

COMMENT BACKGROUND



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THE FAMILY COTTAGE

Principal residence exemption:

- Income Tax Act – section 54
- Canada Revenue Agency (CRA) Interpretation Bulletin IT-120R6 – *Principal Residence*

Corporate-owned cottage property:

- CRA's Income Tax Technical News #32 (July 29, 2005) – single purpose corporations owning U.S. real estate
- CRA Interpretation Bulletin IT-432R2 – *Benefits Conferred on Shareholders*

INVESTING VIA A HOLDING COMPANY

For additional information on corporate tax mechanisms (including refundable taxes) and the integration of taxes on property held personally or through a corporation, see for example:

Taxation – a handbook for insurance and financial advisors, Volume 2, Chapter 16.

SMALL BUSINESS DEDUCTION

Income Tax Act references:

- subsection 125(1) – small business deduction
- subsection 125(2) – business limit
- subsections 125(3)-(4) – associated corporations sharing the limit
- subsection 125(5.1) – reduction for corporations paying Part 1.3 tax
- subsection 125(7) – meaning of “active business” and other definitions
- section 181 – tax on large corporations
- subsection 256(1) – associated corporations

CRA material:

- Interpretation Bulletin IT-73R6 – *The Small Business Deduction*