Exam Final Review Sheet

The night before, read only these pages.

Exam rules

Item	Current rule	Checked
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Last 24 hours checklist

- Bring the ID that matches your registration name exactly.
- Arrive or log in early; late candidates may be refused.
- Pace: 45 questions in 70 minutes; first pass: do not get stuck, flag it and come back.
- Circle NOT / EXCEPT / main / best before reading the options.
- Where the exam answer and the current rule differ, give the exam answer.

One trap and one must-know per chapter

01 Self-Employment & Form T2125

P1 Must score

Trap: 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.

Must know: 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.

02 Business-Use-of-Home, Vehicle Expenses & CCA P1 Must score

Trap: 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.

Must know: 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.

03 GST/HST: Registration, ITCs and the Quick Method P1 Must score

Trap: 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.

Must know: 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.

04 Ridesharing, Delivery, and Short-Term Rentals: Gig Economy Taxes and Digital Platform Reporting Rules P2 Hold steady

Trap: 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.

Must know: 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.

05 Sole Proprietor or Incorporate

P2 Hold steady

Trap: 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".

Must know: 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.

06 T2 Return & Small Business Deduction

P1 Must score

Trap: 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.

Must know: 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.

07 Passive Investment Income in a CCPC

P2 Hold steady

Trap: 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.

Must know: 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.

08 Owner-Manager Compensation: Salary vs. Dividend

P1 Must score

Trap: 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.

Must know: 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.

09 Shareholder Loans, Section 85 Rollovers, ABILs, Wind-ups

P2 Hold steady

Trap: 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.

Must know: 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.

10 Corporate Remuneration, Taxable Benefits & Shareholder Benefits

P1 Must score

Trap: 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.

Must know: 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.

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

P3 Skim

Trap: 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.

Must know: 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).

12 Financial Statements, GIFI, and Schedule 1 Tax Reconciliation

P2 Hold steady

Trap: 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.

Must know: 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.