CHARTERED PROFESSIONAL ACCOUNTANTS CANADA

CFE CANDIDATE NUMBER:

Common Final Examination
September 13, 2021 – Day 1
(Booklet #1 – WDI Version 2)

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 examination room. They must NOT BE REMOVED from the examination room. If these items are not received, the response may not be accepted.
2. Follow the instructions provided. Instructions must not be removed from the examination room.
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 suggested solutions will only be publicly available when published by CPA Canada.

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- 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 examination room.

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. Rough notes, and any other notations made in the examination booklets will not be evaluated.

The CPA Canada Handbooks and the *Income 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, 2020.

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.

Common Final Examination, September 2021

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

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

It is March 2023 and Shawn, your boss at Stineman Consulting Group, informs you of a new engagement with Waste Disposal Inc. (WDI) that you have been assigned to.

Shawn met with Laura for an update. She explained that, while under the control of Kingsley Investment Inc. (Kingsley), WDI's strategy was to concentrate on its core business and maximize value while keeping capital investments to a minimum. The only exception was to convert the trucks to natural gas. Kingsley's representatives voted against all other proposals. Profits continued to decline. In November 2021, disappointed with WDI's results and the fact that no dividends had been paid since Kingsley's initial investment, Jack Kingsley decided to sell the WDI common shares that Kingsley held back to WDI, and is no longer involved with WDI.

Based on revised revenue and income projections, Thom's proposal to open a consulting division was accepted in late 2021. The consulting division opened in January 2022.

In February 2022, WDI's Board of Directors updated the company's vision and mission statements to reflect the new consulting business:

Vision: "*To be a premier waste disposal and consulting company while meeting the needs of our customers, employees, and local communities, and respecting the environment.*"

Mission: "*We are waste disposal experts providing collection, disposal, recycling, and consulting services to our customers, using environmentally responsible and sustainable methods and leading-edge technologies.*"

Despite the economy stagnating, with annual growth rates averaging only 1% over the past three years, the waste management industry has been growing at an annual rate of 3%. Interest rates remain low, with a prime rate of 2.5%. Given a sharp increase in packaging generated through online sales, OCC and paper recycling are expected to grow by 5% per year. Hazardous waste disposal is expected to grow by 6% annually.

To gain efficiencies in the traditional services of collection, transfer, landfills, and recycling of OCC and paper, the larger industry competitors continue to expand horizontally. Over the past two years, some large national and international competitors have purchased smaller, locally-owned companies that were unable to compete in these sectors. As well, competitors have continued to invest in technology to reduce recycling costs and to recapture biogas in their landfills. Aside from the natural gas conversion of its collection fleet, WDI has not made any significant technological improvements.

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Smaller companies remain competitive in specialty services related to hazardous waste disposal, recycling of plastics and metals, and consulting. Since the institution of additional government regulations intended to reduce GHG emissions and make manufacturers responsible for end-of-life plastic products and packaging, there is increasing demand for consulting services that can assist with regulatory compliance.

In 2021, both the Nova Scotia and New Brunswick provincial governments significantly reduced the allowable capacity of landfills. This forced many local landfills to close an average of seven years earlier than expected. For those landfills with available capacity, such as WDI's, the annual volume received has increased. As a result, tipping fees are expected to increase by 10% annually for the next three years.

With Kingsley no longer a shareholder, the directors are eager to determine a future direction for WDI. Securing the long-term success of WDI is the board's primary objective for 2023. They have turned to Shawn and your team for guidance.

Shawn asks you to draft a report for WDI's board that first evaluates each proposal being considered, and then recommends a strategic direction, based on what you believe will secure WDI's long-term success. For each proposal, you are to advise the board of any significant factors they may not have considered, identify information they should obtain before making a decision, recommend a course of action where possible, and discuss any other significant issues you identify.

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APPENDIX I
BOARD MEETING DIALOGUE WITH SHAWN BRYSON IN ATTENDANCE

March 15, 2023

Laura: Thank you, Shawn, for attending our board meeting. I am now the board chair and CEO, Brian is treasurer, Josefina is secretary, and Peter is vice-chair. There have been no changes in our management positions, but the following significant events have occurred:

2020	April 15	WDI sold its surplus recycled materials, closed its recycling plants for an undefined period, and outsourced its existing recycling contractual commitments. To prevent deterioration of the building and equipment, minimal maintenance is still taking place.
2020	May 12	Kingsley withdrew the proposal to supply vehicles and drivers.
2020	October 2	As recycling services were no longer provided, two major customers terminated their contracts and signed with a large international competitor.
2020	November 21	The system to optimize collection routes was not implemented.
2021	March 14	Three additional customers did not renew their contracts with WDI, given its higher prices relative to competitors.
2021	June 6	Conversion of the remaining fleet to natural gas was completed, reducing GHG emissions by 10%.
2021	September 4	The line of credit was renewed, with the same conditions and terms. The next renewal date is September 2023.
2021	November 19	Kingsley sold its shares back to WDI for $11 million: $3 million cash and a loan of $8 million. The loan matures in February 2027 and can be repaid earlier without penalty. Interest of 12% is payable annually. The principal portion is due at maturity.
2021	November 19	Brian, Josefina, and Peter each purchased 57,000 shares for a total cash investment of $3,135,000. Laura now owns 70% and the other three shareholders each own 10%.
2022	December 31	At year-end, the total debt-to-equity ratio was 3.4 and EBIT to interest was 2.0. As a result, WDI does not have access to any additional debt financing.

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APPENDIX I (continued)
BOARD MEETING DIALOGUE WITH SHAWN BRYSON IN ATTENDANCE

Laura: Although WDI's financial results for 2022 show a profit for the first time since 2019, some of our decisions—mainly the closing of our recycling plants—have hurt our good reputation in the industry and our profits. We must find a way to restore both. Brian, please start with the first proposal.

Brian: USWM Corporation (USWM), an international waste management company that needs more landfill capacity in Nova Scotia, has offered an initial price of \$18 million to purchase both of our Nova Scotia landfill sites. As the municipalities where these landfills are located have recently mandated the recapture of biogas, this is a timely offer. We either sell them or we will be forced to upgrade both landfills. I have gathered relevant information on the landfill sites.

Laura: I am reluctant to sell these sites. This includes one of the first properties my father purchased, laying a foundation for WDI in Nova Scotia. Selling to an international company may not be well received by the community.

Josefina: Laura, as you know, the regulatory requirements surrounding landfills are becoming more onerous. If sold, WDI would also not have to worry about maintaining or closing these landfills, which has become a large future obligation that may increase with time.

Peter: If we sell, we must still fulfill our existing contracts, which could have significant implications. We would need to outsource that function and we may lose more customers. We also need to consider the long-term employees working at these sites.

Josefina: Owning landfills represents a higher risk than ever before. As our landfills age, I worry that leachate will pollute the ground water and create potential lawsuits. The older our landfills get, the harder they may be to sell.

Brian: It is time that WDI moved into more specialized areas of the industry, where there are fewer large competitors. We should sell our landfills and invest the proceeds elsewhere. We could even pay down some debt.

Laura: I am not convinced that selling our landfills is prudent. Our landfill operations are a key element of WDI's traditional business and one of our core competencies. The biogas upgrade would lead to reduced costs and help restore our reputation in the community. The upgrade may also help reduce future carbon taxes that we would have to pay.

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APPENDIX I (continued)
BOARD MEETING DIALOGUE WITH SHAWN BRYSON IN ATTENDANCE

Laura: Moving on, Thom has asked to make a presentation on expanding our consulting services.

Thom joins the meeting.

Thom: Our division currently provides consulting services on site remediation and sustainable power and water usage. Things are going well, and it is time to expand our services. There is a growing niche market where we can help manufacturers improve their product's end-of-life impact on the environment. Since safe disposal at the end of a material's life is highly interrelated with the material itself, this will be an exciting challenge. Because of regulatory changes, this niche service is expected to grow rapidly. If we get in early, we will have a competitive advantage.

Nova Scotia University (NSU) is offering us the opportunity to collaborate on research to create a new type of material that will drastically reduce the toxicity of certain products upon disposal. Once a less toxic material has been developed, WDI will generate revenue by providing manufacturing companies with information on how to use the new material within their existing product line, to replace less environmentally-friendly materials. This collaboration is the quickest way for us to enter this niche and will cost less than creating our own team of researchers, which is what some of the large consulting firms are doing. I see this as a new revenue source that will not require a large upfront investment. Also, the margins for this type of consulting are typically high.

Laura: This seems like a natural progression for the consulting division, and will attract new clients. Collaborating with NSU may help restore our reputation. However, this arrangement is quite different from the consulting services we currently offer. Are WDI's role and responsibilities within the proposed NSU arrangement clear?

Thom: NSU will provide the equipment, resources, and expertise, and WDI will provide a portion of the upfront funding. NSU will also apply for government research grants. We will only get paid if our consulting services produce a viable solution for our clients. However, even if only a portion of these projects prove successful, the overall financial results should be positive.

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APPENDIX I (continued)
BOARD MEETING DIALOGUE WITH SHAWN BRYSON IN ATTENDANCE

Josefina: How much upfront cash must we contribute, and how and when do we get a return on our investment? What kind of success rate does NSU have with its R&D activities? We will need to clarify many issues before we proceed.

Thom: Granted, some details still need to be worked out. As it currently stands, NSU will own the intellectual property created; however, given the collaboration, WDI will be given an exclusive license to use the intellectual property. The university will have the right to use the intellectual property for research and publish the findings.

In addition, once WDI has access to the intellectual property for the new material, we can become experts at recycling it. This could provide another potential source of revenue.

Peter: Research has certain risks, but a potential payoff exists in terms of consulting services and recycling opportunities for WDI. If Thom says we should offer this service, I support the idea.

Laura: Thanks for bringing this to the board, Thom.

Thom leaves the meeting.

Laura: I received another interesting proposal, from Jim Pendleson. Jim is the sole shareholder of Pendleson Incorporated (PI) and he wants WDI to buy all his shares in PI. He believes that we can strengthen both companies if we combine forces. Also, I know that Jim is worried about being able to provide PI's customers with landfill services, given that PI's landfills are quickly nearing capacity. He has offered to sell all his shares of PI to WDI for a total of $56,310,000. This figure will be broken down into a $10 million upfront cash payment, a loan of $40 million, and 350,000 common shares in WDI. Jim also wants to be a director and to have a key management position. He has provided additional information.

Peter: What a great idea! This acquisition will nearly double WDI's size. We would be one of the largest local companies. That said, our cash position is a concern. Can we afford to make this investment? I wonder if Jim would be willing to revise his proposed terms if we suggested changes?

Brian: To me, the terms are irrelevant. I think it would be a much better idea to focus on new emerging areas of the industry.

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APPENDIX I (continued)
BOARD MEETING DIALOGUE WITH SHAWN BRYSON IN ATTENDANCE

Josefina: Let us not forget that PI has also recently lost customers. What if it is already too late for both of our companies to regain customers? Will combining the two companies really make us more competitive?

Laura: If we combine, we can share more expenses and thereby lower costs, and we might also increase revenue by providing PI's current customers with some of our existing services. Also, PI has a good reputation with its customers and within the community, and Jim has been in business a long time. His expertise will undoubtedly help WDI improve operations.

Peter: PI's recycling plants have all been upgraded, so we could provide recycling services again, and maybe reopen our own plants. Along with the administration cost savings, there are undoubtedly other synergies.

Laura: PI does have low debt. Interesting idea.

I received another proposal. The Town of Devyn (The Town) is a progressive municipality. The Town currently incurs high transportation costs to ship its electronic waste, because there are no local recyclers. The Town wants to provide this service locally instead, and has asked whether WDI is interested in building an electronic-waste recycling facility. They have provided some preliminary figures.

Brian: If we build the facility, I doubt we will have any problem reaching capacity within the first few years. A lot of corporations need to dispose of electronic waste, and we should be able to capture their business. It might also be possible to obtain a sizable government grant for this project.

Josefina: There is local demand, but also a huge liability if something goes wrong. In addition to safety concerns, the protection of any recyclable devices holding personal information will certainly be an issue.

Peter: I do not know if we can locally hire the expertise required to manage the facility. Very strict regulations will have to be met before we can open. Given the time required to build and obtain the permits for the facility, we will likely not be able to open until 2024. Also, when they learn that a hazardous-waste disposal facility is in their backyard, the local community might react negatively.

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APPENDIX I (continued)
BOARD MEETING DIALOGUE WITH SHAWN BRYSON IN ATTENDANCE

Brian: There will also be added compliance and certification costs. Hazardous-waste handling requires many special features, such as dust collection systems, uniforms, showers, and extra training. But it looks very profitable, even at low volumes. We will need to be extremely cautious, but we should do it. It is a great opportunity.

Peter: Hmm… I'm not sure everything has been included in the projection provided. The return appears to be higher than what I have seen across the industry, and payback is quicker than normal.

Laura: The Town was one of the first major customers that we lost in 2021. They have committed to using WDI's services again if we build this facility. They will also guarantee us between 25,000 and 30,000 pounds of waste material for the first year and will provide a property tax reduction for up to five years, although they have not said by how much.

Josefina: Why are they offering all these incentives?

Laura: I do not know, but I will take them! I also like that we would already have one large customer. But I am still hesitant because this idea is so different from what WDI usually does. Perhaps we should prepare a list of questions to ask The Town.

I have one more item. Peter, please tell us more about the toxic leachate that was found in one of our landfill sites in Nova Scotia.

Peter: Oh! How did you hear about that? About three weeks ago, one of our technicians found that some leachate had contaminated a small amount of ground water, but we think it is contained. I did not think it was a serious leak and did not want the media to blow things out of proportion and get the public unnecessarily panicked. I intended to tell the board.

Josefina: When? Leachate can contaminate the surrounding area through the ground water or runoff. Did you test for contamination in other places, inside and outside the landfill site? The liability associated with pollution and cleanup costs is one of our greatest risks. You should have done this three weeks ago!

Peter: Well, the issue is resolved, so we can file it away.

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APPENDIX I (continued)
BOARD MEETING DIALOGUE WITH SHAWN BRYSON IN ATTENDANCE

Laura: The issue is not resolved. I do not understand why you did not follow the protocols of informing us, doing the proper tests, and informing the public. We need to figure out how to properly handle the matter. We need Shawn and his team to provide further guidance.

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APPENDIX II
EXCERPTS FROM WDI'S INTERNAL REPORTS

Statement of Cash Flows
For the year ended December 31, 2022
(in thousands of Canadian dollars)

Operating activities	
Net income	$ 2,784
Amortization	9,390
Accretion on landfill	390
Change in non-cash working capital balances	(1,916)
Cash flows from operating activities	10,648
Investing activities – investment in PP&E	(5,300)
Financing activities	
Repayment on term loan – GBI	(4,000)
Increase in line of credit	299
Cash flows from financing activities	(3,701)
Change in cash	1,647
Opening cash and cash equivalents	1,473
Closing cash and cash equivalents	$ 3,120

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APPENDIX II (continued)
EXCERPTS FROM WDI'S INTERNAL REPORTS

Earnings Report
For the year ended December 31, 2022 compared to December 31, 2020
(in thousands of Canadian dollars)

	Collection	Transfer	Landfill	Recycling	Consulting	Total
Revenue	$43,560	$7,400	$19,800	$4,300	$4,003	$79,063
2020 comparatives	*48,400*	*8,200*	*17,300*	*7,300*	*0*	*81,200*
% change	*-10%*	*-10%*	*14%*	*-41%*	*NA*	*-3%*
Labour and benefits	7,800	1,140	2,230	120	1,986	13,276
Outsourcing cost for recycling	0	0	0	4,850	0	4,850
Purchases – fuel	13,200	1,300	2,470	60	0	17,030
Amortization	4,200	650	4,190	350	0	9,390
Remediation of landfill accretion	0	0	390	0	0	390
Other operating costs	10,800	2,740	3,980	95	365	17,980
Selling and administrative	Not allocated	Not allocated	Not allocated	Not allocated	Not allocated	8,610
	36,000	5,830	13,260	5,475	2,351	71,526
Net operating profit	$ 7,560	$1,570	$ 6,540	$(1,175)	$1,652	$ 7,537
Net operating profit margin	*17%*	*21%*	*33%*	*-27%*	*41%*	*9.5%*
Interest expenses						
Line of credit						(60)
GBI loan						(2,704)
Kingsley loan						(960)
Income before taxes						3,813
Income taxes						(1,029)
Net income						$ 2,784

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APPENDIX III
SALE OF LANDFILL SITES IN NOVA SCOTIA

Current Details on Nova Scotia Landfill Sites

- The carrying amount of the Nova Scotia landfill sites is \$12.4 million.
- In 2022, these landfill sites generated \$11,880,000 in revenue.

Details on Mandated Biogas Capture Upgrade Project for Nova Scotia Landfill Sites

- If we decide to retain these landfills, the biogas recapture upgrades will cost a total of \$8 million.
- The after-tax annual operating cash flows of these two landfills, which includes the fuel cost savings, will be \$5,819,000 for each of the next eight years.
- Our best estimate for the present value of the closing costs and post-closure maintenance costs, when the landfills are eventually retired, is \$3,723,000.
- The discount rate used is 11%.

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APPENDIX IV
ACQUISITION OF PENDLESON INCORPORATED

PI has been in business in Nova Scotia and New Brunswick for 20 years. PI operates four collection centres, three transfer stations, four landfill sites (which are close to the capacity limit), and four recycling plants that recycle OCC and mixed residential paper using updated technology.

About 40% of PI's customers are municipalities and 60% are commercial. PI has ten-year contracts with municipalities, which will start to expire in three years. The commercial contracts are for five years or less, many of which will need to be renegotiated next year. PI has lost customers who were attracted to larger competitors, causing its revenues and income to fall steadily over the past three years.

The $40 million loan will be repaid annually (principal and interest) over 20 years and will carry an interest rate of 5%.

Recent transactions indicate that waste management companies of a similar size sell for 8.5 times after-tax net income.

If combined, WDI believes annual after-tax savings in administration will be $1 million.

Extracts from PI's 2022 audited financial statements are as follows *(in thousands of Canadian dollars)*:

Collection	$ 33,000
Transfer	7,300
Landfill	21,760
Recycling	13,600
Total revenue	$ 75,660

Operating income	$ 7,860
Income taxes	(1,900)
Net income	$ 5,960

Annual cash flow from operations less required capital investments and loan repayments	$ 4,670

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APPENDIX V
ELECTRONIC WASTE – PRIMARY RECYCLING FACILITY

- A $12 million initial investment will be needed to build a primary recycling facility that will disassemble incoming electronic waste, such as televisions, computers, and cell phones. The parts will be sorted by robots into circuit boards, steel, plastic, and glass. These parts will then be sent to secondary recyclers for further processing.
- The facility will process up to 40,000 pounds annually. Additional investments can be made to increase the capacity.

Estimates at various volumes are as follows (prepared by the Town of Devyn):

Pounds processed annually	**25,000**	**30,000**	**40,000**
Selling price per pound recycled	$ 450.00	$ 450.00	$ 450.00
Rebate to municipality (5%)	(22.50)	(22.50)	(22.50)
Net revenue per pound	427.50	427.50	427.50
Processing cost per pound (assumed to remain constant)	240.00	240.00	240.00
Net margin per pound	187.50	187.50	187.50
Income before taxes	4,687,500	5,625,000	7,500,000
Less income taxes at 27%	(1,265,625)	(1,518,750)	(2,025,000)
Net income	$ 3,421,875	$ 4,106,250	$ 5,475,000

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End of Examination

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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

	2020	2021
Maximum depreciable cost — Class 10.1	$30,000 + sales tax	$30,000 + sales tax
Maximum depreciable cost — Class 54	$55,000 + sales tax	$55,000 + sales tax
Maximum monthly deductible lease cost	$800 + sales tax	$800 + sales tax
Maximum monthly deductible interest cost	$300	$300
Operating cost benefit — employee	28¢ per km of personal use	27¢ per km of personal use
Non-taxable automobile allowance rates		
— first 5,000 kilometres	59¢ per km	59¢ per km
— balance	53¢ per km	53¢ per km

3. INDIVIDUAL FEDERAL INCOME TAX RATES

For 2020

If taxable income is between			Tax on base amount	Tax on excess
$0	and	$48,535	$0	15%
$48,536	and	$97,069	$7,280	20.5%
$97,070	and	$150,473	$17,230	26%
$150,474	and	$214,368	$31,115	29%
$214,369	and	any amount	$49,644	33%

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%

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4. SELECTED INDEXED AMOUNTS FOR PURPOSES OF COMPUTING INCOME TAX

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

	2020	**2021**
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	$12,298	$12,421
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	13,229	13,808
Age amount if 65 or over in the year	7,637	7,713
Net income threshold for age amount	38,508	38,893
Canada employment amount	1,245	1,257
Disability amount	8,576	8,662
Canada caregiver amount for children under age 18	2,273	2,295
Canada caregiver amount for other infirm dependants age 18 or older (maximum amount)	7,276	7,348
Net income threshold for Canada caregiver amount	17,085	17,256
Adoption expense credit limit	16,563	16,729

Other indexed amounts are as follows:

	2020	**2021**
Medical expense tax credit — 3% of net income ceiling	$2,397	$2,421
Annual TFSA dollar limit	6,000	6,000
RRSP dollar limit	27,230	27,830
Lifetime capital gains exemption on qualified small business corporation shares	883,384	892,218

5. PRESCRIBED INTEREST RATES (base rates)

Year	Jan. 1 – Mar. 31	Apr. 1 – June 30	July 1 – Sep. 30	Oct. 1 – Dec. 31
2021	1	1		
2020	2	2	1	1
2019	2	2	2	2

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.

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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%	

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