Exam Exam Handbook

Checked November 2026 · facts from official pages only · questions and explanations are our own

What the exam looks like

Item	Current rule	Checked
	See the official page (link on the site's exam map).	2026–11–15
	See the official page (link on the site's exam map).	2026–11–15
	See the official page (link on the site's exam map).	2026–11–16
	See the official page (link on the site's exam map).	2026–11–16
	See the official page (link on the site's exam map).	2026–11–16
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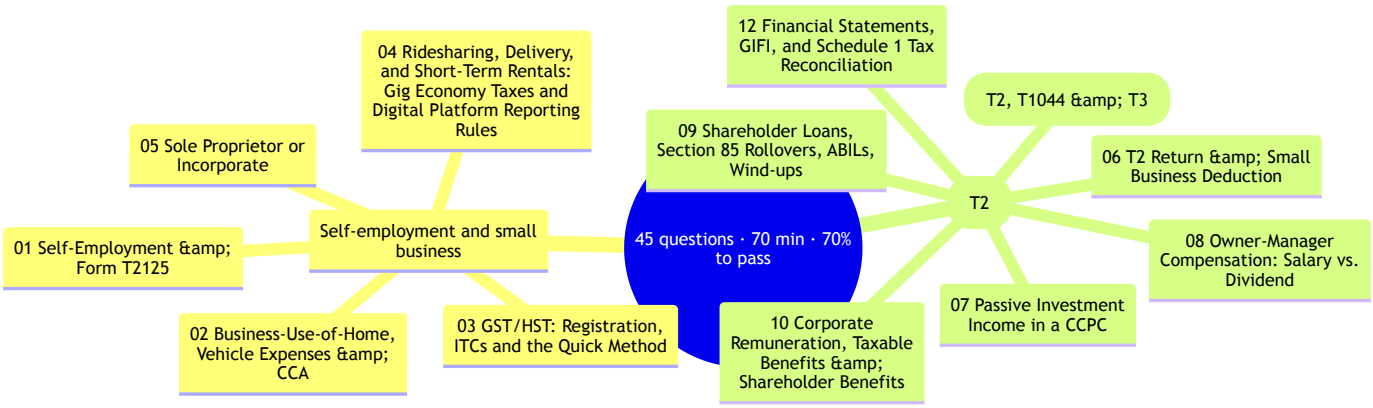
Where the marks are

Official weights are listed in the facts table; our mock weights are our own estimate.

Ch	Topic	Section	Priority	Mock
01	Self–Employment & Form T2125	Self–employment and small business	P1 Must score	6
02	Business–Use–of–Home, Vehicle Expenses & CCA	Self–employment and small business	P1 Must score	4
03	GST/HST: Registration, ITCs and the Quick Method	Self–employment and small business	P1 Must score	5
04	Ridesharing, Delivery, and Short–Term Rentals: Gig Economy Taxes and Digital Platform Reporting Rules	Self–employment and small business	P2 Hold steady	3
05	Sole Proprietor or Incorporate	Self–employment and small business	P2 Hold steady	3
06	T2 Return & Small Business Deduction	Corporate tax (T2)	P1 Must score	5

07	Passive Investment Income in a CCPC	Corporate tax (T2)	P2 Hold steady	3
08	Owner–Manager Compensation: Salary vs. Dividend	Corporate tax (T2)	P1 Must score	4
09	Shareholder Loans, Section 85 Rollovers, ABILs, Wind–ups	Corporate tax (T2)	P2 Hold steady	3
10	Corporate Remuneration, Taxable Benefits & Shareholder Benefits	Corporate tax (T2)	P1 Must score	4
11	Tax–Exempt & Non–Profit Organizations (T2, T1044 & T3)	Corporate tax (T2)	P3 Skim	2
12	Financial Statements, GIFI, and Schedule 1 Tax Reconciliation	Corporate tax (T2)	P2 Hold steady	3

The whole exam on one map



How to use this handbook

1. Start with the 12-question diagnostic on the site to find your red chapters.
2. Before reading each chapter, answer its starter questions on instinct, then check them as you read.
3. Each chapter is two sides of one sheet: front = how it is tested, traps, mind map; back = key points and self-test cues (cover the right two columns).
4. Do this chapter's questions in the question book; for misses, do the variants.
5. The night before, read only the final review sheet.

Chapter 1 · Self-Employment & Form T2125

Self-employment and small business | P1 Must score | T2125 self-employment income · 6 mock questions

Read with these questions: The contract says independent contractor, but the other party sets the hours and tools. How does tax law decide status?; Is the double CPP a self-employed person pays fully a credit on the return, or split between a deduction and a credit?; If a self-employed person files before June 15 but pays the balance only in May, are interest and a late-filing penalty charged?; For a practising accountant or lawyer, can WIP completed but unbilled at year end still be excluded from income in 2026?

How it is tested

- Scenario classification questions: you are given a working arrangement (who sets the hours, who supplies the tools, who bears the loss, whether the worker is embedded in daily operations) and must use the four-factor test to decide employee or self-employed, or spot a personal services business (PSB) that uses a corporate shell to avoid an employment relationship.
- Form routing and accounting method questions: given a specific occupation (such as an IT consultant, an architect vs. a ride-share driver) or industry (farming and fishing, commission agents vs. ordinary services), you decide whether to complete Part 3A or Part 3B of T2125, how year-end work in progress (WIP) is recognized, whether the cash method may be chosen and how to switch back to the accrual method.
- Expense deduction gate and calculation questions: exploratory start-up costs, capital improvements, excessive or unreasonable amounts and meals and entertainment are mixed together, and you must strip out the non-deductible parts using the s.18(1)(a) purpose test, the s.18(1)(b) capital exclusion, the s.67 reasonableness test and the s.67.1 50% rule.
- Double CPP split and voluntary EI questions: given net self-employed income (such as $52,000), you deduct the $3,500 basic exemption and apply 11.9% to get base CPP, then split it on Schedule 8 between Line 31000 (credit) and Line 22200 (deduction); also self-employed EI: the 12-month waiting period, the 60-day opt-out window and no 1.4 employer multiple.
- Deadline and loss carryover questions: you distinguish the June 15 self-employed filing extension from the April 30 date when payment is due and interest starts, the $3,000 net-owing instalment threshold, and the order for non-capital losses: first against other income of the year, then carried back 3 years or forward 20 years.

Traps (watch for the signal)

A contract that says contractor means self-employed: The stem stresses that the worker signed an independent contractor agreement, but also shows fixed shifts, equipment supplied by the other party, and a fixed hourly rate with no risk of loss.

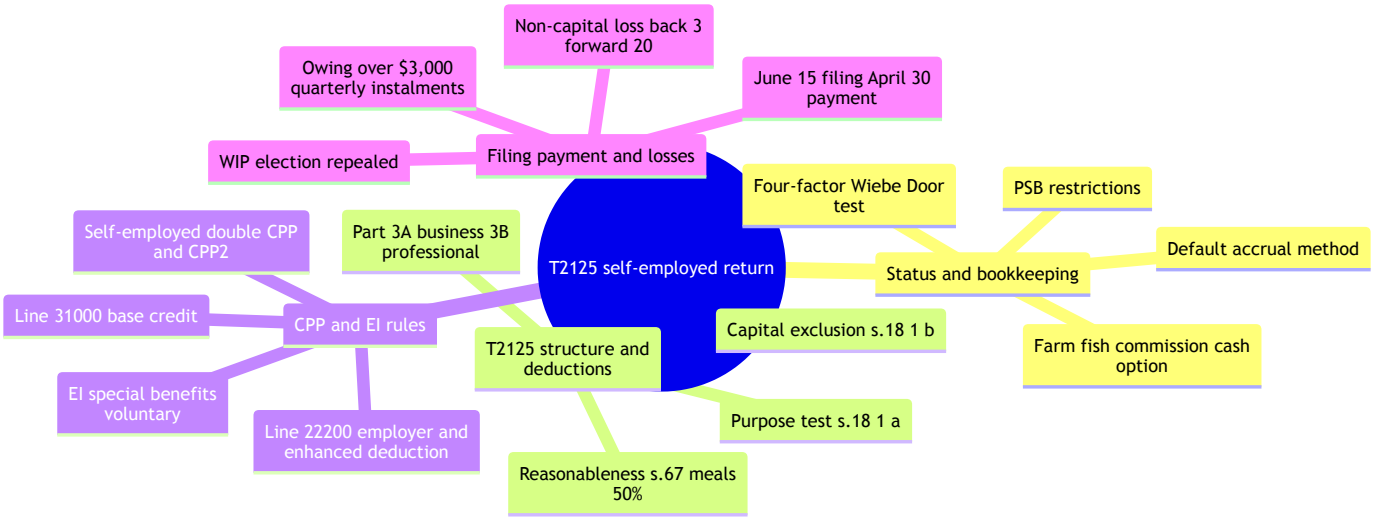
Treating June 15 as the payment deadline: The stem asks about both the filing deadline and the balance-due date, or asks whether filing in May and paying the balance then triggers interest and a late-filing penalty.

Deducting pre-business investigation costs after the fact: The stem splits spending by time into two periods: one while deciding whether to start a business, the other after the first contract is signed or premises are rented.

Professionals excluding year-end WIP: The stem has a designated professional (accountant, lawyer, doctor, etc.) with unbilled work-in-progress (WIP) at year end and asks how income is recognized for the year.

Whole CPP as a deduction, or EI at 2.4 times: The stem asks on which two lines of the T1 the self-employed CPP calculated on Schedule 8 is reported, or how the premium rate for voluntary EI special benefits differs from an employee's.

Mind map


T2125 self-employed return
Filing payment and losses
Non-capital loss back 3 forward 20
Owing over $3,000 quarterly instalments
June 15 filing April 30 payment
WIP election repealed
Status and bookkeeping
Four-factor Wiebe Door test
PSB restrictions
Default accrual method
Farm fish commission cash option
CPP and EI rules
Self-employed double CPP and CPP2
Line 31000 base credit
EI special benefits voluntary
Line 22200 employer and enhanced deduction
T2125 structure and deductions
Part 3A business 3B professional
Capital exclusion s.18 1 b
Purpose test s.18 1 a
Reasonableness s.67 meals 50%

Chapter 1Key points (cover the right two columns to self-test)

Key points	Exam term	Rule / number
Four-factor test for employee vs. self-employed status	four-factor test / Wiebe Door test	Status is decided on the whole by four groups of facts: control, tools, chance of profit and risk of loss, and integration. Neither the label in the contract nor any single factor decides it alone.
Anti-avoidance rule for personal services business	personal service business (PSB)	A person who is in substance an employee but provides services through an incorporated company is treated as a personal services business: deductible expenses are strictly limited to the pay to that individual, and there is no small business tax rate.
Accrual method and the cash method exceptions	accrual method vs. cash method	The self-employed must use the accrual method by default. Only farmers, fishers and sales agents paid by commission may choose the cash method, and for farming and fishing a switch back from the cash method needs CRA approval.
Splitting business income and professional income	business income (Part 3A) vs. professional income (Part 3B)	Business income goes on T2125 Part 3A with cost of inventory; occupations built on specialized knowledge go on Part 3B and must include year-end work in progress (WIP) in income at the lower of cost and fair market value.
The three statutory gates for expense deductions	purpose test (s.18(1)(a)), capital exclusion (s.18(1)(b)), reasonableness (s.67)	A business expense must first pass the purpose test of earning income, exclude capital outlays (which go through CCA), and be reasonable in amount (meals and entertainment are then cut to 50% under s.67.1; long-haul truck drivers may deduct 80%).
Self-employed CPP: double calculation and split	Schedule 8 / Line 31000 credit / Line 22200 deduction	For 2026, base self-employed CPP is 11.9% on earnings between the $3,500 exemption and $74,600 (YMPE), with CPP2 at 8% above that up to the YAMPE. The employee-equivalent base portion goes to Line 31000 as a non-refundable credit; the employer-equivalent base portion plus all the enhanced portion goes to Line 22200 as a deduction.
Voluntary EI special benefits for the self-employed	EI special benefits for self-employed (Schedule 13)	A self-employed person may voluntarily register for EI special benefits (12-month waiting period, premium at the employee rate only, with no 1.4 employer multiple); once a benefit has been claimed, withdrawal is permanently barred.
Filing extension and instalment threshold	June 15 filing deadline / April 30 balance-due date / $3,000 instalment threshold	The self-employed person and spouse have until June 15 of the next year to file, but any balance still owing is due, and bears interest, from April 30. Quarterly instalments are required when net owing exceeds $3,000 ($1,800 in Quebec) in the current year and in one of the two prior years (farmers and fishers: a single payment on December 31). Budget 2026 (announced 2026-11-05) proposes aligning the filing and payment deadlines at May 15 from the 2027 tax year and raising the instalment threshold to $7,500 from 2028, but this is not yet law; for the 2026 tax year the rules remain June 15 filing, April 30 payment and the $3,000 threshold.
Non-capital loss deduction and carryover	non-capital loss carryback (3 years) and carryforward (20 years)	A self-employed business loss is first set against other income of the current year; the balance becomes a non-capital loss that can be carried back 3 years or forward 20 years against income from any source. It cannot be mixed with a net capital loss.
Billed-basis WIP election repealed	repealed billed-basis accounting election (ITA s.34)	The s.34 election that let six types of designated professionals exclude year-end work in progress (WIP) was repealed in 2017, and the five-year transition ended before the 2022 tax year. Under current rules all WIP is included in income for the year at the lower of cost and fair market value.

Self-test cues (Cornell left column)

1. What four groups of facts does the CRA use to decide employee or self-employed? What classification is triggered by using a corporate shell to avoid employment?
2. Who may choose the cash method? What is the core difference between Part 3A and Part 3B of T2125?
3. What three statutory gates must an expense pass, in order, to be deductible as a current business expense?
4. How is the double CPP calculated on Schedule 8 split between Line 31000 and Line 22200? How does voluntary EI work?

5. What are the self-employed filing deadline, the payment and interest date, the instalment threshold, and the carryback and carryforward periods for non-capital losses?

Summary: In one sentence, connect the whole loop for a self-employed person: from the four-factor test for status, T2125 accrual-basis net income and the double CPP split on Schedule 8, to payment on April 30, filing by June 15 and loss carryback of 3 years and carryforward of 20 years.

Chapter 2 · Business–Use–of–Home, Vehicle Expenses & CCA

Self–employment and small business | P1 Must score | Home office, vehicles and CCA · 4 mock questions

Read with these questions: With another business premises, working at home in the evening and meeting clients by video, can I deduct home office expenses?; For a self–employed home office, which can be deducted, mortgage interest or principal? What if expenses exceed net income?; In the year a Class 10.1 vehicle is disposed of, can depreciation be claimed? Is there recapture or terminal loss?; Buying a passenger vehicle over $100,000 in 2026: how are the luxury tax and BC PST computed?

How it is tested

- Eligibility threshold questions: a self–employed person works partly at home and partly out of an outside practice, and you are tested on the two alternative thresholds for business–use–of–home expenses (principal place of business, or exclusive use and regular, continuous use for meeting clients in person), to see whether you are misled by "many hours worked at home" or "frequent video meetings".
- Self–employed vs. employee comparison questions: utilities, property tax, home insurance, mortgage interest and mortgage principal are listed, testing who can deduct mortgage interest and which items (mortgage principal, capital renovations) can never be deducted.
- Deduction order and net income limit questions: you are given business net income before the home office deduction and the total of allocated home office expenses, testing the rule that T2125 first computes vehicle and ordinary expenses and CCA, the home office last, with no creating or increasing a business loss, and the conditions for carrying the excess forward.
- Combined questions on vehicle allocation, records and multiple taxes: the base year method with its 3 months and 10% variance condition, the Class 10.1 capital cost cap ($39,000) and disposition rules, the federal Select Luxury Items Tax and BC's tiered vehicle PST rates, testing the logic that layers of rules do not replace one another.
- CCA classes and the new 2026 first–year depreciation rules: the $500 tool threshold between classes (Class 8 vs. Class 12), the closing of Class 53 to new additions with a move to Class 43, the Accelerated Investment Incentive (AII) restoring the 1.5 times enhancement, Classes 44/46/50 full first–year write–off, and the legislative status distinction that 100% immediate expensing for manufacturing and processing buildings is still in Bill C–31 and not in force.

Traps (watch for the signal)

Mixing up hours worked with video client meetings: The stem says there is "another rented studio, shop or clinic" and that at home the person only handles accounts, answers orders or contacts clients by phone or video.

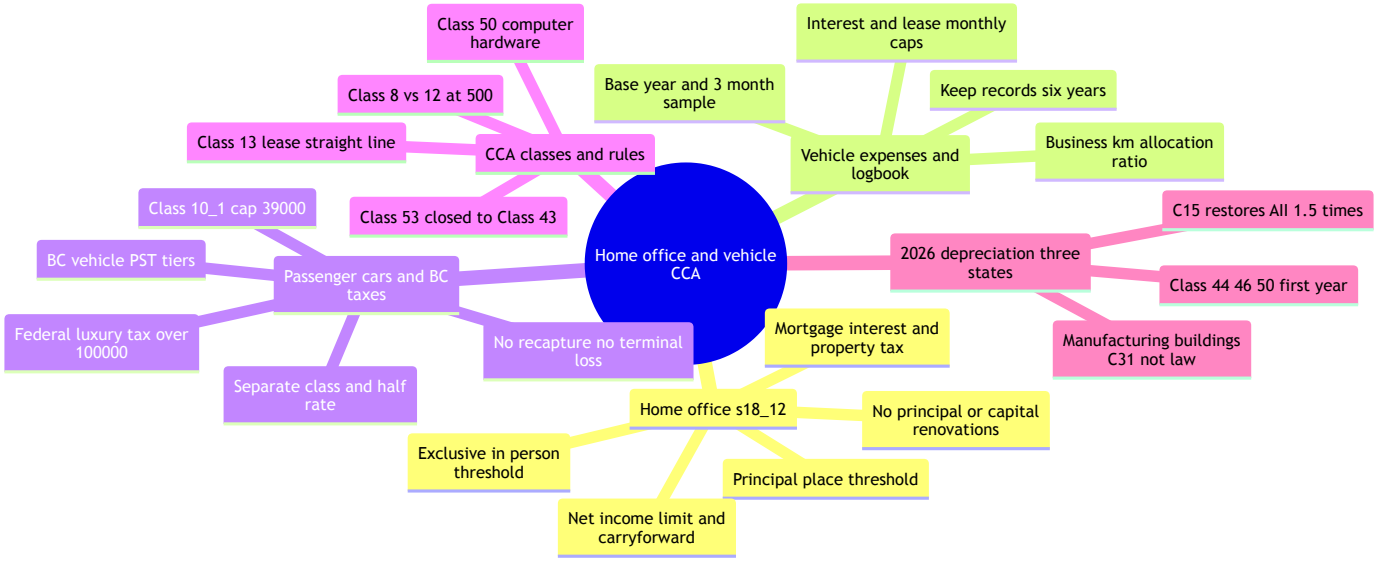
Swapping the employee and self–employed lists: The stem mentions mortgage interest, mortgage principal, property tax, or a flat amount based on days worked at home.

Creating a loss with the home office: The stem gives net income before the home office deduction that is lower than the allocated home office expense amount.

Confusing the luxury car cap with disposition rules: The stem has a high–priced passenger vehicle (such as $132,000), Class 10.1, the $39,000 capital cost cap, or a vehicle still in Class 10.1 at the end of the year before disposition.

Confusing announced with in force: The stem involves manufacturing and processing machinery acquired in 2026, manufacturing and processing buildings (Bill C–31), computer hardware (Class 50), or the luxury tax on a passenger vehicle over $100,000.

Mind map


Home office and vehicle CCA
CCA classes and rules
Class 50 computer hardware
Class 8 vs 12 at 500
Class 13 lease straight line
Class 53 closed to Class 43
Vehicle expenses and logbook
Interest and lease monthly caps
Base year and 3 month sample
Keep records six years
Business km allocation ratio
2026 depreciation three states
C15 restores All 1.5 times
Class 44 46 50 first year
Manufacturing buildings C31 not law
Passenger cars and BC taxes
Class 10_1 cap 39000
BC vehicle PST tiers
Federal luxury tax over 100000
Separate class and half rate
No recapture no terminal loss
Home office s18_12
Mortgage interest and property tax
No principal or capital renovations
Principal place threshold
Exclusive in person threshold
Net income limit and carryforward

Chapter 2Key points (cover the right two columns to self-test)

Key points	Exam term	Rule / number
Two alternative home office thresholds	business-use-of-home eligibility tests (s.18(12))	The workspace must be the principal place of business, or be used exclusively to earn business income and regularly and continuously for meeting clients in person (face to face; phone and video do not count). Meeting either one is enough.
Deductible and non-deductible home office items for the self-employed	deductible home office expenses vs. mortgage principal	A self-employed person may allocate utilities, home insurance, property tax and mortgage interest (which employees cannot deduct) by area (and, for non-exclusive space, also by time), but mortgage principal and capital renovations can never be deducted as a current expense.
Home office net income limit and reporting order	net income limitation and carry-forward (Form T2125 Part 7 / Line 9945)	Compute vehicle expenses (Line 9281/9936) and other business expenses and CCA first, and the home office expense (Line 9945) last; the deduction cannot exceed business net income before the deduction (it cannot create or increase a loss), and the excess can be carried forward for the same business in later years.
Logbook and the base year method	logbook and base year method	After a complete full-year record establishes the business-use percentage for the base year, later years need only a continuous three-month sample logbook, and the percentage can be reused if it stays within a 10% variance of the base year; records must be kept for six years from the end of the relevant tax year.
Common CCA classes and the $500 tool threshold	capital cost allowance (CCA) classes and $500 tool threshold	Tools costing less than $500 go in Class 12, are written off in full in the year and are not subject to the half-year rule (software is still subject to the half-year rule); general tools, furniture and equipment costing $500 or more go in Class 8; improvements to leased premises go in Class 13 and are depreciated straight-line over the lease term.
Class 10.1 passenger vehicle cap and disposition special rules	Class 10.1 prescribed limit ($39,000) and disposition rules	A passenger vehicle above the prescribed limit goes into its own Class 10.1 (for 2026 the announced limit is $39,000 plus applicable sales tax, while the ITR s.7307 consolidation to 2026-07-21 still says $38,000); on disposition there is no recapture and no terminal loss, and if the vehicle was still in the class at the end of the prior year, one half of the normal CCA rate may be claimed in the year of disposition.
Accelerated Investment Incentive and the three states of immediate expensing	Accelerated Investment Incentive (AII) and immediate expensing	Bill C-15 has received royal assent, restoring the 1.5 times first-year enhancement rate for eligible additions (AII) and enacting the full first-year write-off for Classes 44/46/50 productive assets acquired from 2024-04-16 and available for use before 2027; but 100% immediate expensing for manufacturing and processing buildings is in Bill C-31, not yet law, and is not a current rule. Also, the Productivity Mega Deduction (full first-year write-off for most classes of assets) proposed federally on 2026-09-15 is a proposal and not yet law, and 2026 filing still follows the current AII rules.
Manufacturing equipment class switch (Class 53 to Class 43)	Class 53 expiration and Class 43 transition	Class 53 (50% rate) for eligible manufacturing and processing machinery and equipment closed to new additions at the end of 2025; from 2026, newly purchased equipment of the same kind goes into Class 43 (ordinary 30% rate); but equipment that would have gone into Class 53 had it been acquired in 2025 can still be written off 100% in the first year (phase-out begins only for property available for use after 2029). The class number changed; the first-year deduction did not shrink.
Four independent layers of tax on high-priced business vehicles	Select Luxury Items Tax and BC PST on vehicles	For 2026, a passenger vehicle over $100,000 still bears the federal luxury tax (the lesser of 10% of the total price and 20% of the amount over $100,000), calculated independently of BC's tiered vehicle PST (for example, 15% from $125,000 to under $150,000), GST and the Class 10.1 depreciation cap, with no offsetting among them.

Self-test cues (Cornell left column)

1. What are the two alternative thresholds of s.18(12) for the home office? Why does frequently meeting clients by video from home not satisfy the second one?
2. When claiming home office expenses on T2125, which items can the self-employed deduct that employees cannot? Which two items can never be deducted as expenses whatever the status?
3. What is the calculation order on T2125 for vehicle expenses, other CCA and home office expenses? What happens to home office expenses that exceed net income?

4. What three numerical conditions does the base year method for the logbook require (a full year, how many months, what percentage variance)? How many years must records be kept?
5. For a passenger vehicle over $100,000 bought in the 2026 tax year, how are the federal luxury tax, BC PST, and the Class 10.1 CCA cost base and disposition rules each worked out?

Summary: In one sentence, summarize how the home office, vehicle expenses and CCA separate "mixed personal and business spending or capital property" and add statutory ceilings.

Chapter 3 · GST/HST: Registration, ITCs and the Quick Method

Self-employment and small business | P1 Must score | GST/HST registration and the Quick Method · 5 mock questions

Read with these questions: Between zero-rated and exempt businesses, which one can get back the GST paid on purchases?; When sales within a single quarter cross $30,000, must the transaction that crosses the line charge GST?; Is the GST difference saved under the quick method taxable income when filing income tax?; Driving ride-share part time with income under $30,000 a year, must I register for GST/HST?

How it is tested

- Scenario threshold-crossing questions: given a self-employed person's quarterly sales or several businesses held in one name, you decide the exact date the small supplier status is lost, the first transaction on which tax must be collected, and the 29-day deadline to complete registration.
- Three kinds of supply and input tax questions: taxable, zero-rated supply and exempt supply are mixed together, testing which kind of business may register and fully claim input tax credits (ITCs).
- Quick method vs. regular method calculation questions: given sales and purchase costs, you compute net tax on lines 101, 103 and 109 of Form GST34 under the quick method and the regular method, and the effect on taxable income on the T2125 income tax form.
- BC dual-system and ride-share special rule questions: splitting input tax between BC's 5% GST and 7% PST, and the mandatory registration from day one for taxi and commercial ride-share drivers, fares treated as tax-included (back-calculated at 5/105), and removing items that carry no GST.
- Compliance deadline, three-tier documentation and new policy questions: the two deadlines for a sole proprietor with a December 31 year end (pay by April 30, file by June 15), the invoice information required at $100 and $500, plus Nova Scotia's 14% HST and the first-time home buyers' GST rebate.

Traps (watch for the signal)

Applying the grace period to a single-quarter breach: The stem has revenue exceeding $30,000 within a single calendar quarter, or asks whether the transaction that crosses the line must collect GST/HST.

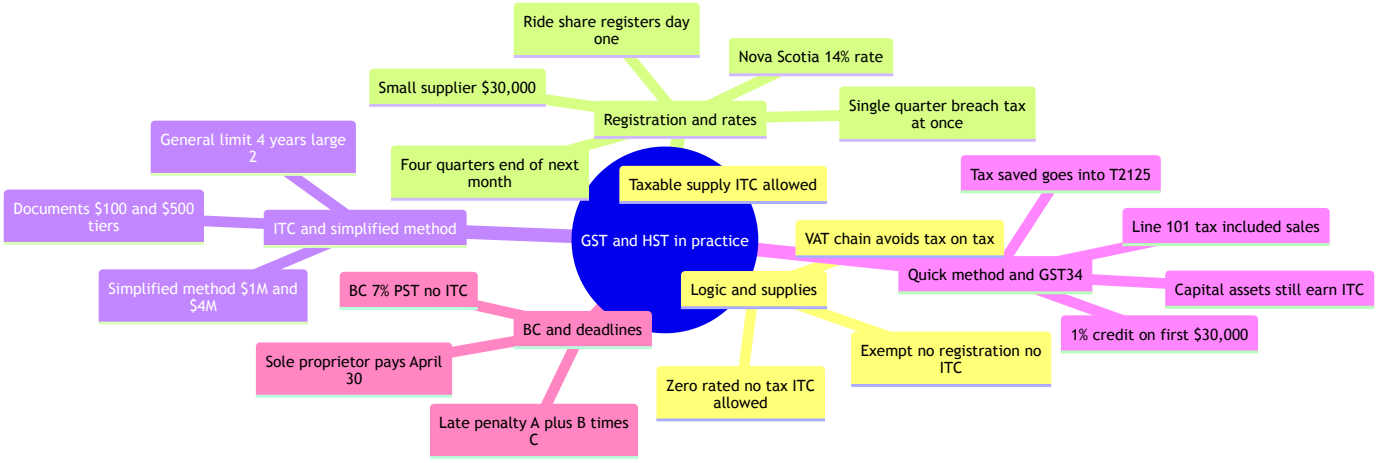
Testing the threshold separately for each business: The stem describes the same person running two self-employed businesses (such as design plus photography) or running a business together with an associate, each under $30,000 but over the line in total.

Entering the amount before tax on line 101 under the quick method: The stem says the quick method has been elected and asks for net tax on line 101, line 103 or line 109 of GST34.

Letting BC PST and exempt items into the ITC: The stem is set in BC, a purchase invoice includes 7% PST, or the expense list mixes in vehicle insurance and loan interest.

A sole proprietor paying tax only on June 15: The stem has a sole proprietor with a December 31 fiscal year-end and asks when the GST/HST balance must be paid to avoid interest.

Mind map


GST and HST in practice
Registration and rates
Ride share registers day one
Nova Scotia 14% rate
Small supplier $30,000
Single quarter breach tax at once
Four quarters end of next month
Taxable supply ITC allowed
ITC and simplified method
General limit 4 years large 2
Documents $100 and $500 tiers
Simplified method $1M and $4M
BC and deadlines
BC 7% PST no ITC
Sole proprietor pays April 30
Late penalty A plus B times C
VAT chain avoids tax on tax
Quick method and GST34
Tax saved goes into T2125
Line 101 tax included sales
Capital assets still earn ITC
1% credit on first $30,000
Logic and supplies
Exempt no registration no ITC
Zero rated no tax ITC allowed

Chapter 3Key points (cover the right two columns to self-test)

Key points	Exam term	Rule / number
How ITCs differ across the three kinds of supply	taxable / zero-rated / exempt supply	Taxable supplies and zero-rated supplies can both be registered and fully claim input tax credits (ITCs); exempt supplies neither collect tax nor allow any ITC, and a person making only exempt supplies generally cannot register.
The two paths that trigger loss of small supplier status	small supplier ($30,000 threshold)	Worldwide taxable supplies over $30,000 in a single quarter require collecting tax from the transaction that crosses the line; over $30,000 cumulatively across four consecutive quarters, small supplier status is lost at the end of the month after the quarter in which the line is crossed. Either way, registration is due within 29 days after the effective date.
Tax rate by place of supply and Nova Scotia's rate cut	place of supply	The rate is set by the place of supply, not by where the seller is located; from April 1, 2025 Nova Scotia's HST fell from 15% to 14% (tax-included back-calculation factor 14/114), Ontario is 13%, and the other three Atlantic provinces are 15%.
Reporting period and the sole proprietor's two deadlines	reporting period & filing/payment deadline	Based on prior-year taxable supplies, an annual (up to $1,500,000), quarterly (over $1,500,000 up to $6,000,000) or monthly (over $6,000,000) reporting period is assigned; a sole proprietor with a December 31 year end has the return due June 15, but the tax is due April 30.
Three tiers of ITC documentation and the four-year limit	ITC documentation & 4-year limit	An invoice under $100 tax-included needs only the seller's name, date and total; $100 to $499.99 also needs the tax amount and registration number; $500 and over also needs the buyer's name, a description of the goods and the payment terms (retroactive to 2021-04-20); the general ITC claim limit for registrants is 4 years.
Quick method eligibility and remittance calculation	quick method & 1% credit	A person whose tax-included taxable supplies do not exceed $400,000 and who is not in an excluded business (legal, accounting, bookkeeping, tax consulting and the like are excluded) may use the quick method; in BC the remittance rate is 3.6% for services and 1.8% for resale of purchased goods (purchases over 40%), with a 1% credit on the first $30,000 each fiscal year (maximum $300); everyday expenses earn no ITC but capital assets still do.
GST34 line numbers and the income tax interface	Form GST34 & Form T2125 inclusion	Under the regular method line 101 holds sales before tax, under the quick method line 101 holds tax-included taxable supplies; under the quick method the difference in tax not remitted and the 1% credit (maximum $300) must be added to T2125 as taxable income, and everyday expenses are deducted at their tax-included amount.
BC's dual system and the passenger transportation rule	BC 7% PST & taxi/rideshare rule	BC's 7% PST cannot be claimed as an ITC; self-employed taxi and commercial ride-share drivers are not subject to the $30,000 threshold and must register from day one, and the fare is treated as tax-included (collected tax back-calculated at 5/105 and similar).
Late-filing penalty and mandatory electronic filing	late-filing penalty A + (B × C)	The late-filing penalty formula is 1% of the amount owing (A) plus 25% of A (B) times the number of full months late (C, capped at 12 months); for reporting periods ending in 2024 or later, electronic filing is mandatory except for charities and listed financial institutions, with a $100 penalty for a first paper filing and $250 for each one after that.
New housing rebate and first-time home buyers' rebate	first-time home buyers' GST rebate	The traditional federal new housing rebate falls to zero at a fair market value of $450,000; from 2025 a first-time home buyers' GST rebate was added, refunding the tax in full (maximum $50,000) for a first new home with fair market value of $1,000,000 or less, phasing out linearly from $1,000,000 to $1,500,000 and falling to zero above $1,500,000.

Self-test cues (Cornell left column)

1. Zero-rated and exempt supplies both charge the customer no tax, so why do they affect a self-employed person's cash flow so differently?
2. How do the "single-quarter breach" and the "four consecutive quarters" paths of the $30,000 small supplier threshold differ in effective date and grace period?
3. What number goes on line 101 of GST34 under the quick method? How is the tax saved treated on the T2125 income tax form?
4. Why can BC's 7% PST, vehicle insurance and car loan interest never be entered on GST34 line 106?

5. For a self-employed sole proprietor with a December 31 year end, what are the GST/HST filing date and the payment date? How is the late-filing penalty calculated?

Summary: In three sentences, summarize: when registration is mandatory (including the passenger transportation exception), how the regular and quick methods differ in their linkage between GST34 and T2125, and the three compliance red lines BC self-employed people most easily cross.

Chapter 4 · Ridesharing, Delivery, and Short-Term Rentals: Gig Economy Taxes and Digital Platform Reporting Rules

Self-employment and small business | P2 Hold steady | Gig and platform income · 3 mock questions

Read with these questions: Ridesharing plus delivery with annual income under $30,000: which part must collect GST/HST?; A big order in one quarter pushes you over $30,000: which income starts to collect GST/HST?; Part-time rideshare with twenty trips: will the platform report the income to the CRA under DPI?; Self-employed net income of $50,000: how is the CPP contribution split between lines 22200 and 31000?; A new car used 70% for rideshare passengers: which CCA class does filing practice usually use?

How it is tested

- Scenario classification questions: given a combination of ridesharing, pure food delivery, mixed gigs or short-term rentals, you decide which income tax form applies (Form T2125 or Form T776), the main business NAICS code, or whether GST/HST registration is required from the first dollar or the $30,000 small supplier threshold applies; what is really tested is classification by "the nature of the service and any additional services", not by "whether a platform is used".
- Threshold trigger and effective date questions: given a large delivery contract that appears in one calendar quarter or rolling income over four consecutive quarters, you identify the exact point at which small supplier status is lost and which income starts to bear GST/HST; what is really tested is the difference between the single-quarter trigger (effective at once on the transaction that crosses the line) and the four-quarter cumulative trigger (effective at the end of the month after the quarter in which the line is crossed).
- Platform reporting rules (DPI) questions: scenarios with a low-volume gig seller or one who gives no tax number test whether you wrongly apply the "30 transactions and $2,800" goods exclusion, and on whom the $500 penalty for not providing a tax number falls; what is really tested is the coverage of Part XX of the Income Tax Act and the logic of reconciling information.
- Two-tier CPP and instalment calculation questions: given net self-employed income (such as $50,000) and the prior two years' balance owing, you compute the base-tier contribution and split it between the line 22200 deduction and the line 31000 credit, or decide whether quarterly instalments are triggered for the year; what is really tested is self-employed cash flow management and the "and" relationship between the two $3,000 thresholds.
- Vehicle CCA and provincial interface questions: combining the ridesharing use percentage in the year the vehicle is acquired (whether over 50%) or BC TNS licence compliance costs and WorkSafeBC coverage, you decide

Traps (watch for the signal)

Applying the small supplier exemption to ridesharing: The stem has commercial ridesharing, passenger transport, or "ridesharing passengers plus food delivery" with annual income under $30,000.

Remembering only the four-quarter total and missing a single-quarter breach: The stem stresses that in a single quarter (such as Q3), taking on a group delivery contract or a temporary large order pushes the quarter's income past $30,000.

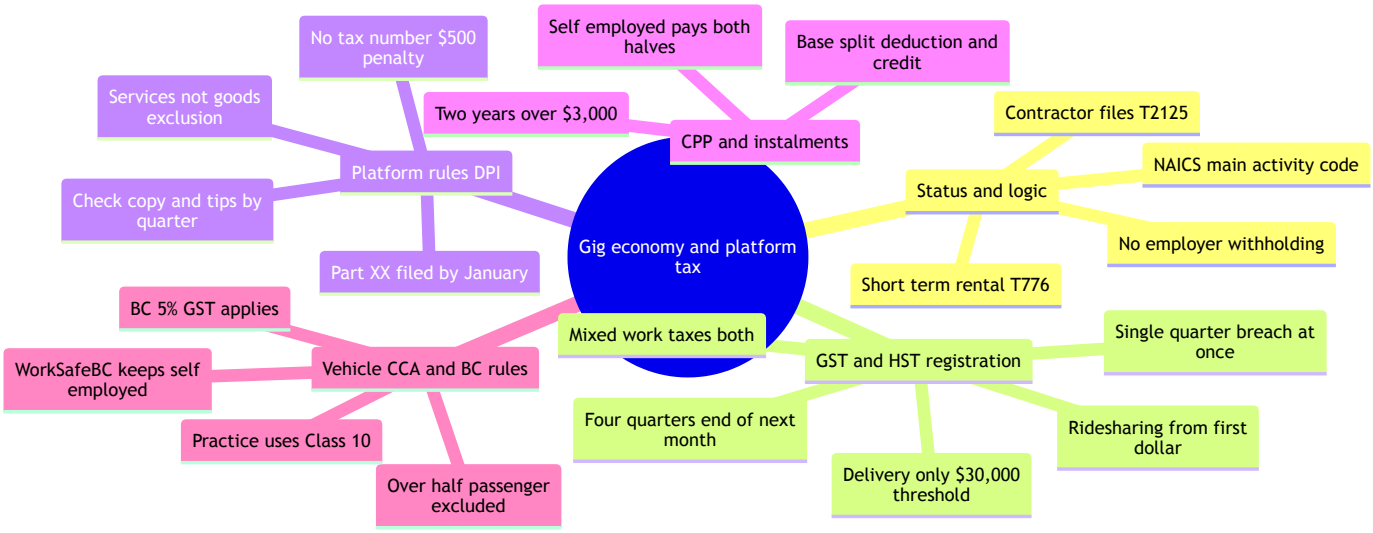
Applying the goods exclusion to service sellers: The stem describes a part-time rideshare driver, delivery worker or short-term rental host with fewer than 30 transactions in the year and income of only a few hundred dollars, and asks whether the platform reports to the CRA.

Treating the whole CPP contribution as an income deduction: The stem asks for the tax treatment of self-employed CPP on the T1, the line 22200 deduction amount, or the line 31000 credit amount.

Rushing to instalments because first-year owing is large: The stem says the taxpayer just moved from employment to full-time gig work this year, and in both prior years had ample withholding on wages and net owing under $3,000.

the CCA class in most filing practice (Class 10 at 30% vs. Class 16 at 40%) and whether the costs are deductible on T2125; what is really tested is the boundary between tax–law definitions and labour regulation.

Mind map



Chapter 4Key points (cover the right two columns to self-test)

Key points	Exam term	Rule / number
Gig worker classified as independent contractor, and the form to file	independent contractor / Form T2125	Rideshare and delivery workers are generally classified as self-employed independent contractors based on the actual working relationship, and income is reported together on Form T2125 (main activity code 485990 for passenger transport, 492210 for delivery); the platform has no obligation to withhold income tax or CPP.
The GST/HST threshold divide between ridesharing and delivery	taxi business / small supplier threshold	Commercial ridesharing falls within the taxi business definition, has no small supplier exemption, and must register and collect GST/HST from the first dollar; pure delivery is under the $30,000 small supplier threshold over four consecutive quarters, but if the person does both ridesharing and delivery, the delivery income must bear tax along with it.
Two trigger paths for the $30,000 small supplier threshold	single-quarter vs four-quarter threshold trigger	Over $30,000 in a single quarter requires collecting tax from the very supply that takes the total across the threshold, with the registration effective date no later than that day; over $30,000 cumulatively across four consecutive quarters with no single quarter over, small supplier status is lost at the end of the month after the quarter in which the line is crossed.
Digital platform operator reporting rules (DPI) and the excluded-seller scope	Reporting Rules for Digital Platform Operators (DPI) / excluded seller	Under Part XX of the Income Tax Act, platforms must report active sellers' consideration and fees, broken down by quarter, to the CRA by January 31 of the following year and give sellers a copy; the exclusion for "fewer than 30 transactions and not over $2,800" applies only to the sale of goods, not to ridesharing, delivery or short-term rental, and a seller who does not provide a tax number can be penalized $500 each time.
Self-employed two-tier CPP contribution and the deduction and credit split	Schedule 8 / line 22200 / line 31000	The self-employed pay both the employee and employer shares of CPP (for 2026 the base tier is the YMPE of $74,600 less the $3,500 exemption times 11.9%, with the CPP2 tier capped at the YAMPE of $85,000); the base contribution is split in half between the line 22200 income deduction and the line 31000 tax credit, and the enhanced portion and CPP2 go in full to the line 22200 deduction.
Dual trigger conditions for personal income tax instalments	tax instalments / Form INNS1	Quarterly instalments are required only when current-year net owing exceeds $3,000 ($1,800 in Quebec) and net owing in at least one of the prior two tax years also exceeded the threshold; paying on time the amounts on the Form INNS1 reminder letter sent by the CRA avoids instalment interest.
Tips and reconciling the DPI copy	tips / activity information reconciliation	Tips are not subject to GST/HST under either the regular method or the quick method, but they are taxable income for income tax; when reconciling the annual DPI copy, first separate the base fare from the separately listed tips column.
The CCA class fork for rideshare and delivery vehicles	passenger vehicle exclusion / Class 10 vs Class 16	A vehicle used more than 50% for ridesharing passengers in the year it is acquired is excluded from the definition of passenger vehicle and is not subject to the Class 10.1 cost cap (most filing practice treats it as Class 10 at 30%, while the legislation lists dedicated taxicabs in Class 16 at 40%); a delivery vehicle, or one carrying passengers 50% or less, is still subject to the passenger vehicle rules, split between Class 10 and Class 10.1.
BC GST rate, TNS licence costs and the workers' compensation boundary	Transportation Network Services (TNS) / WorkSafeBC	BC applies 5% GST (not HST); commercial driver licence upgrades, background checks and additional commercial insurance incurred after the business starts are deductible on T2125 (not those incurred before opening); from September 3, 2024, the platform paying WorkSafeBC premiums for workers does not change their self-employed status for income tax.
Short-term rental host: T776 vs. T2125, and platform-collected tax	Form T776 / short-term accommodation	Providing accommodation only (including ordinary cleaning fees) is reported on Form T776, while substantial extra services such as meals mean Form T2125; taxable short-term accommodation means a continuous stay of under one month with a daily rate over $20, and for a short-term rental arranged through a platform by an unregistered small supplier the platform collects the GST/HST, and income must be reported at the total before fees, with the platform service fee deducted separately.

Self-test cues (Cornell left column)

1. Why does pure food delivery get a $30,000 GST/HST buffer, while ridesharing and "ridesharing plus delivery" get no buffer at all?
2. What is the difference in the day GST/HST starts to be collected when a delivery worker crosses $30,000 within a single calendar quarter and when the total crosses $30,000 across four consecutive quarters?
3. Why can the DPI exemption for "fewer than 30 transactions and not over $2,800" not save a part-time rideshare driver with a dozen or so trips? Who is penalized for not giving a tax number, and how much?
4. In the double CPP a self-employed person pays in 2026, which part goes to the line 22200 income deduction and which part only to the line 31000 tax credit?
5. Why is a vehicle used more than 50% for ridesharing in the year of acquisition not subject to the passenger vehicle cap? Which CCA class does most filing practice use? When does a short-term rental host file T776 rather than T2125?

Summary: In three sentences, summarize the four cash-flow defences of a gig worker from taking orders to filing taxes: how to hold the GST/HST registration date by service type, how to reconcile the platform's DPI copy with a quarterly ledger, and how to set aside in advance the double CPP and the instalment payments once both $3,000 thresholds are crossed.

Chapter 5 · Sole Proprietor or Incorporate

Self-employment and small business | P2 Hold steady | Whether to incorporate · 3 mock questions

Read with these questions: If all company profit is taken out and spent, why does incorporating actually lose money?; Why does a single-client IT consultant who incorporates get taxed at 45%? How is it avoided?; When is the T2 due after the company's year end, and when must the balance be paid in full?; Opening just one shop in Vancouver: which is cheaper, federal or BC incorporation?; Selling a business in 2026 and wanting the $1,275,000 exemption: what is the difference between a sole proprietorship and a company?

How it is tested

- Concept distinction questions: a self-employed person takes home all the year's profit as salary or dividends and spends it, and you must tell tax deferral from genuine tax savings; only profit left undistributed in the company enjoys the deferral value of the 11% low rate, and when it is all spent, the principle of integration plus compliance costs mean that incorporating actually loses money.
- Rate and threshold calculation questions: compare the 2026 tax-year BC top personal marginal rate of 53.5% with the CCPC small business combined rate of 11% (a gap of 42.5 percentage points) and the general corporate combined rate of 27%, and the effect on the $500,000 business limit of the passive income grind (starting at $50,000, reaching zero at $150,000) and the taxable capital grind ($10M to $50M).
- Personal services business (PSB) determination and rate questions: describing the tax consequences after an independent consultant who serves only one client, like a disguised employee, incorporates; you must know the composition of the PSB combined rate of 45% (federal base 28% with no general rate reduction + PSB additional tax 5% + BC general rate 12%), the restricted expense deductions, and the two statutory exemptions: "more than five full-time employees throughout the year" or "providing services to an associated corporation".
- Corporate compliance and director joint liability scenario questions: the gap between the T2 filing deadline (6 months after year end) and the balance-due date (2 months after year end, 3 months for a qualifying CCPC), the rule that a T2 must be filed even with no activity, and directors' personal joint liability for unremitted source deductions and GST/HST (a 2-year limitation period after leaving office and the due diligence defence).
- Cross-jurisdiction registration cost and long-term planning comparison questions: compare the cost difference between federal incorporation ($200 online fee + BC extra-provincial registration $380) and direct BC incorporation ($380), and the fundamental difference that the sale of qualified small business corporation shares (QSBCS) can use the 2026 tax-year lifetime capital gains

Traps (watch for the signal)

Confusing tax deferral with permanent tax exemption: The stem has "all taken out for everyday family spending", "no profit left on the company's books at year end" or "low annual profit (such as $58,000) that is all spent".

Treating "single client" as absolutely equal to a personal services business (PSB): The stem says "serves only one client all year" but also mentions that "the company employs 6 (or more than 5) full-time programmers/employees throughout the year" or that "the client is an associated corporation".

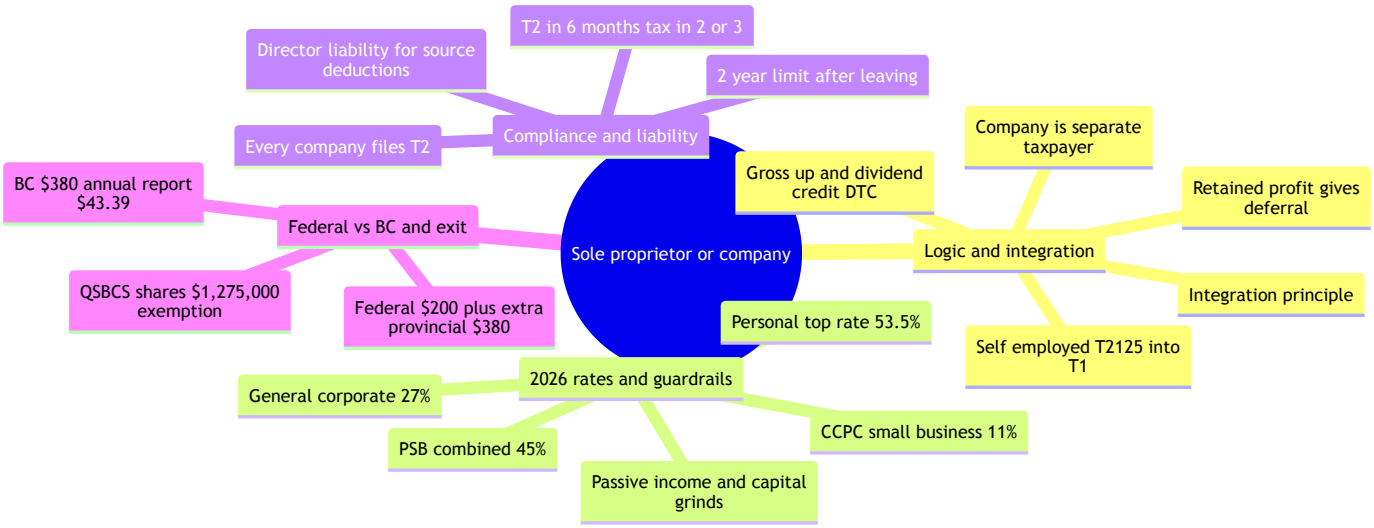
Thinking a sole proprietor selling assets can also use the lifetime capital gains exemption (LCGE): The stem says "sole proprietor selling business assets / goodwill" rather than "selling shares of a QSBCS".

Thinking a limited liability company shields against all personal tax liability: The stem has "unpaid withholding income tax or GST/HST", "a nominal director spouse who takes no part in daily management", or "a director who resigned less than 2 years ago".

Overlooking that federal incorporation with business only in BC needs an added extra-provincial fee: The stem stresses "operating a local business in just one city in BC (such as a Vancouver restaurant or Surrey plumbing and electrical repair)" and asks which registration route has the lower first-year registration fees.

exemption (LCGE) of $1,275,000, while the sale of a sole proprietorship's assets cannot be sheltered.

Mind map



Chapter 5Key points (cover the right two columns to self-test)

Key points	Exam term	Rule / number
Principle of integration and the dividend tax credit	principle of integration / dividend gross-up / dividend tax credit (DTC)	Through the dividend gross-up and the dividend tax credit (DTC, ITA s.82(1)(b) and s.121) at the personal level, the total tax on earning money directly as an individual and on earning it through a company and then paying dividends is in theory about the same.
The precondition for tax deferral and the 42.5-point rate gap	tax deferral / small business deduction (SBD)	For the 2026 tax year the BC top personal marginal rate is 53.5% (federal 33% + BC 20.5%), and the CCPC small business combined rate on the first $500,000 of active business income is 11% (federal 9% + BC 2%), a gap of 42.5 percentage points, and this deferral difference holds only when profit stays in the company undistributed.
General corporate combined rate	general rate reduction (GRR) / general corporate rate	Profit of an ordinary company that gets no small business deduction but does get the 13-point federal general rate reduction (GRR) bears a 27% combined rate in BC for the 2026 tax year (federal 15% + BC 12%).
Definition of a personal services business (PSB), exemptions and the 45% rate	personal services business (PSB) / incorporated employee	If, absent the company, the service provider would reasonably be regarded as an employee of the client (an incorporated employee), the company is a PSB unless it employs more than 5 full-time employees throughout the year or serves an associated corporation; it loses the SBD and GRR, bears an extra 5% federal additional tax, reaches a BC combined rate of 45% (federal 28% + 5% + BC 12%), and expense deductions are strictly restricted (ITA s.18(1)(p)).
Three anti-abuse guardrails around the small business deduction	passive income grind / taxable capital grind / tax on split income (TOSI)	The federal $500,000 business limit is limited by the passive income grind (reduced starting at $50,000, reaching zero at $150,000) and the taxable capital grind (reduced starting at $10M, reaching zero at $50M), and dividends paid to family members who do not actually take part in the business are governed by the tax on split income (TOSI).
Director's joint liability for source deductions and GST/HST	director's liability	Under ITA s.227.1, when a company defaults on unremitted source deductions or GST/HST, the directors in office are personally jointly liable, but may raise the due diligence defence of having acted as a reasonably prudent person would (s.227.1(3)), and the CRA's limitation period is 2 years from the date the director ceased to be a director (s.227.1(4)).
Mandatory T2 filing and the gap between filing and payment	T2 Corporation Income Tax Return / tax year-end	Except for Crown corporations, Hutterite colonies and registered charities for the full year, every resident Canadian corporation must file a T2 whether or not it had activity or profit in the year; the year end may be any day within 53 weeks after incorporation, and the T2 is due 6 months after year end, but the balance is due 2 months after year end (3 months for a qualifying CCPC).
Cost comparison: federal vs. BC registration	extra-provincial registration	The federal online fee is $200 (annual return $12), and BC incorporation is $380 ($350 base fee + $30 name approval fee, annual report $43.39); if you operate only in BC but choose federal incorporation, you must also complete extra-provincial registration in BC and pay another $380, so the first-year total ($200 + $380) is actually $200 more than BC incorporation.
Lifetime capital gains exemption and qualified small business corporation shares	lifetime capital gains exemption (LCGE) / qualified small business corporation shares (QSBCS)	For the 2026 tax year the lifetime capital gains exemption rises to $1,275,000 (with a corresponding deduction limit of $637,500), and applies only to the disposition of qualified small business corporation shares (QSBCS) meeting conditions such as being a CCPC, over 90% of assets used in active business, and shares held for 24 months; a sole proprietorship's sale of assets does not qualify.

Self-test cues (Cornell left column)

1. Why is incorporating said to bring "tax deferral" and not unconditional "permanent tax savings"?
2. For the 2026 tax year in BC, what are the top personal marginal rate, the CCPC small business rate, the general corporate rate and the PSB rate?
3. When is an independent consultant's company classified as a personal services business (PSB)? Which two statutory exemptions rule out PSB?

4. In which two kinds of tax debt does a company's limited liability protection fail to shield a director personally? What two defences or time protections does the director have?
5. Why is BC incorporation better value than federal incorporation for a small business operating only in BC? What unique advantage does the corporate form give when the business is sold in the future?

Summary: In three sentences, summarize: at what income and retention conditions incorporating a CCPC is truly worthwhile, which kind of single-client service most easily steps on the PSB mine at 45%, and the T2 filing and director tax liability bottom lines that must be observed after incorporation.

Chapter 6 · T2 Return & Small Business Deduction

Corporate tax (T2) P1 Must score T2 basics and the small business deduction · 5 mock questions

Read with these questions: If a 51% overseas investor comes in, what jump happens to the company's tax rate?; With only 306 days in its first year, can a new company still get the full $500,000 low-rate limit?; If the company has both excess taxable capital and excess passive income, are the two reductions added together?; If spouses each own 100% of a company, must they share one $500,000 limit?; The T2 return is due 6 months after year end, so why does interest on the balance owing start accruing after month 3?

How it is tested

- Eligibility classification questions: given the shareholders' residence, a public company's shareholding, or who actually controls the board, you decide whether the company is a Canadian-controlled private corporation (CCPC), and whether losing CCPC status triggers a deemed year-end and the loss of four core tax benefits.
- Small business deduction (SBD) and combined rate calculation questions: given active business income (ABI), taxable income, the business limit and the reduced business limit, you compute the federal SBD as "the least of the four numbers x 19%" and, with BC's 2% small business rate and 12% general rate, the combined tax payable.
- Two business limit reductions: distinction and calculation questions: given both the associated group's taxable capital employed in Canada and adjusted aggregate investment income (AAII) for the prior tax year, you apply the rule that "the greater of the two reductions applies, not their sum", and the difference between the old rule for tax years beginning before April 7, 2022 (zero at $15,000,000) and the current 2026 rule (zero at $50,000,000).
- Associated corporations determination and limit allocation questions: scenarios in which spouses or brothers hold two companies separately test whether the "25% cross-ownership line" triggers association, the Schedule 23 rule that allocations total no more than 100%, and the short tax year reduction of the business limit by days over 365.
- T2 four dates and compliance penalty questions: given the company's year end, taxable income and past compliance record, you apply the filing deadline (6 months after year end), the balance-due date (2 months after year end, or 3 months for a qualifying CCPC), the $3,000 instalment exemption threshold and the "one month less a day" first instalment date, plus the late-filing penalty computed on unpaid tax.

Traps (watch for the signal)

Treating the $500,000 business limit as a tax-free allowance: The stem or options contain "tax-free" or "exempt from tax on the first $500,000", or claim that tax payable is zero when income is below $500,000.

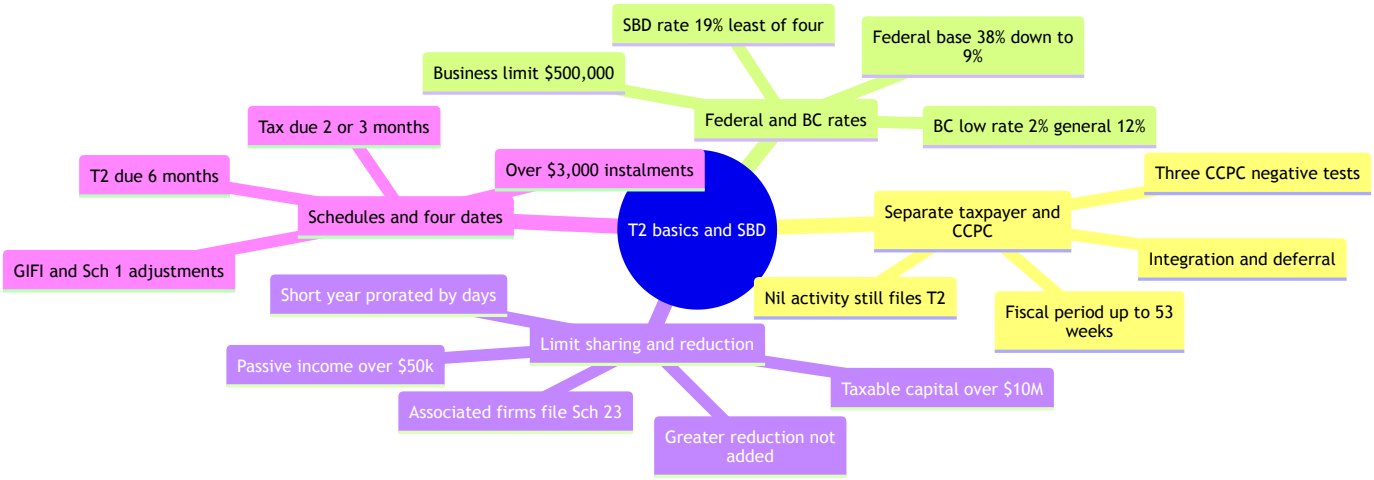
Adding the two limit reductions or using current-year data: The stem gives two sets of data, taxable capital and passive income (AAII) for both the prior tax year and the current tax year, and asks for the reduced business limit.

Treating the filing deadline (6 months) as the payment deadline (2 or 3 months): The stem gives the fiscal year-end and asks separately for the balance-due day and the filing deadline.

Automatically deeming spouses or brothers who each own a company to be associated: The stem has a spouse or siblings each owning 100% of one company, then gives a share structure with zero cross-ownership or exactly 25% cross-ownership.

Missing the short tax year allocation of the business limit or wrongly prorating the rate: The stem has a mid-year incorporation date (such as incorporated March 1 with a December 31 year end) or the number of days in a short tax year caused by a deemed year-end on a change of control.

Mind map


T2 basics and SBD
Federal and BC rates
SBD rate 19% least of four
Federal base 38% down to 9%
Business limit $500,000
BC low rate 2% general 12%
Schedules and four dates
Tax due 2 or 3 months
T2 due 6 months
Over $3,000 instalments
GIFI and Sch 1 adjustments
Separate taxpayer and CCPC
Three CCPC negative tests
Integration and deferral
Nil activity still files T2
Fiscal period up to 53 weeks
Limit sharing and reduction
Short year prorated by days
Passive income over $50k
Taxable capital over $10M
Associated firms file Sch 23
Greater reduction not added

Chapter 6Key points (cover the right two columns to self-test)

Key points	Exam term	Rule / number
Corporation as a separate taxpayer and the fiscal period	fiscal period / tax year	A company is a separate taxpayer whose losses cannot offset personal income, its tax year is its fiscal period and may not exceed 53 weeks, and apart from three statutory exceptions every resident corporation (including a company with no activity) must file a T2 each year.
Determining a Canadian-controlled private corporation	Canadian-controlled private corporation (CCPC)	It must be a Canadian private corporation that meets three negative conditions: not controlled by one or more non-residents, not controlled by a public corporation, and with no class of shares listed on a designated stock exchange (control includes legal control and de facto control).
Integration and the dividend gross-up	integration & dividend gross-up	The small business deduction (SBD) is in essence a deferral and not a permanent reduction; on a dividend the individual grosses up a non-eligible dividend by 15% and an eligible dividend by 38%, and claims the federal dividend tax credit at 9/13 and 6/11 of the grossed-up amount respectively.
The three-level federal rate subtraction chain	federal tax abatement & SBD rate	The federal Part I basic rate of 38% less the 10% federal abatement gives 28%; the non-SBD portion then less the 13% general rate reduction gives 15%, and the qualifying CCPC portion less the 19% SBD gives 9%.
SBD as the least of four numbers, and the short tax year	small business deduction (SBD) & business limit	The SBD equals 19% times the least of active business income in Canada (line 400), taxable income (line 405), the business limit (line 410, $500,000 for a stand-alone company) and the reduced business limit (line 428); for a short tax year of fewer than 51 weeks the business limit is reduced by "days / 365".
The two reductions: taxable capital and passive income	business limit reduction (taxable capital & AAII)	Both reductions look at the prior tax year's data for the whole associated group and take the greater, not the sum: passive income between $50,000 and $150,000 cuts the limit by $5 for each $1 over; taxable capital cuts from $10,000,000, with the old rule for tax years beginning before 2022-04-07 reaching zero at $15,000,000 (denominator $11,250) and the current 2026 rule reaching zero at $50,000,000 (denominator $90,000).
Associated corporations and limit allocation	associated corporations & Schedule 23	Companies under the same control, or controlled separately by relatives with at least 25% cross-ownership, are associated and must share a single $500,000 business limit through Schedule 23, with allocations totalling no more than 100%.
T2 filing, payment and instalment: the four dates	filing deadline, balance-due day & tax instalments	The T2 filing deadline is 6 months after year end; the balance-due day is 2 months after year end (3 months for a qualifying CCPC); if tax for the prior year or the current year exceeds $3,000, monthly instalments are required starting on "one month less a day" from the first day of the tax year (a CCPC meeting four conditions, such as perfect compliance, may pay quarterly).
BC corporate tax rates and the linkage mechanism	BC corporate tax rates & Schedule 427	A company with a permanent establishment in BC files provincial tax with the T2 through Schedule 427, with a small business rate of 2% (11% combined) and a general rate of 12% (27% combined); BC's low rate is tied directly to federal SBD eligibility and takes the same federal limit reductions.
Late-filing penalty base and arrears interest	late-filing penalty & prescribed interest	A first-time late T2 is penalized at 5% of the unpaid tax at the filing deadline plus 1% for each full month late (up to 12 months, capped at 17%), rising to 10% plus 2% per month (capped at 50%) for a repeat within three years where a demand to file was received; neither income tax nor arrears interest is deductible in computing income.

Self-test cues (Cornell left column)

1. Why is CCPC called a master switch? Which three negative conditions, once triggered, turn it off at once?
2. Through which subtraction steps does the federal 38% basic rate become 9% and 15%? The SBD is the least of which four numbers?
3. What are the start and zero points of the taxable capital reduction and of the passive income reduction? How are they computed when both are triggered?
4. When do relatives who each open a company trigger association? Which two schedules must be filed after association?
5. What deadlines correspond to 2 months, 3 months and 6 months after year end? Under what conditions can a CCPC pay instalments quarterly?

Summary: In three sentences, summarize: the eligibility conditions for a BC CCPC to enjoy the 11% combined low rate, the three situations in which the $500,000 business limit is allocated or reduced, and the order of payment and filing after year end.

Chapter 7 · Passive Investment Income in a CCPC

Corporate tax (T2) P2 Hold steady Passive income grind · 3 mock questions

Read with these questions: Does the capital gain from selling an owner-used factory reduce next year's small business limit?; If the corporation earned $90,000 of interest last year, how much more federal and BC tax does it pay on this year's operating profit?; If the only balance is NERDTOH from interest, can an eligible dividend get the 38⅓% refund back?; If a capital dividend exceeds the CDA balance, what is the penalty rate and who is jointly liable?

How it is tested

- Calculation question: given last year's adjusted aggregate investment income (AAII) and this year's operating profit, compute the reduction of this year's $500,000 business limit ($5 cut for every $1 over $50,000) and the extra federal and BC corporate tax that results.
- Concept question: distinguish aggregate investment income (AII, used for refundable tax, Schedule 7 Part 1) from adjusted aggregate investment income (AAII, used for the business limit grind, Schedule 7 Part 2) on four differences, especially the capital gain on disposing of an active asset and dividends from non-connected corporations.
- Rates and account-flow question: the split of the federal 38⅔% rate on CCPC investment income (including the 10⅔% additional refundable tax) and the 30⅔% refundable portion; the test for Part IV tax (38⅓%) between connected and non-connected corporations; and whether the amount goes to ERDTOH or NERDTOH.
- Dividend payment and refund-order question: the order in which the two RDTOH pools are drawn (non-eligible dividends draw NERDTOH first and ERDTOH only after it is empty; eligible dividends draw ERDTOH only), the 38⅓% refund rate, and the three-year filing limit.
- Compliance and penalty-tax scenario: the 60% Part III tax on capital dividends paid above the capital dividend account (CDA) and the shareholders' joint liability; the 20% / 30% Part III.1 tax on excessive eligible dividend designations; and, under the 2026 rules in force, the substantive CCPC and the $10M–$50M taxable capital grind range (old training material says $10M–$15M).

Traps (watch for the signal)

Mixing up the AII and AAII bases: The question mentions selling an owner-used factory (active asset) or receiving dividends on listed shares (non-connected dividend), and asks about next year's business limit reduction or this year's refundable tax.

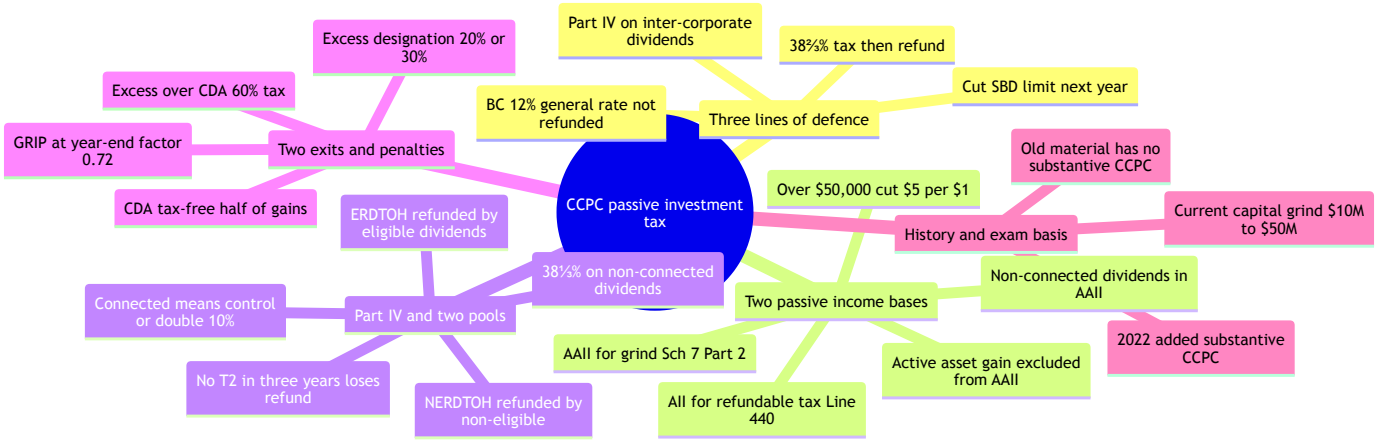
Applying the passive income grind to the wrong year, or multiplying the full AAII by 5: The question gives investment income for both 2025 and 2026, or gives an AAII between $50,000 and $150,000.

Using the associated test where the connected test applies, or the reverse: One corporation holds 15% or 20% of the voting shares and market value of another, and the question asks whether the dividend received bears the full 38⅓% Part IV tax.

Getting the direction of the dual-pool RDTOH refund backwards: The corporation's only balance is NERDTOH (from interest or rent) but it pays an eligible dividend, and the question asks how much dividend refund it gets.

Confusing the capital dividend excess with the consequences of late filing: The capital dividend exceeds the CDA balance on the payment date, or a capital loss arises later in the same year.

Mind map


CCPC passive investment tax
Three lines of defence
Part IV on inter-corporate dividends
38⅔% tax then refund
Cut SBD limit next year
BC 12% general rate not refunded
Two exits and penalties
Excess designation 20% or 30%
Excess over CDA 60% tax
GRIP at year-end factor 0.72
CDA tax-free half of gains
History and exam basis
Old material has no substantive CCPC
Current capital grind $10M to $50M
Over $50,000 cut $5 per $1
Two passive income bases
Non-connected dividends in AAII
2022 added substantive CCPC
Active asset gain excluded from AAII
AAII for grind Sch 7 Part 2
AII for refundable tax Line 440
Part IV and two pools
ERDTOH refunded by eligible dividends
38⅓% on non-connected dividends
Connected means control or double 10%
No T2 in three years loses refund
NERDTOH refunded by non-eligible

Chapter 7Key points (cover the right two columns to self-test)

Key points	Exam term	Rule / number
Purpose and differences of AII and AAII	aggregate investment income (AII) / adjusted aggregate investment income (AAII)	AII (Schedule 7 Part 1, line 440) serves the refundable tax calculation; AAII (Part 2) serves next year's business limit grind and must exclude the capital gain on disposing of an active asset and add back dividends from non-connected corporations.
Passive income business limit reduction formula	business limit reduction (passive income grind)	When the AAII of this corporation and all associated corporations for all tax years ending in the preceding calendar year exceeds $50,000, this year's $500,000 business limit is reduced by $5 for every $1 over; the limit reaches zero at $150,000.
Rate breakdown of CCPC investment income	additional refundable tax (ART) / refundable portion of Part I tax	Federal Part I tax on CCPC investment income is 28% after the abatement, plus 10⅔% additional refundable tax (line 604), for 38⅔% in total; 30⅔% x AII is refundable (line 450). With BC's 12%, the total for the year is 50⅔%, and 20% stays at the corporate level after the refund.
Part IV tax and the connected corporation test	Part IV tax / connected corporation	A private corporation receiving taxable dividends from a non-connected corporation pays Part IV tax at 38⅓% (line 712). If the recipient controls the payer (>50% of votes), or holds >10% of its voting shares and >10% of its market value, the payer is connected, and Part IV tax applies only in proportion to the dividend refund the payer gets from paying that dividend.
Dual-pool RDTOH and the refund order	eligible RDTOH (ERDTOH) / non-eligible RDTOH (NERDTOH)	Paying taxable dividends gives a refund of 38⅓% of the dividend: an eligible dividend can draw ERDTOH only (line 530); a non-eligible dividend must draw NERDTOH first (line 545) and may draw ERDTOH only once NERDTOH is exhausted.
Three-year limit on the dividend refund and the actual payment requirement	dividend refund limitation period	The dividend must actually be paid to the shareholders (an accrued payable does not count), and the corporation must file its T2 within three years after the tax year-end, or the dividend refund is lost permanently.
Capital dividend account and the penalty for excess	capital dividend account (CDA) / Part III tax	The CDA balance is measured immediately before the dividend is paid, and the full T2054 election must be filed no later than the earlier of the day the dividend becomes payable or is paid; the excess is subject to Part III tax at 60% (3/5) of the excess, and recipient shareholders are jointly liable in proportion.
General rate income pool and tax on excessive designations	general rate income pool (GRIP) / Part III.1 tax	A CCPC's GRIP is computed at year-end using the 0.72 general rate factor; a corporation paying an eligible dividend must notify shareholders in writing at or before payment; an excess at year-end bears 20% Part III.1 tax (30% where GRIP was artificially inflated).
Substantive CCPC and the gap with old material	substantive CCPC	For tax years ending on or after 2022-04-07, a private corporation that is substantively controlled by Canadian residents but is not a CCPC is also subject to the 10⅔% additional tax and generates NERDTOH; the current 2026 taxable capital grind range is $10M-$50M. The old training material (2024 tax year basis) has no substantive CCPC layer and still says $10M-$15M.

Self-test cues (Cornell left column)

1. Why does a CCPC earning passive investment income pay the high 38⅔% federal rate and also lose part of the $500,000 small business limit next year?
2. What are the core differences between AII and AAII on Schedule 7, in how they are calculated and where they go on the return?
3. When a corporation receives a dividend from another Canadian corporation, how do the two 10% tests decide whether it is connected, and how is Part IV tax computed?
4. What goes into ERDTOH and NERDTOH, and in what order are the pools drawn when eligible and non-eligible dividends are paid?
5. What are the reporting timing, penalty rate for excess and remedy for capital dividends (CDA) and eligible dividends (GRIP)?

Summary: In three sentences, summarize how passive investment income entering a CCPC is integrated: next year's limit is cut (AAII), high tax is paid this year into the pools (AII / Part IV into the dual RDTOH), and a dividend brings either the refund or the tax–free or high–tax exits (CDA / GRIP).

Chapter 8 · Owner–Manager Compensation: Salary vs. Dividend

Corporate tax (T2) P1 Must score Salary or dividends · 4 mock questions

Read with these questions: Which three qualifications are lost by taking only dividends and no salary?; How can dividends to family members avoid the top TOSI rate?; Is a shareholder loan completely tax–free if it is repaid within a year?; If a family member is paid far above the market rate, can the corporation still deduct the full amount?

How it is tested

- Qualitative comparison question: given an owner–manager's family structure and retirement saving needs, tests the essential differences between salary and dividends in corporate deductibility, registered retirement savings plan (RRSP) room, Canada Pension Plan (CPP) records and eligibility for the child care expense deduction.
- Integration and gross–up calculation question: given the after–tax profit of a Canadian–controlled private corporation (CCPC) that claimed the small business deduction, compute the taxable amount of a non–eligible dividend with the 15% gross–up, the federal 9/13 dividend tax credit and the BC 1.96% provincial credit base.
- Tax on split income (TOSI) question: a spouse or adult child receives dividends from the family corporation; tests the three exclusion lines: excluded shares (age 25 or over, double 10% holding, not a professional corporation, and service income under 90%), substantial involvement in the business (at least 20 hours a week), and an owner aged 65 or over.
- Shareholder loan and company car question: tests the two parallel rules for a shareholder loan (repaying within one year after the end of the corporation's tax year in which the loan was made avoids including the principal under s.15(2), but the s.80.4 deemed interest benefit at the prescribed rate still applies), and the condition that business use of a company car must exceed half before the standby charge can be reduced.
- Compliance slips and BC Employer Health Tax (EHT) question: tests the boundary between T4, T5 and T4A reporting, the timing rule that Form T2054 for the capital dividend account (CDA) must be filed no later than the time the dividend becomes payable, the 20% tax on excessive eligible dividends, and the BC EHT exemption threshold of $1,000,000.

Traps (watch for the signal)

Treating dividends as earned income: The owner–manager takes only dividends and no salary, yet plans to add RRSP room, build a CPP pension or claim a child care deduction.

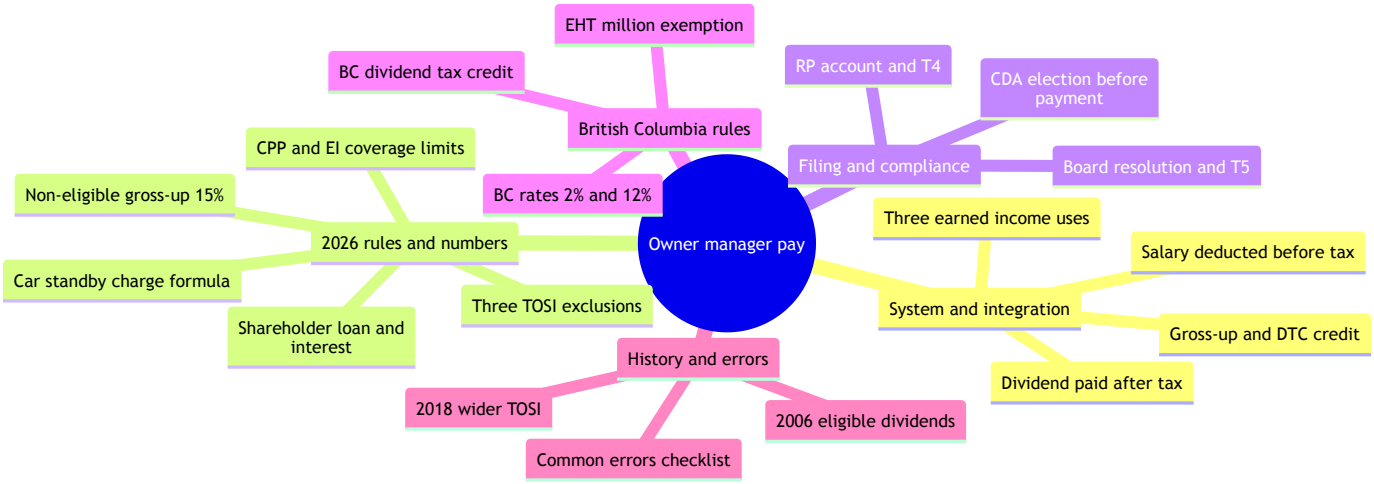
Mismatching the age and hours tests for TOSI: The question involves an adult child aged 18 to 24, a professional corporation such as a law or accounting firm, a consulting services corporation, or a spouse who does no work but takes dividends.

Assuming no principal inclusion means no interest benefit on a shareholder loan: The question stresses that a shareholder borrowed from the corporation at zero or low interest and repaid the principal on time within the permitted year, and asks whether there is no taxable benefit at all for the year.

Paying EI as usual for a controlling shareholder: The owner–manager holds more than 40% of the voting shares and pays himself a salary, and the question asks which statutory contributions the corporation must withhold and remit.

Mixing up slips, and excessive eligible dividends: All of the corporation's profit was taxed at the small business rate but it paid eligible dividends, or a private shareholder benefit was reported on a T5 slip.

Mind map


Owner manager pay
British Columbia rules
EHT million exemption
BC dividend tax credit
BC rates 2% and 12%
2026 rules and numbers
CPP and EI coverage limits
Non-eligible gross-up 15%
Car standby charge formula
Shareholder loan and interest
Three TOSI exclusions
Filing and compliance
RP account and T4
CDA election before payment
Board resolution and T5
System and integration
Three earned income uses
Salary deducted before tax
Gross-up and DTC credit
Dividend paid after tax
History and errors
2018 wider TOSI
2006 eligible dividends
Common errors checklist

Chapter 8Key points (cover the right two columns to self-test)

Key points	Exam term	Rule / number
Corporate deductibility of salary vs. dividend	corporate deductibility of salary vs. dividend	Salary and bonuses are business expenses the corporation deducts before tax, whereas dividends must be paid out of after-tax profit and are not deductible by the corporation.
Dividend gross-up and the federal and BC dividend tax credits	dividend gross-up and dividend tax credit (DTC)	A non-eligible dividend is grossed up by 15%, with a federal credit of 9/13 of the gross-up (BC credit is 1.96% of the taxable dividend); an eligible dividend is grossed up by 38%, with a federal credit of 6/11 of the gross-up (BC credit is 12% of the taxable dividend).
The three earned income uses that only salary provides	earned income for RRSP, CPP, and child care expenses	Only salary (employment income) creates CPP pensionable earnings and counts as earned income for RRSP room under ITA s.146(1) (18% of the prior year's amount) and for child care expenses under ITA s.63(3) (capped at 2/3); dividends are excluded from all three.
CPP, CPP2 and the EI insurable employment exemption for owner-managers	CPP, CPP2, and EI insurable employment exemption	Paying salary requires the employee and the corporation to each pay 5.95% CPP (11.9% in total) and 4% CPP2 on earnings between the YMPE and the YAMPE ($85,000 in 2026), but a shareholder who controls more than 40% of the voting shares is exempt from EI under Employment Insurance Act s.5(2)(b) and cannot collect regular EI.
Automobile standby charge and the conditions for reducing it	automobile standby charge	The standby charge is 2% per month of the original cost for an owned car, or 2/3 of the monthly lease payment for a leased car; it can be reduced by the ratio of personal kilometres to (1,667 km x months available) only when business use exceeds 50% and a mileage log is kept.
Shareholder loan inclusion and the deemed interest benefit	shareholder loan (s.15(2)) and deemed interest benefit (s.80.4)	A shareholder loan repaid within one year after the end of the corporation's tax year in which it was made, and not part of a series of loans and repayments, avoids inclusion of the full amount under s.15(2); but interest actually paid below the CRA prescribed rate (3% for 2026 Q4) still creates a taxable benefit under s.80.4 on the difference.
The three core exclusions from tax on split income (TOSI)	Tax on Split Income (TOSI) exclusions	A dividend to a specified family member must meet one of: excluded shares (age 25 or over, at least 10% of both votes and value, services income under 90% and not a professional corporation), substantial involvement in the business (age 18 or over and at least 20 hours a week in the current year or any five prior years), or the owner being 65 or over (for dividends to a spouse); otherwise the dividend is taxed at the top marginal rate.
Reasonableness test for family members' pay	reasonableness test (ITA s.67)	Salary paid to a family member must be for services actually provided (business purpose test) and in an amount comparable to what an unrelated person would be paid for the same work (the s.67 reasonableness test); the unreasonable excess is not deductible by the corporation.
Slip reporting, the tax on GRIP excess and CDA election timing	T4/T5/T4A filing, Part III.1 tax, and CDA T2054 election	T4 and T5 slips are due by the last day of February of the following year, and a shareholder benefit goes on a T4A and gets no dividend credit; paying an eligible dividend above the GRIP balance triggers 20% Part III.1 tax; a tax-free capital dividend from the capital dividend account (CDA) requires Form T2054 to be filed no later than the time the dividend becomes payable (or, if paid earlier, the first payment date).
BC corporate tax rates and the Employer Health Tax (EHT)	BC corporate tax rates and Employer Health Tax (EHT)	BC rates are stable at 2% small business, 12% general, with a $500,000 limit; BC EHT applies to total BC remuneration (excluding dividends) and is fully exempt below $1,000,000, so a small corporation paying salaries usually has no EHT cost.

Self-test cues (Cornell left column)

1. Why is dividend integration only approximately equal, and why can it not guarantee that paying dividends from a corporation saves tax compared with paying salary?
2. An owner-manager who takes only dividends and no salary loses which three qualifications tied to earned income?
3. How are CPP, CPP2 and EI handled when an owner-manager who controls more than 40% pays himself a salary?

4. When paying dividends to a spouse or adult child, which of the three exclusions must be met to avoid the top marginal rate under TOSI?
5. Why does a shareholder who borrows from the corporation at zero interest and repays before the corporation's next year-end avoid s.15(2) but not s.80.4?

Summary: In your own words, summarize the trade-off framework between salary and dividends: corporate deduction, personal tax integration, the three statutory qualifications (RRSP / CPP / child care), and family income splitting (s.67 and TOSI).

Chapter 9 · Shareholder Loans, Section 85 Rollovers, ABILs, Wind-ups

Corporate tax (T2) P2 Hold steady Shareholder loans, s.85 and wind-ups · 3 mock questions

Read with these questions: Why is the repayment deadline for a shareholder loan made in February 2026 not February 2027?; How much boot (promissory note) can you take when using s.85 to move a sole proprietorship into a corporation without paying tax on the spot?; When a small corporation fails, how does the money put into it become an ABIL that can offset salary income?; When a corporation is wound up and distributes cash, is the deemed dividend based on PUC or on the shareholder's own ACB?; Why must the TX19 clearance certificate be obtained before money is distributed when a corporation is wound up?

How it is tested

- Timeline and cross-year deadline question: gives a loan date and a corporate year-end that differs from the calendar year (for example December 31 or January 31), and tests the ITA s.15(2.6) repayment deadline of 'one year after the end of the lending corporation's tax year' and which of s.80.4 and s.15(2) applies.
- Section 85 elected amount limits and boot calculation question: gives the fair market value and tax basis of transferred assets and the non-share consideration (boot), and tests how to fill in the elected amount for a tax-free transfer, the immediate taxable gain when boot exceeds the tax basis, and the reduction of the new shares' paid-up capital (PUC) under s.85(2.1).
- Combined question on the three gates for an ABIL and the two-way offset: tests the small business corporation (SBC) asset test over the past 12 months, the s.50(1) year-end deemed disposition election, the 2026 inclusion rate of 1/2, and the rule that capital gains deductions claimed in earlier years under the lifetime capital gains exemption (LCGE) reduce a business investment loss at twice the amount.
- Three-step shareholder tax on a wind-up: gives the cash distributed on liquidation, the PUC of the share class, the shareholder's personal adjusted cost base (ACB) and the capital dividend account (CDA) balance, and tests the order of first computing the s.84(2) deemed dividend, then carving out the s.83(2) tax-free capital dividend, and finally computing the capital gain or loss after removing the deemed dividend from the proceeds.
- Statutory procedure, form numbers and sequence question: tests the seven statutory steps of a wind-up and dissolution (especially obtaining the TX19 clearance certificate before distributing property, failing which the legal representative has personal liability under s.159(2)(3)), the T2057 deadline, the lesser-of-two-tiers late-filing penalty, and the difference between the federal and BC dissolution resolution thresholds.

Traps (watch for the signal)

Counting the repayment deadline as one year from the loan date: The question gives both a specific loan date and a corporate year-end that is not the calendar year (such as a January 31 year-end), or describes a repayment at year-end followed by a new loan early next year.

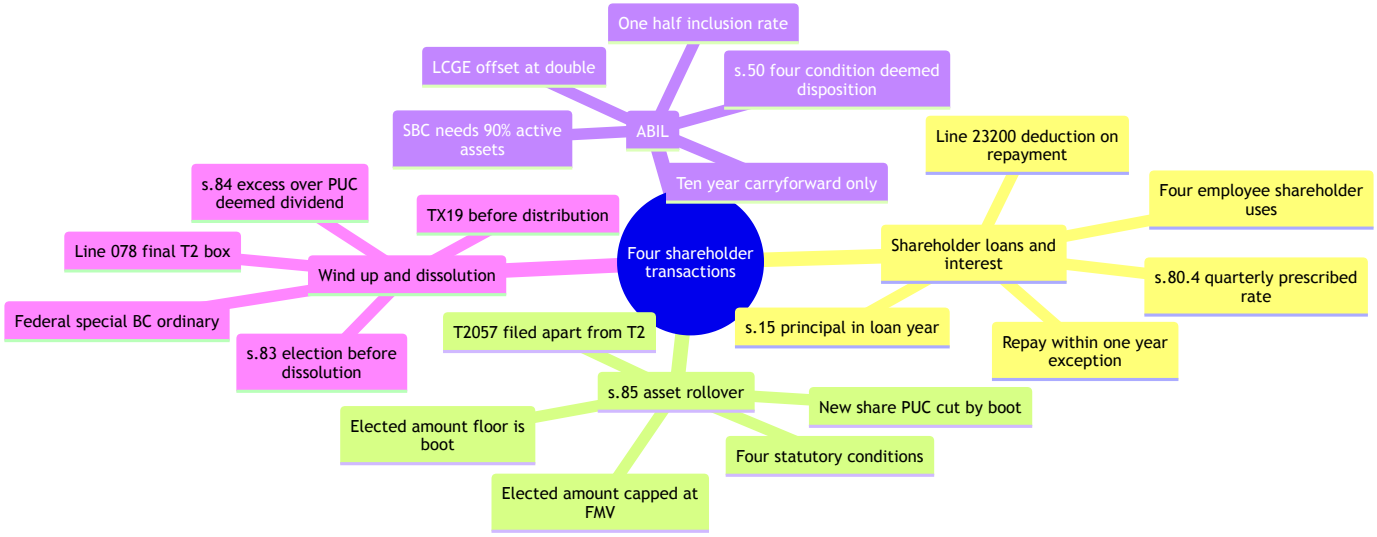
Assuming a s.85 transfer is tax-free even with excess boot: The amount of a promissory note, cash or assumed debt (boot) is greater than the tax basis (ACB/UCC) of the transferred assets, or the question asks for the PUC of the shares issued after the transfer.

Using a 2/3 inclusion rate for ABIL or forgetting the exemption offset: The question computes the ABIL for the 2026 tax year, mentions that the taxpayer used the lifetime capital gains exemption (LCGE / capital gains deduction) in an earlier year, or asks what happens to an ABIL not used after year 10.

Using the personal ACB to compute the deemed dividend on a wind-up: The question gives two different numbers for the shares' paid-up capital (PUC) and the shareholder's adjusted cost base (ACB) (for example from buying shares at a premium from a former partner).

Distributing property before the clearance certificate, or making the CDA election after dissolution: The question describes directors or a liquidator distributing remaining property to shareholders before obtaining the clearance certificate (TX19), or asks about the order of the CDA election and the dissolution.

Mind map


Four shareholder transactions
ABIL
One half inclusion rate
LCGE offset at double
s.50 four condition deemed disposition
SBC needs 90% active assets
Ten year carryforward only
Wind up and dissolution
s.84 excess over PUC deemed dividend
TX19 before distribution
Line 078 final T2 box
Federal special BC ordinary
s.83 election before dissolution
Shareholder loans and interest
Line 23200 deduction on repayment
Four employee shareholder uses
s.80.4 quarterly prescribed rate
s.15 principal in loan year
Repay within one year exception
s.85 asset rollover
T2057 filed apart from T2
New share PUC cut by boot
Elected amount floor is boot
Four statutory conditions
Elected amount capped at FMV

Chapter 9Key points (cover the right two columns to self-test)

Key points	Exam term	Rule / number
Tax on shareholder loan principal and the one-year exception	shareholder loan & one-year repayment exception (ITA s.15(2), s.15(2.6))	The principal of a loan from the corporation to a shareholder is included in the shareholder's income for the year of the loan by default, unless it is repaid within one year after the end of the lending corporation's tax year and is not part of a series of loans and repayments.
Exceptions for specified shareholders and employee-shareholders	specified shareholder & employee-shareholder exception (ITA s.15(2.4), s.248(1))	A person who directly or indirectly holds 10% or more of any class of shares is a specified shareholder; an employee-shareholder loan must be received because of employment, have a reasonable repayment arrangement at the time of the loan, and fall into one of four cases: buying a home to live in, buying a car for work, subscribing for new shares, or a loan to an employee who is not a specified employee.
Deemed interest benefit and the two rules being mutually exclusive	deemed interest benefit & prescribed rate (ITA s.80.4)	For a low-interest or interest-free loan whose principal is not taxed under s.15(2), the benefit is computed at the prescribed rate (3% in all four quarters of the 2026 tax year) on the outstanding balance for each period, less interest actually paid by January 30 of the next year, and included in income; if the principal is taxed under s.15(2), no deemed interest is computed.
Section 85 elected amount limits and PUC reduction	section 85 rollover, elected amount, boot & PUC reduction (ITA s.85(1), s.85(2.1))	Consideration for a s.85 transfer must include shares; the elected amount is capped at the fair market value of the transferred property and floored at the fair market value of the non-share consideration (boot); and the PUC of the newly issued shares is reduced to the elected amount minus boot.
T2057 deadline and the lesser-of-two-tiers late-filing penalty	Form T2057 filing deadline & late-filing penalty (ITA s.85(6)-(8))	T2057 is filed separately from the T2, and its deadline is the earliest of the filing due dates of the two parties to the transfer; for an election filed late within three years, the penalty is the lesser of (fair market value − elected amount) x 0.25% x months and $100 a month (capped at $8,000).
Small business corporation definition and the ABIL inclusion rate	small business corporation (SBC) & allowable business investment loss (ABIL)	A corporation is an SBC if at any time in the 12 months before disposition it was a CCPC with about 90% of its assets used principally in an active business in Canada; for the 2026 tax year the ABIL is the business investment loss multiplied by 1/2 (the 66.67% proposal never took effect), and can be deducted against any income.
LCGE offset against the ABIL and the carryforward	LCGE reduction & 10-year ABIL carryforward (ITA s.39(9), s.110.6, s.111)	A s.110.6 capital gains deduction claimed in earlier years reduces this year's BIL at twice the amount (the 2026 LCGE is $1,275,000, a deduction limit of $637,500); an ABIL not used after 10 years of carryforward becomes a net capital loss.
Wind-up deemed dividend and stepwise computation of the capital gain or loss	winding-up deemed dividend, PUC vs ACB & CDA election (ITA s.84(2), s.88(2), s.83(2))	The part of a liquidation distribution that exceeds the PUC of the share class is a deemed dividend (within the CDA balance it can be elected as a tax-free capital dividend under s.83(2) before dissolution; an excessive election bears 3/5 Part III tax); in computing the capital gain or loss on the shares, the deemed dividend must be removed from the proceeds before subtracting the shareholder's personal ACB.
Clearance certificate order and personal liability of the legal representative	clearance certificate (TX19) & personal liability of legal representative (ITA s.159(2)(3))	The final T2 must be filed first (answering yes on line 078), and property can be distributed to shareholders only after obtaining the clearance certificate with the final notice of assessment and TX19; a legal representative who distributes before obtaining the certificate is personally and jointly liable up to the value of the property distributed.
Differences between federal and BC voluntary dissolution	voluntary dissolution: CBCA special resolution vs BC ordinary resolution	A federal CBCA dissolution requires a special resolution of shareholders (using Form 19 and Form 17, with no filing fee), whereas a BC voluntary dissolution needs only an ordinary resolution and requires that the corporation have no assets and no unarranged liabilities and that the directors' affidavit be kept at the records office.

Self-test cues (Cornell left column)

1. For a shareholder loan, do you first decide s.15(2) or first compute s.80.4? On which day does the 'one year' start?

2. What is the recipe for a tax-free s.85 transfer, and what two things happen if the boot taken back exceeds the tax basis?
3. What is the ABIL inclusion rate for the 2026 tax year, and how does an earlier use of the LCGE reduce this year's BIL?
4. On a wind-up, why does a difference between PUC and personal ACB cause a shareholder to have both a deemed dividend and a capital loss?
5. What are the seven steps for closing and dissolving a corporation, and which step done in the wrong order makes directors pay the tax out of their own pockets?

Summary: In three sentences, summarize the 'anti-avoidance floor of the tax authority' and the 'timing and order that must be kept to avoid paying unnecessary tax' across the four transactions between a corporation and its shareholder (loan, transferring in assets, investment loss, wind-up and dissolution).

Chapter 10 · Corporate Remuneration, Taxable Benefits & Shareholder Benefits

Corporate tax (T2) P1 Must score Payroll and taxable benefits · 4 mock questions

Read with these questions: If the owner uses corporate money for a private expense, is it treated as an employee benefit or a shareholder benefit, and can the corporation deduct it?; How are the employer's CPP, CPP2 and EI matching costs computed for a high-paid employee in 2026?; How do you judge eligibility and choose the better calculation between the reduced standby charge and the operating expense benefit on a company car?; What are the consequences if an accrued year-end bonus is not paid within 180 days, or a gift of up to $500 is given to a shareholder?; How are the remitter tier and the BC Employer Health Tax exemption combined for associated corporations?

How it is tested

- Capacity-split and tax consequence question: an owner or family member takes money, uses a car or receives a gift from the corporation; tests whether it is taxed as an employee (ITA s.6(1)(a), on a T4, deductible by the corporation) or as a shareholder (ITA s.15(1), on a T4A code 028, not deductible by the corporation), and the double penalty where a family member's high salary above a reasonable amount loses the corporate deduction under s.67 while the individual still pays tax.
- 2026 source deduction and total employer cost calculation question: given an annual salary (for example above $85,000), compute the employee deductions or employer matching cost for CPP (ceiling $74,600, exemption $3,500, rate 5.95%), CPP2 (range $74,600–$85,000, rate 4%) and EI (ceiling $68,900, employee 1.63%, employer 1.4 times), or judge the statement 'the EI rate fell but the maximum premium rose because the ceiling rose'.
- Company car two-layer benefit and relief question: given the purchase cost or lease payment, total kilometres for the year and business kilometres, first tests the two parallel conditions for reducing the standby charge (business use over half and personal kilometres not over 1,667 km per 30 days / 20,004 km a year), then the choice for the operating expense benefit between the fixed rate method (34 cents/km) and the optional method (half of the standby charge), and the detail that a car benefit attracts CPP and income tax but not EI.
- Administrative policy exclusions and time-deadline question: focuses on the $500 non-cash gift policy not applying at all to non-arm's length persons (shareholders and relatives), the requirement that an accrued bonus be paid within 180 days after the tax year-end (ITA s.78(4)), interest on a low-interest loan paid within 30 days after year-end and the five-year rate cap for a home-purchase loan (ITA s.80.4), and the 45-day deadline for reimbursing operating expenses.

Traps (watch for the signal)

Applying the $500 gift exemption to a shareholder's relative: The question has a sole shareholder, controlling shareholder, spouse or child of the owner receiving a non-cash gift or award.

Reducing the standby charge by looking only at business use over half: The question gives a high annual total (for example 45,000 km or more), business use is over half, but the personal kilometres left over exceed 20,004.

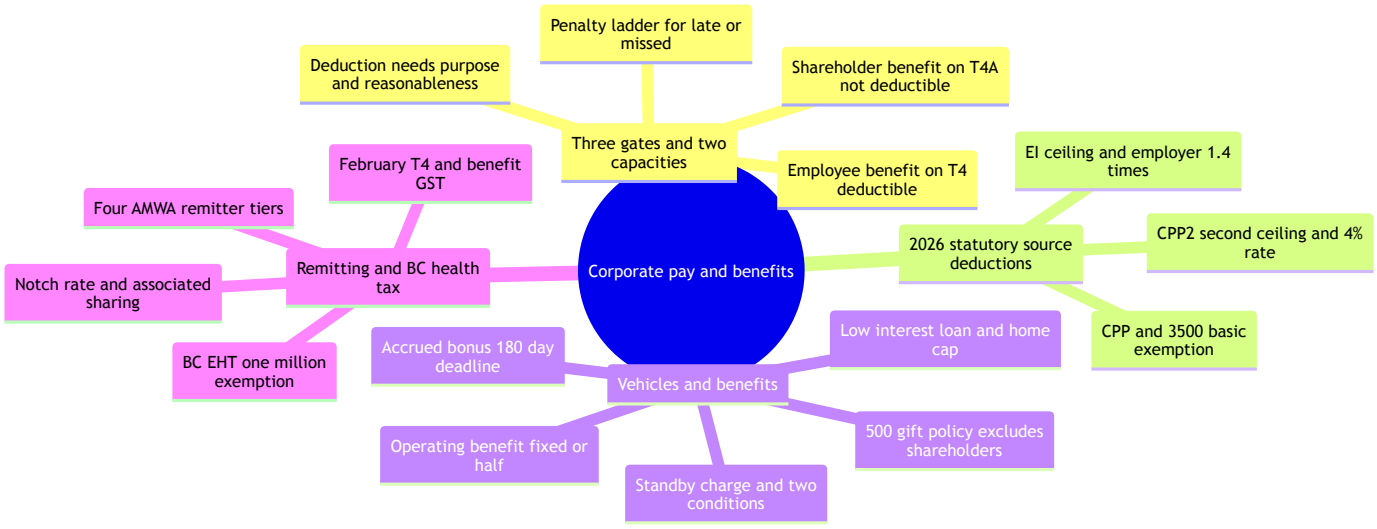
Confusing the mileage allowance with the operating expense benefit: First look at whose name the vehicle is registered in: for a company-provided vehicle look for 34 cents/km (or half of the standby charge); for an employee-owned vehicle driven for business look for 73/67 cents.

Concluding from the lower EI rate that the premium falls, or ignoring the employer's 1.4 multiple: The question asks to compare the maximum EI premium of different years, or to compute the employer portion of payroll deductions.

Splitting payroll across associated corporations to avoid accelerated remittance or BC EHT: The question refers to associated corporations, or two corporations controlled by the same shareholder, and lists their payroll or AMWA separately.

- Payroll compliance tiers and BC Employer Health Tax question: tests the four remitter categories based on average monthly withholding amount (AMWA) from two years earlier, the link between a quarterly remitter's perfect compliance record and sales tax, combining AMWA of associated corporations and sharing the BC Employer Health Tax (EHT) $1,000,000 exemption, and the calculation of the 5.85% notch rate between $1,000,000 and $1,500,000 and 1.95% on the full amount above $1,500,000.

Mind map



Chapter 10Key points (cover the right two columns to self-test)

Key points	Exam term	Rule / number
Two tracks: employee benefit vs. shareholder benefit	taxable benefit vs. shareholder benefit (ITA s.6(1)(a) & s.15(1))	A benefit received because of employment is included in employment income under s.6(1)(a), reported on a T4 and deductible by the corporation; a benefit received because of shareholding is included in shareholder income under s.15(1), reported on a T4A code 028 (loan interest benefit goes under code 117), and is not deductible by the corporation.
Reasonableness test for deducting remuneration	reasonableness test (ITA s.67)	Pay to related persons such as a spouse or children must be incurred to earn income (s.18(1)(a)) and be proportionate to the work actually done (s.67); the part above a reasonable amount is not deductible by the corporation, but the recipient must still pay tax.
2026 tax year CPP, CPP2 and EI deduction ceilings	YMPE, YAMPE & Maximum Insurable Earnings (MIE)	For 2026 the CPP ceiling is $74,600 (exemption $3,500, rate 5.95%, maximum $4,230.45) and the CPP2 ceiling is $85,000 (rate 4%, maximum $416), both matched 1:1 by the employer; the EI ceiling is $68,900 (employee 1.63%, maximum $1,123.07; employer 1.4 times, maximum $1,572.30). (Published for 2027: YMPE $76,700, YAMPE $87,400, CPP employee base rate 5.75%, EI maximum insurable earnings $70,800, rate 1.64%; questions on this site are answered under 2026 only.)
Company car standby charge and the two conditions for reducing it	standby charge & reduced standby charge (ITA s.6(2))	The basic standby charge is 2% of the cost of an owned car x months available (or 2/3 of the lease payments for a leased car); it can be prorated by actual personal kilometres only when the employer requires the car for work, business use is over half and personal kilometres do not exceed 1,667 km per 30 days (20,004 km a year).
Two ways to compute the operating expense benefit of a company car	operating expense benefit & optional calculation	It arises only when there is a standby charge; the 2026 fixed rate is 34 cents per personal km (31 cents for employees of car sales or leasing businesses); if business use is over half, the benefit may be computed at half of the standby charge, or the employee may reimburse the full personal expenses within 45 days after year-end to remove the benefit.
The $500 non-cash gift policy and who it excludes	gifts and awards policy & non-arm's length exclusion	Non-cash gifts and awards of up to $500 a year in total to arm's length employees are tax-free (plus a $500 anniversary award every five years), but the policy expressly excludes non-arm's length employees such as shareholders and relatives, and cash and near-cash are always fully taxable.
Low-interest loan benefit and the five-year cap on a home-purchase loan	low-interest loan benefit & home-purchase loan (ITA s.80.4)	The taxable benefit is interest at the prescribed rate minus interest actually paid during the year or within 30 days after year-end; for the home-purchase part, the prescribed rate is capped for five years at the prescribed rate when the loan was made.
The 180-day deadline for unpaid year-end accrued remuneration	unpaid remuneration rule (ITA s.78(4))	Salary or bonus accrued by the corporation in a tax year that is still unpaid on the 180th day after the end of that tax year is not deductible in the year accrued and can be deducted only in the tax year in which it is actually paid.
Four remitter categories and the link to a perfect compliance record	remitter categories & average monthly withholding amount (AMWA)	Based on the AMWA of two years earlier, combined for associated corporations: quarterly remitter (under $3,000, with payroll, GST/HST and filings all on time in the last 12 months), regular remitter (under $25,000 or a new employer), accelerated Threshold 1 ($25,000-$99,999.99) and accelerated Threshold 2 ($100,000 or more, must remit through a financial institution).
The three tiers of the BC Employer Health Tax (EHT)	BC Employer Health Tax (EHT) & notch rate	For a general employer, assessed on BC remuneration for the calendar year (associated employers share the exemption): $1,000,000 or less is exempt; from $1,000,000.01 to $1,500,000 the part above $1,000,000 bears the 5.85% notch rate; above $1,500,000 there is no exemption and 1.95% applies to the full remuneration.

Self-test cues (Cornell left column)

1. When the same benefit goes to a person who is both employee and shareholder, how do reporting it as an employee (s.6) and as a shareholder (s.15(1)) differ in corporate deduction, source deductions and slip (T4 vs T4A)?
2. For an employee with an annual salary above $85,000 in the 2026 tax year, what are the ceilings for CPP, CPP2 and EI, and in what proportion does the employer match on top of gross pay?

3. What conditions must be met together for a company car to get the reduced standby charge, and for the operating expense benefit to be computed at half of the standby charge?
4. What are the two areas where the CRA $500 non-cash gift policy never applies (fully taxable)?
5. What are the four key deadlines for the year-end accrued bonus, interest on a low-interest loan, reimbursement of operating costs on a personal vehicle, and T4 filing with GST/HST deemed collected on benefits?

Summary: In three sentences, summarize how money or a benefit paid by a corporation to an owner or employee must pass three independent gates in turn: 'can the corporation deduct it (s.18 / s.67 / s.78(4))', 'is it included in the individual's income as an employee or a shareholder (s.6 vs s.15)', and 'how does the employer withhold and remit, and pay BC Employer Health Tax'.

Chapter 11 · Tax-Exempt & Non-Profit Organizations (T2, T1044 & T3)

Corporate tax (T2) P3 Skim Non-profits and tax-exempt status · 2 mock questions

Read with these questions: Does a non-profit organization need to register with the CRA, and can it issue tax receipts to donors?; Must a non-profit corporation with zero tax payable file a T2, and what conditions trigger a T1044?; Why can the investment income and land sale gains of a golf club or a members' restaurant not be exempt?; If the T1044 is found to be overdue, should you write a plea letter first or file the form first?; How is the Employer Health Tax calculated for a non-profit with two offices in BC?

How it is tested

- Status identification question: gives the by-laws and actual operation of a community society, a condominium management corporation or a hometown association, and asks whether it meets the four requirements of ITA s.149(1)(l), whether it can issue donation receipts, and how its T2 filing obligation is the opposite of that of a registered charity.
- T1044 trigger question: lists the organization's membership fees, government grants, interest, rent and the year-end book values of its assets for two consecutive periods, and tests whether the candidate can add up only the four passive income items against $10,000, compare total assets at the end of the prior period against $200,000, or recognize the ratchet rule ('once required, always required').
- Club deemed trust split question: for a golf club, yacht club or membership dining club, tests which income stays exempt under the s.149(5) deemed inter vivos trust (membership fees and dining income) and which must be reported and taxed on a T3 (property income and capital gains on property not used to provide dining, recreational or sporting services).
- Penalties and procedure question: compares the T1044 daily penalty ($25 a day, minimum $100, maximum $2,500) with the penalty for a zero-tax corporation filing the T2 late, which is based on a proportion of unpaid tax, and the practical order after being late of 'file first to stop the penalty and request relief with a cover letter', and the 6-year record retention period.
- Cross-tax BC Employer Health Tax calculation question: compares tax payable by a general employer ($1,000,000 exemption, 5.85% notch rate) with a non-profit employer ($1,500,000 exemption, 2.925% notch rate, one exemption for each qualifying location it uses exclusively).

Traps (watch for the signal)

Skipping the T2 because there is no tax: The question has an incorporated non-profit organization, a condominium corporation or zero tax payable and asks whether a T2 must be filed every year.

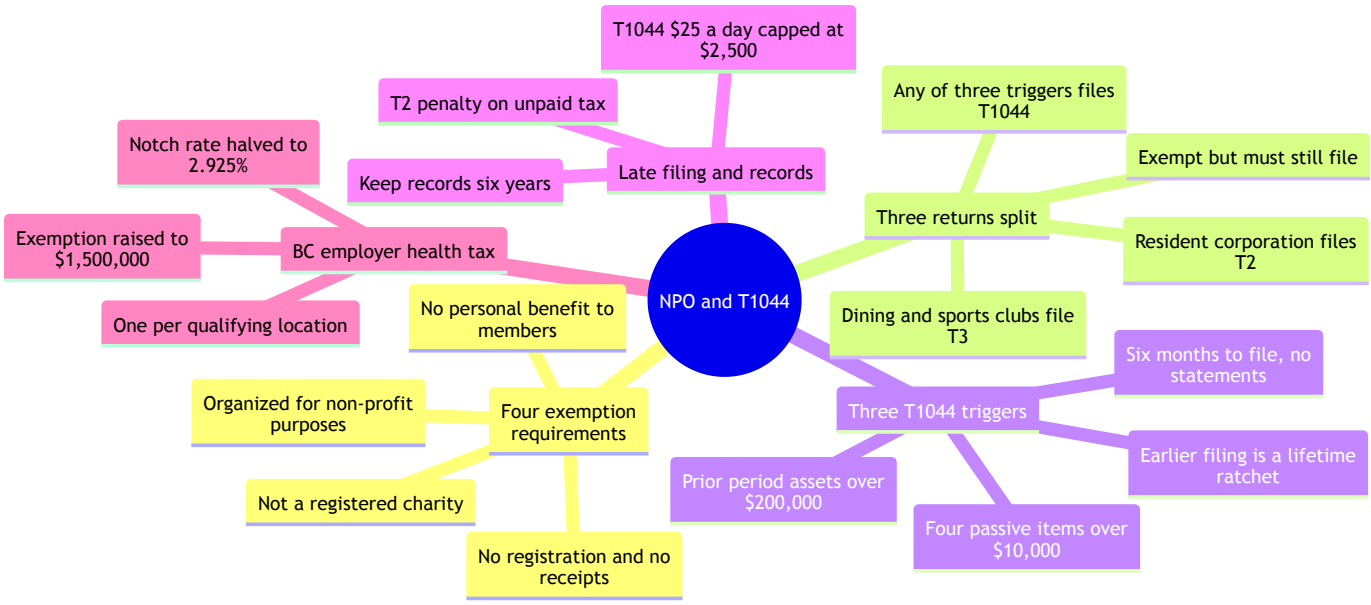
Mixing income for T1044 and using current-period assets: The question lists both membership fees or grants and interest or rent, or lists the asset figures for both the end of the prior period and the end of the current period.

Assuming the ratchet can be reversed: The question says the organization filed a T1044 in earlier years because its assets or passive income met the thresholds, while this year its assets and income have shrunk sharply.

Treating a club as entirely exempt or entirely taxed: The question mentions dining, recreational, or sporting facilities, interest and dividends in a club's investment account, or a comparison between selling idle land and a parking lot used for services.

One BC Employer Health Tax exemption per entity, and shared premises: The question involves BC Employer Health Tax (EHT), a non-profit employer with several offices, different floors of the same building, or borrowing a venue for set time slots.

Mind map


NPO and T1044
Late filing and records
T1044 $25 a day capped at $2,500
T2 penalty on unpaid tax
Keep records six years
BC employer health tax
Notch rate halved to 2.925%
Exemption raised to $1,500,000
One per qualifying location
Four exemption requirements
No personal benefit to members
Organized for non-profit purposes
Not a registered charity
No registration and no receipts
Three returns split
Any of three triggers files T1044
Exempt but must still file
Resident corporation files T2
Dining and sports clubs file T3
Three T1044 triggers
Six months to file, no statements
Earlier filing is a lifetime ratchet
Prior period assets over $200,000
Four passive items over $10,000

Chapter 11Key points (cover the right two columns to self-test)

Key points	Exam term	Rule / number
The four requirements for a non-profit organization to be exempt	non-profit organization (NPO) under s.149(1)(l)	It must not be a charity; must be organized and operated exclusively for social welfare, civic improvement, pleasure or recreation, or any other purpose except profit (a fact decided year by year); and no part of its income may be payable to or otherwise available for the personal benefit of any proprietor, member or shareholder (except a member that is a club promoting amateur athletics in Canada).
No registration required and no donation receipts	no registration required / cannot issue official donation receipts	A non-profit organization enjoys the exemption without registering federally or provincially, but it can never issue official tax receipts for donations or membership fees; most residential condominium management corporations fall under s.149(1)(l).
Rule that a non-profit corporation must file the T2	T2 Corporation Income Tax Return filing requirement	Every non-profit organization that is a resident corporation, and every inactive corporation, must file a T2 (or T2 Short Return) within 6 months after the end of each tax year, whereas a corporation that is a registered charity throughout the year need not file a T2.
T1044 passive income threshold	passive income threshold ($10,000)	If the total of the four items, taxable dividends, interest, rents and royalties, received or receivable in the fiscal period exceeds $10,000 (excluding membership fees, fundraising or grants), the obligation to file a T1044 is triggered.
T1044 prior-period asset threshold	prior-period total assets threshold ($200,000)	If total assets at the end of the prior fiscal period, measured at book value under generally accepted accounting principles (GAAP), exceed $200,000, the obligation to file a T1044 for the current period is triggered.
The T1044 ratchet rule and the filing deadline	ratchet rule & 6-month filing deadline	If a T1044 was required for any earlier fiscal period, the organization must keep filing within 6 months after the end of every later fiscal period (with no financial statements attached) until it is no longer a non-profit organization.
Deemed trust for dining, recreation and sports clubs	deemed inter vivos trust under s.149(5)	For a club whose main purpose is providing dining, recreational or sporting facilities to its members, property is deemed to be held by an inter vivos trust, and it must file a T3 and pay tax on property income and on taxable capital gains on property not used to provide such services.
Comparison of late penalties on the T1044 and the T2	basic penalty $25 per day vs. s.162 late-filing penalty	A late T1044 is penalized at $25 a day (minimum $100, maximum $2,500, assessed separately for each failure to file); a late T2 is penalized at 5% of the tax unpaid at the deadline plus 1% for each full month (up to 12 months).
Record retention period and practice for late filing	six-year record retention & taxpayer relief provisions	An exempt organization must keep its books for 6 years after the end of the last tax year they relate to; if a T1044 is late, first file the form to stop the daily penalty and attach a letter invoking the taxpayer relief provisions to request a waiver.
BC Employer Health Tax treatment of non-profit employers	BC Employer Health Tax (EHT) qualifying location exemption	A BC non-profit employer gets a $1,500,000 exemption for each qualifying location it uses exclusively, a 2.925% notch rate in the band $1,500,000.01 to $4,500,000, and does not have to share the exemption with associated employers.

Self-test cues (Cornell left column)

1. What are the four core requirements for a non-profit organization under ITA s.149(1)(l), and why can a non-profit organization not issue donation receipts?
2. What does each of the T2, T1044 and T3 look at, and how do the rules for a registered charity and a non-profit corporation filing the T2 differ?
3. What are the three 'or' conditions that trigger a T1044 and their dollar thresholds, and why is the third a 'ratchet that only turns one way'?
4. Once a club mainly providing dining, recreational or sporting facilities triggers s.149(5), which income stays exempt and which must be reported on a T3?
5. What preferential treatment does a non-profit employer get under the BC Employer Health Tax (EHT), and what is an exclusively used 'qualifying location'?

Summary: In three sentences, summarize the core exchange logic of 'exempt but still must file' for non-profit organizations, the trigger boundaries of the T2, T1044 and T3, and the exception under which the BC Employer Health Tax gives a $1,500,000 exemption per qualifying location.

Chapter 12 · Financial Statements, GIFI, and Schedule 1 Tax Reconciliation

Corporate tax (T2) P2 Hold steady Financial statements, GIFI and Schedule 1 · 3 mock questions

Read with these questions: How are golf club dues, bad debt reserves and charitable donations adjusted in computing net income for tax purposes?; Can GIFI codes for an inactive corporation or a zero balance be left blank, and which corporations may use the paper short form?; For machinery and computers bought in 2026 (Class 50 vs Class 53), how is the first-year CCA deducted?; At what rate, and on which schedule, are gains reported on assets a corporation sold in 2026 and gains allocated by a partnership?

How it is tested

- Type 1: a combined calculation question on Schedule 1 from the after-tax net income on the financial statements (code 9999 / Amount A) to net income for tax purposes and taxable income, focusing on book depreciation, income tax expense, the 50% limit on meals and entertainment, full add-back of club dues and the two-step order for charitable donations (add back first, deduct afterwards).
- Type 2: a question distinguishing GIFI filing and validity rules, testing the three validity check equations, the seven mandatory codes (zero amounts must still be entered as 0), the granularity requirement (no reporting of subtotals and totals only), the only exception to not filing traditional financial statements (insurance companies involved in underwriting) and the $1,000,000 thresholds for the T1178 short form.
- Type 3: a characterization question on non-deductible expenses and the statutory gates (the s.18(1)(a) purpose test, the s.67 reasonableness test, s.18(1)(b) capital outlays, s.18(1)(e) reserves, s.18(1)(l) club dues, and s.67.7 non-compliant short-term rental expenses), testing which item is added back in full, which is deductible only by half and which by 80%.
- Type 4: a comparison of the latest 2026 tax year parameters with the old exam basis, focusing on the capital gains inclusion rate (still 1/2 after the proposal was cancelled), the reaccelerated investment incentive property (RIIP) and the phase-down years of immediate expensing (Classes 44/46/50 usable before 2027 versus Classes 53/43.1 phasing down after 2029), and the Class 10.1 passenger vehicle ceiling ($38,000 in the regulation text versus $39,000 announced).
- Type 5: a schedule linking and practical process question, testing the direction of entries between Schedules 6, 8, 13, 73 and 141 and Schedule 1 (for example, a capital gain allocated by a partnership goes to Schedule 6, not to Schedule 1 line 129; accounting reserves go through Schedule 1 lines 414/126, not Schedule 13) and the T2 / GIFI filing obligation of an inactive corporation.

Traps (watch for the signal)

Deducting only 50% of club dues as meals and entertainment: When the question mentions golf club dues, a yacht, a lodge, a camp or recreational club membership fees, add the amount back in full, with nothing deducted.

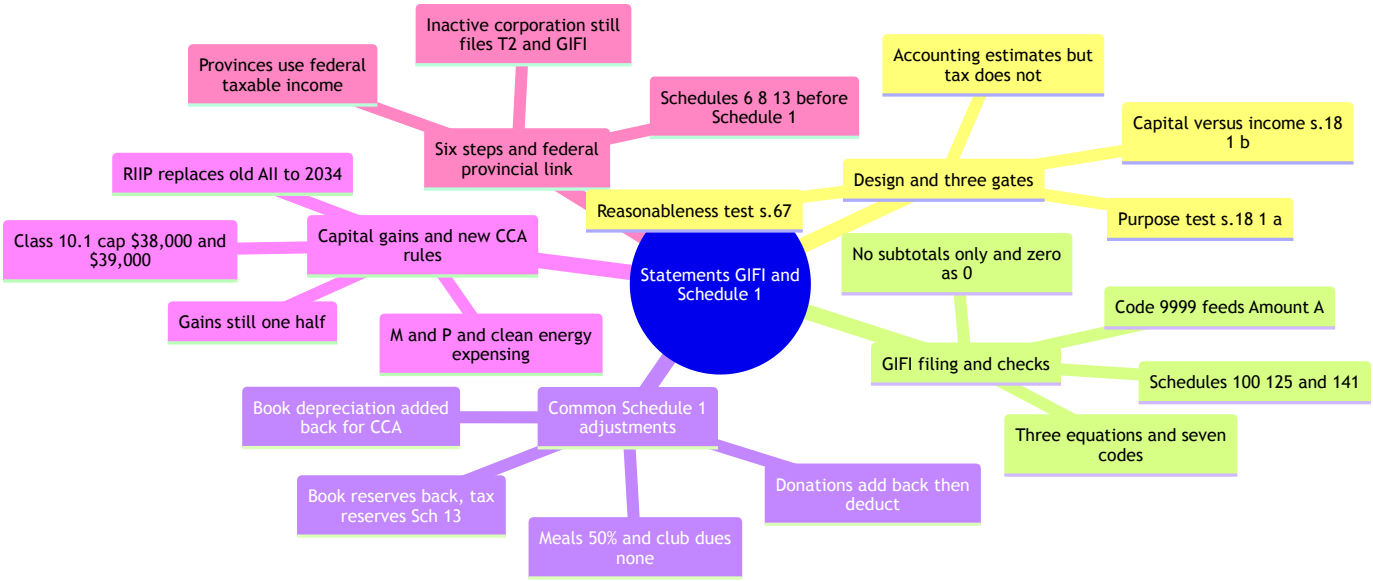
Missing the add-back of a charitable donation on Schedule 1, or deducting it twice: The question asks whether Schedule 1's net income for tax purposes or the final taxable income is wanted, and also gives charitable donations already deducted in the books.

Using the cancelled two-thirds capital gains inclusion rate or the old All dates: The question involves a corporation's disposition of capital property in the 2026 tax year (Schedule 6) or the years in which depreciable assets newly acquired after 2024 can be used (RIIP / immediate expensing for Classes 44, 46, 50, 53 and 43.1).

Leaving GIFI mandatory codes blank, reporting only subtotals, or not filing for an inactive corporation: The question has an inactive corporation, a zero balance, summary or subtotals only, or asks how to report the GIFI validity check codes (2599, 3499, 3620, 8299, 9368, 9999 and others).

Misplaced schedule entries: accounting reserves on Schedule 13 and partnership gains on line 129: The question mentions an accounting bad debt or warranty reserve (which goes through Schedule 1 lines 414/126) or taxable capital gains allocated by a partnership (which go through the corporation's own Schedule 6).

Mind map


Statements GIFI and Schedule 1
Six steps and federal provincial link
Inactive corporation still files T2 and GIFI
Provinces use federal taxable income
Schedules 6 8 13 before Schedule 1
Capital gains and new CCA rules
RIIP replaces old AII to 2034
Class 10.1 cap $38,000 and $39,000
Gains still one half
M and P and clean energy expensing
Common Schedule 1 adjustments
Book depreciation added back for CCA
Book reserves back, tax reserves Sch 13
Meals 50% and club dues none
Donations add back then deduct
Reasonableness test s.67
Design and three gates
Accounting estimates but tax does not
Capital versus income s.18 1 b
Purpose test s.18 1 a
GIFI filing and checks
No subtotals only and zero as 0
Code 9999 feeds Amount A
Schedules 100 125 and 141
Three equations and seven codes

Chapter 12Key points (cover the right two columns to self-test)

Key points	Exam term	Rule / number
The three general gates for deducting expenses	general limitation / reasonableness test / capital outlay	An expense must be incurred to earn business or property income (s.18(1)(a)), be reasonable in the circumstances (s.67), and not be a capital outlay that s.18(1)(b) prohibits deducting all at once.
The three GIFI validity check equations and mandatory codes	GIFI validity check items	Total assets (2599) = total liabilities (3499) + total equity (3620/3575); total revenue (8299) − total expenses (9368) = net non-farming income; total farming revenue (9659) − total farming expenses (9898) = net farming income; and the final net income (9999) is mandatory; zero amounts must still be entered as 0.
GIFI granularity requirement and the exemption from traditional financial statements	General Index of Financial Information (GIFI)	As many GIFI codes must be reported as there are items on the financial statements (40 items means 40 codes), and reporting only subtotals and totals is strictly forbidden; once GIFI is used, traditional financial statements are no longer filed except by insurance companies involved in underwriting, but notes to the financial statements must still be submitted as text with the electronic filing.
Starting point of Schedule 1 and the two-step method for charitable donations	Schedule 1, Net Income (Loss) for Income Tax Purposes	Schedule 1 starts from GIFI code 9999 (net income/loss after income taxes and extraordinary items), entered as Amount A; a charitable donation must be added back in full on Schedule 1 to arrive at net income for tax purposes, and then deducted on the main T2 form from net income for tax purposes to arrive at taxable income.
Meals and entertainment at 50% and club dues added back at 100%	meals and entertainment (s.67.1) / club dues (s.18(1)(l))	Meals and entertainment are generally deducted at 50% of the lesser of the actual expense and a reasonable amount (qualifying travel meals of long-haul truck drivers at 80%, meals at qualifying temporary work site camps at 100%), whereas dues for yachts, camps, lodges, golf courses and dining, recreational or sporting clubs are completely non-deductible under s.18(1)(l) (added back at 100%).
Separating accounting reserves from tax reserves	reserves (s.18(1)(e)) / Schedule 13	Section 18(1)(e) prohibits deducting accounting estimates of bad debts, warranties and similar reserves; changes in the opening and closing reserves on the financial statements go directly through Schedule 1 lines 414 and 126, and only reserves expressly allowed by tax law are entered on Schedule 13.
Corporate capital gains inclusion rate and the channel for partnership gains	Schedule 6 / taxable capital gains inclusion rate	The proposal to raise the inclusion rate to two-thirds was cancelled; for the 2026 tax year, a corporation's capital gain is still entered at 1/2 (P x 1/2) in Amount R on Schedule 6 and on Schedule 1 line 113; a capital gain allocated by a partnership to a corporate partner must be entered on the corporation's own Schedule 6 and must not go on Schedule 1 line 129.
Reaccelerated investment incentive property (RIIP) and the phase-down of immediate expensing	reaccelerated investment incentive property (RIIP) / immediate expensing	The current RIIP applies to eligible property acquired after 2024 and available for use before 2034 (the 50% net addition is available before 2030); first-year 100% immediate expensing of productivity assets (Classes 44, 46 and 50) is limited to property acquired after 2024-04-15 and available for use before 2027 (property available after 2026 keeps only the half-year rule exemption); first-year 100% deduction for manufacturing and processing equipment (Class 53, judged as Class 43) and clean energy equipment (Class 43.1) starts to phase down only after 2029.
Legal basis and announced status of the Class 10.1 passenger vehicle CCA ceiling	Class 10.1 passenger vehicle CCA ceiling	The increase of the CCA ceiling for a Class 10.1 passenger vehicle acquired after 2026-01-01 from $38,000 to $39,000 has only been announced, in a Department of Finance news release, while the last line of the current consolidation of s.7307(1) of the Income Tax Regulations still reads $38,000.
Shared net income for federal and provincial tax and the filing duty of an inactive corporation	Schedule 427 / inactive corporation filing requirement	Net income for tax purposes and taxable income are one nationwide set without provincial recalculation (BC uses Schedule 427 to compute provincial tax on the same taxable income and lists provincial credits separately); an inactive corporation with no transactions all year must still file a T2, and if there is balance sheet data in the books it must still be reported under GIFI with zero values entered as 0.

Self-test cues (Cornell left column)

1. Why do accounting standards allow reserves and estimated depreciation while tax law firmly refuses them under s.18(1)(b) and s.18(1)(e)?

2. What are the three GIFI validity check equations and the seven mandatory codes, and why can a zero amount not be left blank, nor subtotals alone be reported?
3. How are charitable donations, golf club dues, meals and entertainment, and non-compliant short-term rental expenses each adjusted on Schedule 1?
4. For the 2026 tax year, what are the RIIP parameters and the end years of immediate expensing for Classes 44/46/50 versus Classes 53/43.1, and how do they differ from the old AII?
5. Why can every add-back or deduction on Schedule 1 change both the federal tax and the BC tax figures at the same time?

Summary: In three sentences, summarize the complete chain from the finalized financial statements, mapping to GIFI code 9999, through Schedule 1 and its supporting schedules (Schedules 6, 8 and 13) to net income for tax purposes, and then deducting charitable donations to reach the taxable income shared by federal and provincial tax.