticed. Although this arrangement would not allow WDI to replace all the diesel fuel we currently use, it would be a good start. It would be worth evaluating the proposal to quantify the net impact.

Jack: Lots to consider. If the offer from SDL is deemed reasonable, we will need some advice on whether we should sell the business now. Purchasing WDI was a departure from trucking, where my experience is, and I look forward to selling it and being free of the risks involved with this business.

Marlene: Hopefully, CPA's report helps us make well-informed decisions. Otherwise, are we finished for today?

Jack: Yes. Thank you all for your thoughtful contributions.

Copyright © 2022 Chartered Professional Accountants of Canada. All rights reserved.
(CONTINUED ON PAGE 9)

APPENDIX II
EXCERPT FROM WDI'S FINANCIAL STATEMENTS

Waste Disposal Inc.
Income Statement
(in thousands of Canadian dollars)

	2024 Forecast	2023 Audited
Revenue	$ 96,641	$ 94,720
Direct costs	41,914	40,814
Gross margin	54,727	53,906
Expenses		
Amortization	11,800	12,200
Operating costs	27,440	26,700
Selling and administrative	8,500	8,400
Total expenses	47,740	47,300
Operating income	6,987	6,606
Interest expense	(2,583)	(2,875)
Income before taxes	4,404	3,731
Income taxes	(1,167)	(988)
Net income	$ 3,237	$ 2,743

Copyright © 2022 Chartered Professional Accountants of Canada. All rights reserved.
(CONTINUED ON PAGE 10)

APPENDIX III
INFORMATION ON THE PURCHASE OFFER
PRESENTED BY SUSTAINABLE DISPOSAL LTD.
(Prepared by Brian Leung)

Offer Details:

- SDL is offering $35 million for 100% of the outstanding shares of WDI.
- The offer expires in two months.
- To confirm that the business is performing as SDL expects, SDL requires a copy of the audited financial statements.
- There are no other conditions.
- SDL plans to retain all of WDI's employees, honour all of WDI's existing long-term customer contracts, and uphold WDI's existing mission and vision statements.

Notes from Discussion with Business Broker

Comparable sales prices for waste management businesses have been established using a multiple of 1.85 to 2.30 times EBITDA. The main differentiating factor between businesses selling at the higher end of the range is the amount of investment in, and income generated from, sustainable operations such as recycling, composting, and alternative energy use. The lower end of the price range includes companies that are more focused on traditional landfill disposal.

The average number of days that waste management businesses are listed for sale before an offer is agreed upon varies from 46 days for businesses attracting sale prices at the higher range to 92 days for businesses valued at the lower range.

Due to the increase in the selling prices of recycled materials, there has been a recent increase in the valuation of waste management businesses that have recycling capacity for a diverse range of materials. Many of these higher-priced businesses have also been monitoring their GHG emissions for many years, and have been quite successful at reducing their GHG emissions.

Buyers also seem to place less value on long-term contracts than in the past. Recent industry growth has occurred due to the rapid rise in demand for sustainable waste management options, and buyers want to try and benefit from this trend.

Copyright © 2022 Chartered Professional Accountants of Canada. All rights reserved.
(CONTINUED ON PAGE 11)

APPENDIX IV
GHG EMISSIONS REDUCTION INCENTIVE PROGRAM
(Prepared by Robert Manning)

In 2022, WDI set a three-year target to reduce the company's GHG emissions by 30% from the 2022 baseline of 145 million kg of CO2e (carbon dioxide equivalents). This target was registered as part of a federal government incentive program. If the 2025 GHG emission statement demonstrates that WDI has met the target, the company will receive a $500,000 cash incentive.

Based on WDI's existing operations, it is currently forecast to emit 120 million kg of CO2e in 2025, which is only a reduction of 17.2%.

The following factors influence WDI's GHG emissions:
- Waste disposed of in a landfill increases GHG emissions by 2,000 kg of CO2e per tonne of waste dumped.
- PET recycling reduces GHG emissions by 224 kg of CO2e per tonne of plastic recycled.
- Adopting ecodiesel fuel reduces GHG emissions by 13.4 kg of CO2e for each litre of regular diesel fuel replaced.

Additional Notes

Participating in the program requires significant time and effort from WDI's operations staff, as they are required to track many additional metrics for GHG emissions. There are increased training costs, and time requirements beyond the staff's existing jobs. Some staff members have complained about the lack of compensation for the additional workload. In 2025, a new reduction target will need to be set for the next three years, and a plan developed for how to achieve it. As WDI does not have an internal engineer for this, it will need to incur significant consulting fees.

It is expected that there will be several new incentive programs proposed within the next federal budget that require a GHG emission statement in the same format as the one that WDI already produces. Also, with current political pressure to promote sustainable waste disposal practices, more incentives will likely be introduced in future years.

Copyright © 2022 Chartered Professional Accountants of Canada. All rights reserved.
(CONTINUED ON PAGE 12)

APPENDIX V
MUNICIPALITY OF TRURO CONTRACT BID INFORMATION
(Prepared by Brian Leung)

Truro requires a contractor to perform waste management services for the municipality. The municipality has set a maximum bid price of $900,000 per year. This is a 10-year contract, with an option for a 10-year renewal term. The contract involves the collection, transfer, and disposal of household, commercial, and construction waste. In total, 7,050 tonnes of waste will need to be transported and dumped in a landfill per year.

WDI's bid price should allow for a 25% profit margin. This will provide WDI with a 10% return on the upfront investment in the capital equipment that will need to be purchased in order to fulfill the contract.

Truro has provided the expected annual weight of each type of waste that will be collected. WDI estimates its contract costs based on the following average costs per tonne of waste collected:

		Cost per Tonne		
	Annual Weight Collected (tonnes)	Labour	Tipping & Landfill	Collection & Transfer
Household	3,300	$76	$28	$31
Commercial	2,580	$27	$35	$18
Construction	1,170	$28	$42	$17
Total annual waste	7,050			

If WDI wins the bid, Truro will provide the use of its excess landfill capacity at competitive rates, even for waste collected from other WDI contracts. As these landfills are much closer to WDI's northern operations, the logistics team has determined that their use will save WDI approximately 25,000 kilometres of trucking mileage annually. The current cost for trucking is $5.20 per kilometre. These efficiency savings are also forecast to reduce WDI's GHG emissions by 125,000 kg of CO_2e per year.

As the municipality has found the excess landfill capacity more difficult to manage due to increased regulations, Truro is also offering the contractor the right of first refusal to purchase one of their landfill sites after the first year of the contract.

Copyright © 2022 Chartered Professional Accountants of Canada. All rights reserved.
(CONTINUED ON PAGE 13)

APPENDIX VI
PET PLASTICS RECYCLING PLANT PURCHASE
(Prepared by Lucy Tong)

The PET recycling plant can be purchased for $2.4 million, and includes the assets, operations, and current employment contracts of all staff.

The plant is modern and well maintained, and is not scheduled for any technological updates within the next five years. The plant has a dedicated team who are well compensated and have a depth of experience in the field.

Currently, the plant processes 42,000 tonnes of recycling per year, which is its maximum capacity. Much of this PET plastic is collected from one-time contracts rather than long-term service contracts. However, there is the possibility for the purchaser of the plant to forgo these one-time contracts, and instead pursue long-term contracts. This would help secure the plant's future supply of PET plastic for recycling.

Revenue is forecast to grow between 4% and 12% annually. Costs have been rising steadily by 4% annually.

The plant's financial performance for 2024 is expected to be as follows *(in thousands of Canadian dollars):*

Revenue	$	987
Direct costs		780
Gross margin (21%)		207
Overhead		39
Net income	$	168

Copyright © 2022 Chartered Professional Accountants of Canada. All rights reserved.
(CONTINUED ON PAGE 14)

APPENDIX VII
FRIED FUELS COMPANY COLLABORATION PROPOSAL
(Prepared by Robert Manning)

FFC is a new business aimed at redirecting restaurants' waste cooking oil away from landfills. FFC's plan is to convert the waste cooking oil into an ecodiesel fuel that can be used in vehicles that currently use regular diesel fuel. FFC's ecodiesel can be used interchangeably with regular diesel fuel, with no need to incur any vehicle conversion costs.

FFC will require WDI to collect 736,000 L of waste cooking oil per year. In return, WDI will be able to purchase 736,000 L of ecodiesel fuel at a discounted price of $1.38/L (the price is fixed for the duration of the collaboration). To ensure that it can meet its other contract obligations, FFC cannot guarantee any excess ecodiesel for purchase above this volume. However, FFC plans to increase capacity in two years, at which time more ecodiesel would be available to WDI at the same discounted price. This ecodiesel would replace an equal volume of regular diesel fuel that WDI currently uses.

WDI's current cost to dispose of waste cooking oil in its landfills is $0.12/L of oil dumped.

To secure the collaboration, WDI would provide FFC with a three-year, $1 million loan with interest of $100,000 per year. FFC requires the funds to upgrade its plant's technology. If the upgrade is successful, FFC will be able to accept a wider variety of waste oils to recycle into various products that it can sell to industries currently reliant on fossil fuels. WDI will also have access to any new products developed by FFC within the contract period, at a discount.

The logistics of dropping waste cooking oil off at FFC instead of the landfill are more complex, and will require WDI's truck drivers to be properly trained in unloading the oil into FFC's storage vats. After it is converted, the ecodiesel purchased from FFC will need to be stored onsite at WDI's facilities. WDI's current onsite diesel storage tanks can be used to store ecodiesel, so there will be no additional storage costs.

Copyright © 2022 Chartered Professional Accountants of Canada. All rights reserved.
(CONTINUED ON PAGE 15)

End of Examination

Copyright © 2022 Chartered Professional Accountants of Canada. All rights reserved.
(CONTINUED ON PAGE 16)

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

	2021	2022
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

If taxable income is between			Tax on base amount	Tax on excess
$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

If taxable income is between			Tax on base amount	Tax on excess
$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%

Copyright © 2022 Chartered Professional Accountants of Canada. All rights reserved.
(CONTINUED ON PAGE 17)

4. SELECTED INDEXED AMOUNTS FOR PURPOSES OF COMPUTING INCOME TAX

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

	2021	**2022**
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:

	2021	**2022**
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)

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

Copyright © 2022 Chartered Professional Accountants of Canada. All rights reserved.
(CONCLUDED ON PAGE 18)

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 ≥ 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%	

Copyright © 2022 Chartered Professional Accountants of Canada. All rights reserved.

(THIS PAGE INTENTIONALLY LEFT BLANK)