

# Safe Income Worksheet

This worksheet is used to calculate the safe income on hand for shareholders of a corporation.

Where a Schedule 1 item has been marked with "s" on the Safe Income Worksheet, it is assumed to impact the safe income balance in the year the expense is incurred. Professional judgment is required for each possible adjustment.

Where an adjustment to the safe income calculation has been marked with "r", the amounts will be reversed to reconcile the ending retained earnings.

Solve the safe income on hand balance for the shareholder of Opco.

Opco's situation:

First year end	Dec 31, 2011
Determination date	Dec 31, 2015
Financing fees tax deduction (2011 to 2015)	8,000 per year
Federal and Provincial taxes	agree to F/S

## 2011-12-31

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Capital cost allowance	9,000
Cumulative eligible capital	140
SR&ED expenditures	42,975
Investment tax credit refund from Sch 31	24,066
Provincial refundable credits from Sch 5	8,000

## 2012-12-31

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Capital cost allowance	17,460
Cumulative eligible capital	130
SR&ED expenditures	18,909
Recapture of SR&ED ITCs – Provincial	4,215
Investment tax credit refund from Sch 31	23,314
Provincial refundable credits from Sch 5	7,750

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# Safe Income Worksheet *(continued)*

## **2013-12-31**

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Capital cost allowance	16,412
Cumulative eligible capital	121
Recapture of SR&ED ITCs - Federal	23,314
Recapture of SR&ED ITCs - Provincial	3,864

## **2014-12-31**

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Capital cost allowance	15,428
Cumulative eligible capital	113

## **2015-12-31**

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Cumulative eligible capital	105
Recapture of CCA	58,300
Taxable capital gains	100,000
Net capital losses of previous years	1,000
Federal Part I tax	49,400

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## Opco's Financial Statements

### Balance sheet:

	2011-12-31	2012-12-31	2013-12-31	2014-12-31	2015-12-31
<b>Assets</b>					
Cash	–	52,500	292,500	551,000	41,750
Accounts receivable	10,000	15,000	20,000	25,000	30,000
Investments (at cost)	–	–	100,000	80,000	480,000
ITC receivable	35,000	30,000	–	–	–
Land	500,000	500,000	500,000	500,000	–
Building	300,000	300,000	300,000	300,000	–
Accumulated amortization	(15,000)	(30,000)	(45,000)	(60,000)	–
<b>Total assets</b>	<b>830,000</b>	<b>867,500</b>	<b>1,167,500</b>	<b>1,396,000</b>	<b>551,750</b>
<b>Liabilities</b>					
Accounts payable	15,000	15,000	15,000	20,000	20,000
Taxes payable	–	–	30,000	40,000	40,000
Due to shareholder	52,000	52,000	57,000	57,000	–
Due to bank	800,000	800,000	800,000	800,000	–
Warranty reserve	–	–	10,000	15,000	8,000
<b>Total liabilities</b>	<b>867,000</b>	<b>867,000</b>	<b>912,000</b>	<b>932,000</b>	<b>68,000</b>
<b>Equity</b>					
Opening retained earnings	–	(138,000)	(100,500)	154,500	363,000
Net income	(138,000)	37,500	260,000	213,500	319,750
(Dividends paid)	–	–	(5,000)	(5,000)	(200,000)
Common shares	1,000	1,000	1,000	1,000	1,000
Preferred shares	100,000	100,000	100,000	100,000	–
<b>Total equity</b>	<b>(37,000)</b>	<b>500</b>	<b>255,500</b>	<b>464,000</b>	<b>483,750</b>

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**Income statement:**

	2011-12-31	2012-12-31	2013-12-31	2014-12-31	2015-12-31
<b>Revenue</b>					
Sales	100,000	300,000	600,000	700,000	800,000
Interest income	–	–	–	500	3,750
Dividend income	–	–	–	3,000	3,000
Capital gains	–	–	–	–	275,000
<b>Total revenue</b>	<b>100,000</b>	<b>300,000</b>	<b>600,000</b>	<b>703,500</b>	<b>1,081,750</b>
<b>Expenses</b>					
Amortization	15,000	15,000	15,000	15,000	15,000
Bank fees	1,000	1,500	2,000	2,500	3,000
Charitable donations	–	–	–	25,000	–
Financing fees	40,000	–	–	–	–
Incorporation fees	2,000	–	–	–	–
Interest expense	40,000	40,000	40,000	40,000	40,000
Life insurance fees	–	–	–	–	10,000
Loss on disposed assets	–	–	–	2,000	–
Meals and entertainment	3,000	4,000	5,000	6,000	7,000
Non-deductible interest	–	–	–	3,000	–
Office expenses	10,000	20,000	30,000	25,000	30,000
Rent	12,000	12,000	12,000	12,000	12,000
Salary expense	100,000	150,000	200,000	300,000	600,000
SR&ED expense	50,000	50,000	–	–	–
(SR&ED income)	(35,000)	(30,000)	(4,000)	(500)	–
Warranty expense	–	–	10,000	20,000	5,000
<b>Total expenses</b>	<b>238,000</b>	<b>262,500</b>	<b>310,000</b>	<b>450,000</b>	<b>722,000</b>
<b>Net income (loss) before taxes</b>	<b>(138,000)</b>	<b>37,500</b>	<b>290,000</b>	<b>253,500</b>	<b>359,750</b>
<b>Provision for taxes</b>					
Federal taxes	–	–	25,000	28,000	22,000
Provincial taxes	–	–	5,000	12,000	18,000
Refundable taxes	–	–	–	1,000	28,400
(Dividend refund)	–	–	–	(1,000)	(28,400)
<b>Net income (loss)</b>	<b>(138,000)</b>	<b>37,500</b>	<b>260,000</b>	<b>213,500</b>	<b>319,750</b>



- ∞ - Input of net income for income tax purposes
- ∞ - Calculation of safe income on hand
- ∞ - Reconciliation to retained earnings

Determination date	Dec 31, 2015
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Calculation of safe income on hand

Tax year ended	
Mark "r" if this row adjusts retained earnings	▼ r
Net income (loss) for income tax purposes	
(Net income items - marked by "s")	
(Federal Part I tax)	r
(Federal Part IV tax)	r
(Other federal taxes)	r
(Provincial corporate tax)	r
(Other provincial tax)	r
(Other income taxes)	r
(Financing fees capitalized per F/S)	r
(Net capital losses of previous years)	r
(Other deduction from safe income on hand)	
(Other deduction from safe income on hand)	
(Other deduction from safe income on hand)	
(Other deduction from safe income on hand)	
(Other deduction from safe income on hand)	
(Other deduction from safe income on hand)	
(Other deduction from safe income on hand)	
Dividend refund	r
Investment tax credit refund from Sch 31	r
Provincial refundable credits from Sch 5	r
Recovery of taxes paid in prior years	r
Debt forgiveness	r
Other addition to safe income on hand	
Other addition to safe income on hand	
Other addition to safe income on hand	
Other addition to safe income on hand	
Other addition to safe income on hand	
Other addition to safe income on hand	
Safe income on hand - before dividends	

Total	
Ref	Amount
from above	764,650
from above	(58,500)
	(102,400)
	(2,000)
	-
	(35,000)
	-
	-
	-
	(1,000)
	-
	-
	-
	-
	-
	-
	-
	29,400
	47,380
	15,750
	-
	-
	-
	-
	-
	-
	-
	-
	-
	658,280

Dec 31, 2011	
Ref	Amount
from above	(124,615)
from above	(33,500)
T2 - 700	
T2 - 712	
T2 - 760	
T2 - 332	
T2 - 784	
T2 - 780	24,066
T2 - 812	8,000
	(126,049)

Dec 31, 2012	
Ref	Amount
from above	34,216
from above	6,000
T2 - 700	
T2 - 712	
T2 - 760	
T2 - 332	
T2 - 784	
T2 - 780	23,314
T2 - 812	7,750
	71,280

Reconciliation to retained earnings

Tax year ended	
Ref	
Opening retained earnings	
Safe income on hand - before dividends	
(Net income items - not marked by "s")	
(Retained earnings items - marked by "r")	
(Dividends paid)	
Adjustment	
Adjustment	
Adjustment	
Ending retained earnings	

Total	
Ref	Amount
	-
from above	658,280
from above	(13,400)
from above	47,870
	(210,000)
	-
	-
	-
	-
	482,750

Dec 31, 2011	
Ref	Amount
F/S	-
from above	(126,049)
from above	20,115
from above	(32,066)
	-
F/S	(138,000)

Dec 31, 2012	
Ref	Amount
F/S	(138,000)
from above	71,280
from above	(2,716)
from above	(31,064)
	-
F/S	(100,500)

- ∞ - Input of net income for income tax purposes
- ∞ - Calculation of safe income on hand
- ∞ - Reconciliation to retained earnings

Determination date	Dec 31, 2015
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Input of net income for income tax purposes
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	Dec 31, 2013		Dec 31, 2014		Dec 31, 2015	
Tax year ended	Ref	Amount	Ref	Amount	Ref	Amount
Mark "s" if this row adjusts safe income balance ▼ s						
Net income (loss) from financial statements	Sch 1	260,000	Sch 1	213,500	Sch 1	319,750
Provision for income taxes - current	Sch 1 - 101	30,000	Sch 1 - 101	40,000	Sch 1 - 101	40,000
Provision for income taxes - deferred	Sch 1 - 102		Sch 1 - 102		Sch 1 - 102	
Interest and penalties on taxes s	Sch 1 - 103		Sch 1 - 103	3,000	Sch 1 - 103	
Amortization of assets	Sch 1 - 104-106	15,000	Sch 1 - 104-106	15,000	Sch 1 - 104-106	15,000
Recapture of CCA	Sch 1 - 107		Sch 1 - 107		Sch 1 - 107	58,300
Gain on sale of ECP	Sch 1 - 108		Sch 1 - 108		Sch 1 - 108	
Loss on disposal of assets	Sch 1 - 111		Sch 1 - 111	2,000	Sch 1 - 111	
Loss on disposal of Class 10.1 vehicles s	Sch 1 - 112		Sch 1 - 112	25,000	Sch 1 - 112	
Charitable donations and gifts s	Sch 1 - 113		Sch 1 - 113		Sch 1 - 113	100,000
Taxable capital gains	Sch 1 - 114		Sch 1 - 114		Sch 1 - 114	
Political donations s	Sch 1 - 118		Sch 1 - 118		Sch 1 - 118	
Gross allowable SR&ED deducted per F/S (SR&ED ITC journalized against gross SR&ED)	Sch 1 - 120		Sch 1 - 120		Sch 1 - 120	
Non-deductible club dues and fees s	Sch 1 - 121	2,500	Sch 1 - 121	3,000	Sch 1 - 121	3,500
Non-deductible meals and entertainment s	Sch 1 - 122		Sch 1 - 122		Sch 1 - 122	
Non-deductible automobile expenses s	Sch 1 - 123		Sch 1 - 123		Sch 1 - 123	10,000
Other reserves on lines 270-275 from Sch 13	Sch 1 - 125		Sch 1 - 125		Sch 1 - 125	
Warranty reserve per F/S s	Sch 1 - 126	10,000	Sch 1 - 126	15,000	Sch 1 - 126	8,000
Unfunded pension per F/S s	Sch 1 - 216		Sch 1 - 216		Sch 1 - 216	
Other reserves per F/S	Sch 1 - 226		Sch 1 - 226		Sch 1 - 226	
Financing fees deducted s	Sch 1 - 227		Sch 1 - 227		Sch 1 - 227	
Non-deductible advertising s	Sch 1 - 228		Sch 1 - 228		Sch 1 - 228	
Non-deductible interest s	Sch 1 - 231	23,314	Sch 1 - 231		Sch 1 - 231	
Non-deductible legal and accounting s		3,864				
Recapture of SR&ED expenditures						
Provincial ITCs from prior year						
Incorporation fees						
Other addition to net income						
Other addition to net income						
Other addition to net income						
Other addition to net income						
Other addition to net income						
(Gain on disposal of assets per F/S)	Sch 1 - 401		Sch 1 - 401		Sch 1 - 401	(275,000)
(Non-taxable dividend under section 83)	Sch 1 - 402		Sch 1 - 402		Sch 1 - 402	
(Capital cost allowance)	Sch 1 - 403	(16,412)	Sch 1 - 403	(15,428)	Sch 1 - 403	
(Terminal loss)	Sch 1 - 404		Sch 1 - 404		Sch 1 - 404	
(Cumulative eligible capital deduction)	Sch 1 - 405	(121)	Sch 1 - 405	(113)	Sch 1 - 405	(105)
(Allowable business investment loss)	Sch 1 - 406		Sch 1 - 406		Sch 1 - 406	
(Foreign non-business tax deduction)	Sch 1 - 407		Sch 1 - 407		Sch 1 - 407	
(SR&ED expenditures)	Sch 1 - 411		Sch 1 - 411		Sch 1 - 411	
(Other reserves of line 280 from Sch 13)	Sch 1 - 413		Sch 1 - 413		Sch 1 - 413	
Warranty reserve per F/S s	Sch 1 - 414		Sch 1 - 414	(10,000)	Sch 1 - 414	(15,000)
Unfunded pension per F/S s						
(Other reserves per F/S)						
(Deduction under 20(1)(e)) s		(8,000)		(8,000)		(8,000)
(SR&ED income per F/S)		(4,000)		(500)		
(Other deduction from net income)						
(Other deduction from net income)						
(Other deduction from net income)						
(Other deduction from net income)						
(Other deduction from net income)						
Net income (loss) for income tax purposes		316,145		282,459		256,445

∞ - Input of net income for income tax purposes  
∞ - Calculation of safe income on hand  
∞ - Reconciliation to retained earnings

Determination date	Dec 31, 2015
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**Calculation of safe income on hand**

Tax year ended		Dec 31, 2013		Dec 31, 2014		Dec 31, 2015	
Mark "r" if this row adjusts retained earnings		Ref	Amount	Ref	Amount	Ref	Amount
Net income (loss) for income tax purposes		from above	316,145	from above	282,459	from above	256,445
(Net income items - marked by "s")		from above	(4,500)	from above	(28,000)	from above	1,500
(Federal Part I tax)	r	T2 - 700	(25,000)	T2 - 700	(28,000)	T2 - 700	(49,400)
(Federal Part IV tax)	r	T2 - 712		T2 - 712	(1,000)	T2 - 712	(1,000)
(Other federal taxes)	r						
(Provincial corporate tax)	r	T2 - 760	(5,000)	T2 - 760	(12,000)	T2 - 760	(18,000)
(Other provincial tax)	r						
(Other income taxes)	r						
(Financing fees capitalized per F/S)	r						
(Net capital losses of previous years)	r	T2 - 332		T2 - 332		T2 - 332	(1,000)
(Other deduction from safe income on hand)							
(Other deduction from safe income on hand)							
(Other deduction from safe income on hand)							
(Other deduction from safe income on hand)							
(Other deduction from safe income on hand)							
(Other deduction from safe income on hand)							
Dividend refund	r	T2 - 784		T2 - 784	1,000	T2 - 784	28,400
Investment tax credit refund from Sch 31	r	T2 - 780		T2 - 780		T2 - 780	
Provincial refundable credits from Sch 5	r	T2 - 812		T2 - 812		T2 - 812	
Recovery of taxes paid in prior years	r						
Debt forgiveness	r						
Other addition to safe income on hand							
Other addition to safe income on hand							
Other addition to safe income on hand							
Other addition to safe income on hand							
Other addition to safe income on hand							
Other addition to safe income on hand							
Safe income on hand - before dividends			281,645		214,459		216,945

**Reconciliation to retained earnings**

Tax year ended		Dec 31, 2013		Dec 31, 2014		Dec 31, 2015	
Ref		Ref	Amount	Ref	Amount	Ref	Amount
Opening retained earnings		F/S	(100,500)	F/S	154,500	F/S	363,000
Safe income on hand - before dividends		from above	281,645	from above	214,459	from above	216,945
(Net income items - not marked by "s")		from above	(51,645)	from above	(40,959)	from above	61,805
(Retained earnings items - marked by "r")		from above	30,000	from above	40,000	from above	41,000
(Dividends paid)			(5,000)		(5,000)		(200,000)
Adjustment							
Adjustment							
Adjustment							
Ending retained earnings		F/S	154,500	F/S	363,000	F/S	482,750



Opco  
 Safe Income Worksheet  
 Determined as at Dec 31, 2015

∞ - First section

Safe income on hand balance	Holdco	
Net increase (decrease) to SIOH balance	648,280	
(Dividends paid that reduce SIOH)	(200,000)	
Adjustments	-	
Safe income on hand balance	448,280	

Net increase (decrease) to SIOH balance	Holdco	
Dec 31, 2011	(126,049)	
Dec 31, 2012	71,280	
Dec 31, 2013	276,645	
Dec 31, 2014	209,459	
Dec 31, 2015	216,945	

Prepared	Andrew	Oct 31, 2016
Reviewed		
Approved		

∞ - First section

	Dec 31, 2011			Dec 31, 2012			Dec 31, 2013		
	Ref	SIOH calculation details	SIOH for Holdco	Ref	SIOH calculation details	SIOH for Holdco	Ref	SIOH calculation details	SIOH for Holdco
Starting			-			(126,049)			(54,769)
SIOH for tax year - before dividends	Corp 1	(126,049)			71,280			281,645	
(Dividends paid)							Pref shares	(5,000)	
(Unpaid dividends)									
Adjustment									
SIOH for tax year		(126,049)			71,280			276,645	
% allocated to Holdco		100.00%	(126,049)		100.00%	71,280		100.00%	276,645
(Dividends that reduce SIOH for Holdco)									
Adjustment									
Ending			(126,049)			(54,769)			221,876
	Notes and calcs			Notes and calcs			Notes and calcs		

∞ - First section

	Dec 31, 2014			Dec 31, 2015		
	Ref	SIOH calculation details	SIOH for Holdco	Ref	SIOH calculation details	SIOH for Holdco
Starting			221,876			431,335
SIOH for tax year - before dividends		214,459			216,945	
(Dividends paid)	Pref shares	(5,000)				
(Unpaid dividends)						
Adjustment						
SIOH for tax year		209,459			216,945	
% allocated to Holdco		100.00%	209,459		100.00%	216,945
(Dividends that reduce SIOH for Holdco)					(200,000)	
Adjustment						
Ending			431,335			448,280
	Notes and calcs			Notes and calcs		