

## CHAPTER ONE SOLUTIONS

---

### Solution to Assignment Problem One - 1

---

**Note To Instructor** If you are assigning this problem, note that only the first two answers can be found in Chapter 1 of the text.

The circumstances under which a general provision of the *Income Tax Act* can be overridden are as follows:

1. In those situations where there is a conflict between the provisions of an international tax treaty and the *Income Tax Act*, the terms of the international tax treaty will prevail.
2. While court decisions cannot be used to change the actual tax law, court decisions may call into question the reasonableness of interpretations of the ITA made by either the CRA or tax practitioners.
3. In some cases, a more specific provision of the *Act* will contain an exception to a general rule. For example, while ITA 18(1)(b) does not allow the deduction of capital expenditures in computing business income, ITA 20(1)(aa) contains a provision that allows the deduction of landscaping costs.

## Solution to Assignment Problem One - 2

---

Some of the possible examples of conflicts between objectives would be as follows:

1. **Revenue Generation And International Competitiveness** The need to lower rates of taxation in order to be competitive on an international basis is in conflict with the need to generate revenues.
2. **Fairness And Simplicity** In order to make a tax system simple, a single or small number of tax rates must be applied to a well established concept of income with only a limited number of deductions or exceptions available. This is in conflict with the goal of tailoring the system to be fair to specific types of individuals, such as the disabled.
3. **Revenue Generation And Social Goals** The desire to provide funds to certain types of individuals (Old Age Security) or to provide certain types of services (health care) may be in conflict with the need to generate tax revenues.
4. **Flexibility And Certainty** To make a tax system flexible in changing economic, political, and social circumstances, there must be some uncertainty.

## Solution to Assignment Problem One - 3

---

There is, of course, no one solution to this problem. Further, student answers will be limited as, at this point, their understanding of tax concepts and procedures is fairly limited. However, the problem should provide the basis of an interesting discussion. What we have provided here are some suggested comments related to the various qualitative characteristics.

**International Competitiveness** This is, perhaps, the most important reason for the tax rate reduction for corporations. At 35 percent, the U.S. corporate tax rate was higher than the corresponding rate in any other OECD country (e.g., the federal rate in Canada is 15 percent). If a country's tax system has rates that are out of line with those in comparable countries, the result will be an outflow of both business and skilled individuals to those countries that have more favourable tax rates.

**Adequacy** This is another important consideration. There is a belief in some circles that lowering tax rates on business will, because of the positive effect on economic activity, produce an increase in tax revenues. Evidence on the validity of this view is mixed. If this view is not valid, a reduction in corporate tax revenues will have to be accompanied by an increase in other types of taxes or, alternatively, a reduction in government expenses.

**Balance Between Sectors** Prior to the rate reduction, the U.S. had a high corporate tax rate, a relatively low maximum rate on individuals and no federal sales tax. If cutting the corporate tax rate results in either an increase in individual tax rates or the introduction of a federal sales tax, this would represent a significant change in the balance between corporations and individuals.

**Equity Or Fairness** If the reduction in corporate taxes results in increased taxes on individuals, some would argue that the change is not equitable or fair.

**Neutrality** The reduction in corporate taxes is not neutral in that it is likely to have a large impact on economic decisions. For example, it could result in some of the huge cash balances that U.S. companies are holding abroad being repatriated to the U.S.

**Elasticity** The reduction in corporate taxes wouldn't really alter the elasticity of the corporate tax system. Revenues would continue to move in a manner that is directly related to corporate profits.

**Flexibility** The reduction in corporate taxes would not alter flexibility of the corporate tax system. Before and after the reduction, tax rates can be changed by the relevant legislative body.

**Simplicity And Ease Of Compliance** Ease of compliance has little to do with the specific rate being charged. This characteristic is controlled by the rules related to the application of the rate.

**Certainty** There is uncertainty related to the reduction in corporate taxes in that the revenue outcome is uncertain. Proponents of the reduction expect an increase in revenue while opponents expect a decline in revenues.

## Solution to Assignment Problem One - 4

---

While there is not one “correct” solution to this problem, the following solution contains comments on each of the listed qualitative characteristics.

**Equity Or Fairness** The toll is clearly regressive in nature in that it is assessed almost exclusively on lower income individuals. In general, regressive taxes are viewed as being less fair. While the toll has horizontal equity (individuals with the same Taxable Income would pay the same amounts), it lacks vertical equity (the higher income residents of the island would not normally be subject to the tolls).

**Neutrality** The concept of neutrality calls for a tax system that interferes as little as possible with decision making. The toll may influence employment decisions. If the non-residents have off-island employment opportunities, they may choose not to work on the island.

**Adequacy** While we do not have any information on this, it would be safe to assume that the toll was established at a level that would be adequate for the funding requirements related to the bridge.

**Elasticity** Tax revenues should be capable of being adjusted to meet changes in economic conditions, without necessitating tax rate changes. It is not clear from the problem whether economic conditions would influence the number of individuals who work on the island and pay the toll.

**Flexibility** This refers to the ease with which the tax system can be adjusted to meet changing economic or social conditions. The tolls can be easily adjusted and, thereby get high marks for this characteristic.

**Simplicity And Ease Of Compliance** A good tax system is easy to comply with and does not present significant administrative problems for the people enforcing the system. The toll would receive high marks in this regard.

**Certainty** Individual taxpayers should know how much tax they have to pay, the basis for payments, and the due date. There is no uncertainty associated with a clearly posted toll rate.

**Balance Between Sectors** A good tax system should not be overly reliant on either corporate or individual taxation. The toll is, of course, totally reliant on the taxation of individuals.

**International Competitiveness** If a country’s tax system has rates that are out of line with those in comparable countries, the result will be an outflow of both business and skilled individuals to those countries that have more favourable tax rates. Although international competitiveness would not appear to be an issue with the toll, it would affect the ability of the city to maintain and attract workers.

## Solution to Assignment Problem One - 5

---

### **Solution According To Textbook**

Mr. Valone would be considered a part year resident and would only be assessed for Canadian income taxes on worldwide income during the portion of the year prior to his ceasing to be a resident of Canada.

S5-F1-C1 indicates that, in general, the CRA will view an individual as becoming a non-resident on the latest of three dates:

- The date the individual leaves Canada.
- The date the individual's spouse or common-law partner and dependants leave Canada.
- The date the individual becomes a resident of another country.

While Mr. Valone departed from Canada on March 1, 2019, he will be considered a Canadian resident until his family's departure on June 20, 2019. The fact that his family remained in Canada would lead to this conclusion. While not essential to this conclusion, the fact that he did not sell his Canadian residence until that date would provide additional support.

His Canadian salary from January 1, 2019 to March 1, 2019 would be subject to Canadian taxes. In addition, his U.S. salary for the period March 1, 2019 through June 20, 2019 will be subject, first to U.S. taxes, and then subsequently to Canadian taxes. In calculating his Canadian taxes payable, he will receive a credit for the U.S. taxes which he has paid on this income. However, because Canadian tax rates at a given income level are usually higher than those which prevail in the U.S., it is likely that he will be required to pay some Canadian income taxes in addition to the U.S. taxes.

### **Note To Instructors**

The preceding solution reflects the content of the text with respect to departures from Canada and students should be evaluated on that basis. However, S5-F1-C1 qualifies the general departure rules as follows:

**Paragraph 1.22** An exception to this will occur where the individual was resident in another country prior to entering Canada and is leaving to re-establish his or her residence in that country. In this case, the individual will generally become a non-resident on the date he or she leaves Canada, even if, for example, his or her spouse or common law partner remains temporarily behind in Canada to dispose of their dwelling place in Canada or so that their dependants may complete a school year already in progress.

On the assumption that Mr. Valone was a resident of the U.S. prior to his working years in Canada, this exception would mean that he would cease to be a resident of Canada on March 1, 2019, the date that he departs from Canada.

The textbook does not deal with the residency rules of countries other than Canada. Although this solution concludes that June 20 is the date residency is terminated in Canada, it is probable that the foreign jurisdiction (the U.S.) would consider Mr. Valone to be resident under their own rules effective March 1. In effect, the period between March 1 and June 20 would become a dual residency period. We would not expect students to come to this conclusion, but include this to illustrate the complexities of international issues in taxation.

## Solution to Assignment Problem One - 6

---

**Note To Instructors** This problem is based on a Tax Court Of Canada case, Hamel Vs. The Queen (2012 DTC 1004). The actual year in question is 2007, with the judgment being rendered in 2011. We have moved the dates in the problem up by 8 years. It is our opinion that, since this judgment was rendered, there have been no legislative or other changes that would alter the conclusions reached by Tax Court judge in this case.

### **Background**

The minister assessed Mr. Hamel on the basis of his not giving up Canadian residency on January 13, 2007 (the original date in the case). Mr. Hamel appealed to the Tax Court of Canada which resulted in Hamel Vs. The Queen (2012 DTC 1004).

The solution that follows is the judge's analysis and decision in the case (note that it was translated from French). The judge's conclusion also contained a long section of references to other cases which we have not included in this solution. The original dates in the solution have been changed to correspond to the dates in the problem.

### **Judge's Analysis And Decision**

The respondent's main argument is that every person must have a residence. Presuming the appellant had not resided in Qatar, she found that he must necessarily have resided in Canada.

After arriving at this conclusion, she relied on the following facts:

- The appellant came to Canada a few times.
- The appellant had two bank accounts in Canada, which he used to make all his payments, in particular for his credit cards, which were also issued in Canada.
- The appellant had some money in an RRSP.
- The appellant had no postal address in Qatar.

As for the other elements, for example, not having a driver's licence, not having property such as furniture, clothing, accommodations or vehicles, and not having a health insurance card, the respondent claims that they have no impact one way or the other.

The evidence clearly showed that the appellant's decision came after a lengthy period of reflection. It also showed that the appellant did not have any deep roots and did not hesitate to leave when his son, who was ill, let him go with no regrets.

His relationship with his wife was so tense that they tolerated one another only because of their shared concern about their son who was ill.

The appellant had a very good position. He did not want to run away from his responsibilities. He gave all his property and agreed to pay generous support payments before leaving; he has always complied with these commitments. He did not apply for a new Canadian driver's licence when his was suspended, even though the evidence showed it was important for him to be able to use a car if he wanted an international driver's license or even a driver's licence from the country in which he was living.

He specifically gave up his health card in 2017.

Regarding the beginning of the relevant period of the appeal, the beginning of 2016 (the original year), it must be considered that a reasonable person would be careful. The appellant stated he could only get a work permit if a medical exam showed he was in good health, otherwise he had to return to his country of origin. The same can be said for the position, the duration of which generally depends on the employer, not the employee. In other words, there is, normally, a reasonable delay before a permanent break. This explains the time between the beginning of the period in question and the time the appellant gave up his health insurance.

As for the argument that the appellant never had a residence in Qatar, I do not believe it is cogent, because the appellant was employed and had a residence. The appellant's strong interest in staying in Qatar was shown by the intensive courses he took to get a driver's licence, when he could have traveled with coworkers, even though he had cancelled his Canadian driver's licence. When his employment ended in Qatar, the appellant returned to the country to see the people with whom he had worked and the work he had done.

In particular, in view of the following facts, I find that, on the preponderance of the evidence, the appellant's position must be accepted:

- The family context was special and conducive to a permanent departure.
- The appellant left after disposing of all his own property.
- The appellant waived his right to obtain a new driver's licence a few months before leaving Canada.
- The appellant returned to Canada a few times for very short stays that were for the purpose of visiting his two sons, his mother and friends.

After leaving Qatar upon the expiry of his work contract, the appellant returned to meet friends and business acquaintances, thereby showing he had been happy there.

The break came after a long period of thorough reflection.

The appellant has set out all the facts showing his intention to sever ties with this country permanently.

Although the relevance of prior facts is limited, they tend to confirm that the appellant severed his ties with Canada in mid-January 2016.

For these reasons, I conclude that the appellant ceased being a resident of Canada as of January 13, 2016. As a result, the appeal is allowed with costs in favour of the appellant.

## Solution to Assignment Problem One - 7

---

### **Case A**

Residency terminates at the latest of:

- the date the individual leaves Canada;
- the date the individual's family leaves Canada; and
- the date that individual establishes residency elsewhere.

As Gary's family did not leave Canada until June 30, 2019, Gary would be considered a Canadian resident until that date. Provided he has no intention of returning to Canada, he would be a Canadian resident for the period January 1, 2019 through June 30, 2019. He would be subject to Part I tax on his world wide income during this period. He would not be subject to Part I tax on his rental income subject to that date.

**Note To Instructors** As will be discussed in Chapter 20, the tax on the rental income would not be subject to Part I tax. It would be Part XIII tax.

### **Case B**

As noted in S5-F1-C1, "Determining an Individual's Residence Status", commuting from the U.S. for employment purposes does not make an individual a deemed resident under the sojourner rules. Therefore, Sarah would not be considered a Canadian resident for income tax purposes.

Sarah would be subject to Canadian tax on her 2019 Canadian employment income. She would not be subject to Canadian tax on her U.S. savings account interest.

### **Case C**

Byron's cruise would be considered a temporary absence from Canada. Given the facts, it appears his intent is not to permanently sever residential ties with Canada. This position is evidenced by the fact his cruise is for a limited time and he will not be establishing residency in another country.

Byron's departure does not appear to be a true departure in that he has only taken a leave of absence from his job. In addition, he has retained some residential ties.

Given these facts, Byron will remain a Canadian resident during his cruise and would be subject to Canadian tax on his worldwide income during all of 2019.

### **Case D**

As she is exempt from taxation in Germany because she is the spouse of a deemed Canadian resident, Hilda would be a deemed resident of Canada for income tax purposes during 2019 [(ITA 250(1)(g)].

Hilda would be subject to Canadian tax on her worldwide income during 2019.

### **Case E**

Because she has an employment contract that requires her to return to Canada in 2022, she will be viewed as having retained Canadian residence status. Although she has severed her ties with Canada, the requirement to return would show that she does not intend to permanently leave Canada.

Jessica will be subject to Canadian tax on her worldwide income during 2019.

## Solution to Assignment Problem One - 8

---

### **Canada/U.S. Tax Treaty Tie Breaker Rule**

In cases of dual residency for corporations, where a corporation could be considered a resident of both countries, the Canada/U.S. tax treaty indicates that the corporation will be deemed to be a resident only in the country in which it is incorporated.

#### **Case A**

The mind and management of the Allor Company are in Canada and this suggests that the Company is a resident of Canada. However, as the Allor Company was incorporated in the U.S., it is also a resident of that country. Using the tie breaker rule, the Allor Company will be considered a resident of the U.S. and a non-resident of Canada.

#### **Case B**

Kodar Ltd. was incorporated in Canada after April 26, 1965. This means that, under ITA 250(4)(a), Kodar Ltd. is a deemed resident of Canada. Because the mind and management of the Company are in the United States, it is also considered a resident of the U.S. Using the tie breaker rule, Kodar Ltd. will be considered a resident of Canada as it was incorporated in Canada.

#### **Case C**

The Karlos Company was not incorporated in Canada and its mind and management are not currently located in Canada. Therefore, Karlos would not be considered a resident of Canada.

#### **Case D**

While Bradlee Inc. is not operating in Canada, it was incorporated here prior to April 27, 1965. If it had not carried on business in Canada after that date, it would not be a Canadian resident. However, it did carry on business in Canada after that date and, as a consequence, it is a deemed resident under ITA 250(4)(c).

As the mind and management of the Company are currently in the United States, the Company is also a resident of that country. Under the tie breaker rule, Bradlee Inc. would be a resident of Canada as it was incorporated in Canada.

## Solution to Assignment Problem One - 9

---

### **Part A**

Brian Palm would be considered a part year resident of Canada until July 31, 2019, the date of his departure and would be taxed on his worldwide income for this period. As his presence in Canada during the first part of the year was on a full time basis, he would not fall under the sojourning rules.

### **Part B**

Rachel is a deemed resident of Canada under ITA 250(1)(b). As Gunter is exempt from German taxation because he is related to Rachel, he is also considered a deemed resident of Canada under ITA 250(1)(g).

### **Part C**

As she is present in Canada on a temporary basis for more than 183 days per year, she would be considered a sojourner. Under ITA 250(1)(a), this would make her a Canadian resident for income tax purposes for all of 2019.

### **Part D**

Martha would be a Canadian resident for income tax purposes during 2019. An individual is not considered to have departed from Canada until the latest of the departure date, the date of departure for their spouse and children, and the date on which residence is established in a different country. As her family is staying in Canada and Martha will not be establishing residency in another country, she will remain a Canadian resident during her trip. The fact that she is a U.S. citizen is irrelevant to her residency status.

### **Part E**

ITA 250(4)(c) indicates that a corporation is resident in Canada if it was incorporated in Canada prior to April 27, 1965 and carried on business, or was resident in Canada, in any year ending after April 26, 1965. However, as the mind and the management of the company is in the U.S., it is also a resident of that country. In cases of dual residency for corporations, where a corporation could be considered a resident of both countries, the Canada/U.S. tax treaty indicates that the corporation will be deemed to be a resident only in the country in which it is incorporated. Given this, Bronson Inc. would be a resident of Canada.

### **Part F**

The company was not incorporated in Canada and the mind and management of the company is not in Canada. Ubex Ltd. is not a resident of Canada.

## Solution to Assignment Problem One - 10

---

In cases of dual residency, the Canada/U.S. tax treaty has tie breaker rules. Under these rules residence would be determined by applying criteria in the following order:

- **Permanent Home** If the individual has a permanent home available in only one country, the individual will be considered a resident of that country. A permanent home means a dwelling, rented or purchased, that is continuously available at all times. For this purpose, a home that would only be used for a short duration would not be considered a permanent home.
- **Centre of Vital Interests** If the individual has permanent homes in both countries, or in neither, then this test looks to the country in which the individual's personal and economic relations are greatest. Such relations are virtually identical to the ties that are examined when determining factual residence for individuals.
- **Habitual Abode** If the first two tests do not yield a determination, then the country where the individual spends more time will be considered the country of residence.
- **Citizenship** If the tie-breaker rules still fail to resolve the issue, then the individual will be considered a resident of the country where the individual is a citizen.
- **Competent Authority** If none of the preceding tests resolve the question of residency then, as a last resort, the so-called "competent authority procedures" are used. Without describing them in detail, these procedures are aimed at opening a dialogue between the two countries for the purpose of resolving the conflict.

### **Case A**

As Ty was in Canada for more than 183 days, he is a deemed resident through the application of the sojourner rule. This means that he is likely to be considered a resident in both the United States and Canada. In such situations, the tie breaker rules would be applicable

It does not appear that Ty has a permanent home, a centre of vital interests, or a habitual abode. Therefore, it would appear that the fact that Ty is a citizen of the U.S. would be the determining factor. This treaty result would override the sojourner rule, making Ty a non-resident of Canada.

### **Case B**

As he is in Canada for more than 183 days, Jordan would be a deemed Canadian resident under the sojourner rules. As in Case A, it is likely that he would be considered a resident in both countries. Given this the tie breaker rules would be applicable. As Jordan appears to have a permanent home in Kalispell, these rules would make him a resident of the United States. This treaty result would override the sojourner rule, making Jordan a non-resident of Canada.

## Solution to Assignment Problem One - 11

---

### ***Accountant's View***

The accountant's definition uses historical cost accounting following GAAP. Under GAAP, revenue is generally recognized when goods are sold or services delivered. Expenses are then matched against these revenues, with the resulting difference referred to as accounting Net Income.

### ***Economist's View***

The economist's definition of income includes all gains, whether realized or unrealized, as increases in net economic power.

### ***Income Tax Act View***

Conceptually, the ITA view is very similar to the accountant's view. However, there are many differences which result from the application of complex rules in the ITA. For example, a portion of capital gains is not considered to be Taxable Income under the ITA view. In contrast, both accountants and economists would include 100 percent of such gains in income. Note, however, the timing would be different as economists would tend to recognize such gains prior to the realization. Accountants generally do not recognize capital gains until they are realized through a disposition of the relevant asset.

## Solution to Assignment Problem One - 12

---

### Case One

The Case One solution would be calculated as follows:

Income Under ITA 3(a):		
Net Employment Income		\$62,350
Income Under ITA 3(b):		
Taxable Capital Gains		
[(1/2)(\$97,650)]	\$48,825	
Allowable Capital Losses		
[(1/2)(\$5,430)]	( 2,715)	46,110
<hr/>		
Balance From ITA 3(a) And (b)		\$108,460
Subdivision e Deduction:		
Deductible RRSP Contribution		( 4,560)
<hr/>		
Balance From ITA 3(c)		\$103,900
Deduction Under ITA 3(d):		
Net Business Loss		( 115,600)
<hr/>		
Net Income For Tax Purposes (Division B Income)		Nil
<hr/>		

In this Case, Karla has an unused business loss carry over of \$11,700 (\$103,900 - \$115,600).

### Case Two

The Case Two solution would be calculated as follows:

Income Under ITA 3(a):		
Net Employment Income	\$45,600	
Net Business Income	<u>27,310</u>	\$72,910
Income Under ITA 3(b):		
Taxable Capital Gains		
[(1/2)(\$31,620)]	\$15,810	
Allowable Capital Losses		
[(1/2)(\$41,650)]	( 20,825)	Nil
<hr/>		
Balance From ITA 3(a) And (b)		\$72,910
Subdivision e Deduction:		
Spousal Support Payments [(12)(\$600)]		( 7,200)
<hr/>		
Balance From ITA 3(c)		\$65,710
Deduction Under ITA 3(d):		
Net Rental Loss		( 4,600)
<hr/>		
Net Income For Tax Purposes (Division B Income)		\$61,110
<hr/>		

In this Case, Karla has an unused allowable capital loss carry over of \$5,015 (\$20,825 - \$15,810). As Karla's gambling activity does not appear to be substantial enough to be considered a business, the \$46,000 in winnings would not be taxable.

## Solution to Assignment Problem One - 13

---

### Case A

The Case A solution would be calculated as follows:

Income Under ITA 3(a):		
Employment Income	\$58,200	
Rental Income	<u>5,400</u>	\$63,600
Income Under ITA 3(b):		
Taxable Capital Gains	\$31,600	
Allowable Capital Losses	<u>( 12,400)</u>	19,200
<hr/>		
Balance From ITA 3(a) And (b)		\$82,800
Subdivision e Deductions		<u>( 4,100)</u>
<hr/>		
Balance From ITA 3(c)		\$78,700
Deduction Under ITA 3(d):		
Business Loss		<u>( 12,300)</u>
<hr/>		
Net Income For Tax Purposes (Division B Income)		<u>\$66,400</u>

In this Case, Mr. Denham has no loss carry overs at the end of the year.

### Case B

The Case B solution would be calculated as follows:

Income Under ITA 3(a):		
Employment Income	\$82,600	
Rental Income	<u>12,200</u>	\$94,800
Income Under ITA 3(b):		
Taxable Capital Gains	\$15,600	
Allowable Capital Losses	<u>( 23,400)</u>	Nil
<hr/>		
Balance From ITA 3(a) And (b)		\$94,800
Subdivision e Deductions		<u>( 5,400)</u>
<hr/>		
Balance From ITA 3(c)		\$89,400
Deduction Under ITA 3(d):		
Business Loss		<u>( 8,400)</u>
<hr/>		
Net Income For Tax Purposes (Division B Income)		<u>\$81,000</u>

In this Case, Mr. Denham has an allowable capital loss carry over of \$7,800 (\$15,600 - \$23,400).

**Case C**

The Case C solution would be calculated as follows:

Income Under ITA 3(a):		
Employment Income	\$46,700	
Rental Income	<u>2,600</u>	\$49,300
Income Under ITA 3(b):		
Taxable Capital Gains	\$11,600	
Allowable Capital Losses	<u>( 10,700)</u>	900
<hr/>		
Balance From ITA 3(a) and (b)		\$50,200
Subdivision e Deductions		<u>( 11,600)</u>
<hr/>		
Balance From ITA 3(c)		\$38,600
Deduction Under ITA 3(d):		
Business Loss		<u>( 62,300)</u>
<hr/>		
Net Income For Tax Purposes (Division B Income)		<u>Nil</u>

In this Case, Mr. Denham would have a business loss carry over in the amount of \$23,700 (\$38,600 - \$62,300).

**Case D**

The Case D solution would be calculated as follows:

Income Under ITA 3(a):		
Employment Income		\$33,400
Income Under ITA 3(b):		
Taxable Capital Gains	\$23,100	
Allowable Capital Losses	<u>( 24,700)</u>	Nil
<hr/>		
Balance From ITA 3(a) And (b)		\$33,400
Subdivision e Deductions		<u>( 5,600)</u>
<hr/>		
Balance From ITA 3(c)		\$27,800
Deduction Under ITA 3(d):		
Business Loss		<u>( 46,200)</u>
Rental Loss		<u>( 18,300)</u>
<hr/>		
Net Income For Tax Purposes (Division B Income)		<u>Nil</u>

Mr. Denham would have a carry over business and rental losses in the amount of \$36,700 (\$27,800 - \$46,200 - \$18,300) and of allowable capital losses in the amount of \$1,600 (\$23,100 - \$24,700).