

CHECKLIST for CALCULATING INCOME

Section 15(2) – Agreements re: Income

- Is there an agreement that specifies the parties' incomes?
- Is that agreement reasonable?

Section 16 – Base Calculation of Annual Income

- Does line 150 / line 15000 accurately reflect the payor's income?
- Are there income sources other than employment income?
- Does the employment income come from a company that is not at arm's length?
- Can the income be accounted for and adjusted by Schedule III?

Section 17(1) – Pattern of Income

- Does the payor's income deviate from the pattern of income in previous years?
- Is the deviation unreasonable?

Section 17(2) – Non-recurring Losses

- Are there non-recurring losses?
- Are those losses deliberate and/or unreasonable?

Section 18 – Corporations

- Is the payor a shareholder, director, or officer of a corporation?
 - What is the pre-tax corporate income received: _____
 - What is the nature of the business: _____
- Is the payor in control of the decision to retain earnings and/or allocate capital?
- Are salaries, wages, and management fees reasonable?
- Given the above, does the business need to retain earnings?
 - Does it need money for expansion or depreciation?
 - Does it need working capital?
 - Are there economic or other factors?
- Are any non-recurring losses related to the businesses' operations?
- Are there shareholder loans?
- Are there pre-paid expenses?
- Is there a pattern of losses?
 - Is the business viable?

Section 19 – Imputing Income

- Is the payor under/unemployed?
 - Are they caring for a dependant?
 - Are they engaged in education?
 - Are they prevented from working due to a health condition?
- Are they exempt from paying taxes?
- Are they resident in a country with a lower tax rate?
- Is their income diverted elsewhere?
- Is their property not being reasonably used to generate income?
- Have they failed to disclose income?

- Have they made unreasonable deductions?
- Are they receiving dividends or capital gains?
- Are they a beneficiary under a trust?

Capital Cost Allowance (CCA)

- Is the CCA reduction reasonable?
 - Was it an actual expense in the year claimed?
 - Was it greater than the cost of acquisitions in the same time period?**
 - Was it greater than the repayments of the principal (if any)?
 - Was it the maximum allowable?
 - Was the business in a loss that year?
 - Were the items claimed necessary for a business purpose?
 - Do the items truly depreciate?
 - Will future purchases be required?
 - Is there a pattern of spending that shows a greater real income?
 - Is there a dire need for support?
- Is there evidence to support unreasonable deductions?

Optional Inventory Adjustment (OIA)

- Does employing OIA distort the payor's income?