

## **GROUP COMPUTER CASE ASSIGNMENT DUE APRIL 2, 2015**

Using Intuit T2 Profile Software Prepare the T2 Tax return.

Please install the software – details appear on the textbook back cover

You are hand in a printed version of the Federal tax return and all its supporting schedules.

Billbo Ltd. is a Canadian company of which 85% is owned by Bill Jones and 15% is owned by his brother Bo. Both Bill and Bo are Canadian residents. The company was incorporated in Quebec in 2012 after the brothers who both worked as employees at Big Stores Inc. as computer programmers, decided to open their own computer consulting business. Business has been fantastic to date. The company has been able to investment it's excess funds in many other business ventures and shares.

In addition to its consulting income, the company has various sources of other income. Its net income for income tax purposes for 2014 is set out below.

### **Billbo Ltd.**

#### **Income for Income Tax Purposes by Source for the Year Ended December 31, 2014**

Income from consulting operations:	
From 5 large clients	\$360,000
From Big Stores Inc. (Note 1)	80,000
Interest income:	
from treasury bills	2,000
from long-term bonds	8,000
from loan to Bag Inc. (Note 2)	3,000
from loan to Retail Ltd. (Note 3)	5,000
Dividend income:	
from Bag Inc. received March 31 (Note 2)	9,000
from Retail Ltd. received August 31 (Note 3)	8,000
Eligible dividends from the Royal Bank of Canada	3,000
Taxable capital gains on the sale of equipment	12,000
Net capital losses from sale of shares of Canadian public corporations	(6,000)
Rental income: rental of one room in the building owned by Billbo	<u>24,000</u>
<b>NET INCOME FOR TAX PURPOSES</b>	<b><u>\$508,000</u></b>

Additional Information

1. Bill was an employee of Big Stores before opening his own business. Due to the specialized nature of the work required by Big Stores Inc., Bill has continued providing Big Stores Inc. computer programming services through Billbo Inc.
2. Bag Inc. is an investment company. Billbo Ltd. owns 8% of Bag Inc. Billbo earns interest on a loan given to Bag Inc. and receives dividend on it's investment in equity shares of Bag Inc.  
When filing its tax return for its year ending December 31, 2014, Bag Inc. claimed the Small Business Deduction on \$50,000 of income, and claimed a \$10,000 Dividend Refund.
3. Retail Ltd. is a retailer of computer accessories. It had taxable income of \$250,000 for its year ending October 31, 2014. When filing its tax return, it claimed the Small Business Deduction on its \$350,000 of income and claimed a Dividend Refund of \$9,000. Billbo Ltd. owns 70% of Retail Ltd.  
Billbo earns interest on a loan given to Retail Inc. and receives dividend on it's investment in equity shares of Retail Inc.
4. On July 15, 2014, Billbo Ltd. paid non-eligible dividends totalling \$50,000 to its shareholders.
5. Balances in various tax accounts on December 31, 2013:

GRIP	\$ 6,000
Capital Dividend Account Balance	\$20,000
Refundable Dividend Tax on Hand	\$19,000
Dividend Refund for 2013	15,000
Net capital losses (incurred in 2013)	6,000
Unused charitable donations from 2013	2,500

Required:

- 1) With the information presented above, calculate the minimum net federal income tax payable by Billbo Ltd. for its 2014 taxation year.