

WATERLOO CENTRE FOR TAXATION IN A GLOBAL ECONOMY

2019 | 2020 ANNUAL REPORT

SCHOOL OF
**ACCOUNTING
& FINANCE**



UNIVERSITY OF
WATERLOO

OVERVIEW OF THE CENTRE

The Waterloo Centre for Taxation in a Global Economy was officially launched in 2014 with eight supporters: CPA Canada, Canadian Tax Foundation, Deloitte, EY, International Fiscal Association Canadian Branch, KPMG, PricewaterhouseCoopers, and Rogers Communication. Six of our founding members continue to support the Centre.

The Centre's research mandate is to enhance tax thought. The Centre supports researchers as they explore critical tax issues and inform tax professionals, including those engaged directly in tax policy. The Centre also aggregates and disseminates academic research, and links Canadian tax researchers with global counterparts through academic partnerships. To achieve these goals, the Centre hosts annual tax policy symposia, facilitates biennial multinational tax research symposia, and develops a variety of channels to disseminate academic research.

The Centre's education mandate is to develop the knowledge and skills needed by young tax professionals entering the marketplace, implement the best practices to help students learn, and build a national reputation for tax pedagogy. To achieve these goals, the Centre identifies the knowledge and skills needed by new tax professionals, supports the development of course content, and inspires and supports students who are interested in a tax career. The Centre hosts an annual tax educator conference whose objective is to bring together tax educators to discuss current tax education issues and trends.



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KEN KLASSEN, DIRECTOR

2019 | 2020

DIRECTOR'S REPORT

The Waterloo Centre for Taxation in a Global Economy completed its sixth year in 2020. Through the Centre, Waterloo faculty have advanced knowledge in taxation, enhanced educational programming, and participated in tax policy debate. We thank our sponsors for their ongoing support as we continue to engage in these activities.

This year has continued a significant transition for the tax group as a locus of tax research in Canada. During the year, Andrew Bauer, an outstanding scholar, received tenure and was promoted to an Associate Professor (effective July 1, 2020). His contributions to our group are now well established as he further develops his research career and contributes to our growing expertise in data analytics. Kaishu Wu completed his first full year and has done an excellent job learning Canadian tax for both teaching and broader contributions.

During the year we also said our goodbyes to both James Barnett and Alan Macnaughton. Their retirements have left a significant hole in our tax activities. While we wish them well in their retirement, we will miss the many contributions they have made to the tax group at Waterloo, and to the field of tax in Canada.

A key mandate of the Centre is to support, develop and disseminate research on a variety of leading-edge issues in taxation. Our reputation for research within the academic community continues to be elevated through the publication of new articles, as described in this report. We also continued our annual tax policy research symposium in May 2019. Finally, Canadian tax-policy relevant research is in progress as the Centre continues to emphasize this new direction. These activities support the research mandate of the Centre.

The educational mandate of the Centre was also advanced through the dedicated efforts of Centre members. For example, the new tax curriculum at Waterloo, begun in 2016 came to full fruition in 2018. We are now well on our way to another revision to the tax curriculum as the entire undergraduate program is being modernized. This process of revitalization will result in the most significant changes to the teaching of tax at Waterloo in the last 20 years. For example, all Waterloo accounting and finance students will now be required to take a personal financial planning course that Andrew Bauer is redeveloping. The Young Tax Professionals student group continues to be very successful. Together these improvements and ongoing activities incorporate even stronger opportunities for students to learn and engage with tax topics using new, more active, learning pedagogies.

The Centre's year ended with the many challenges of the COVID-19 pandemic. The closing of the University and discontinuation of all in-person activities has created a significant challenge for all the Centre's activities. The May 2020 policy symposium was cancelled after considerable debate and consultation. New methods of interacting have emerged and we look forward to achieving our goals in new ways until we can again meet face to face. The support of the Centre's sponsors in lending expertise continues to be critical to our success.

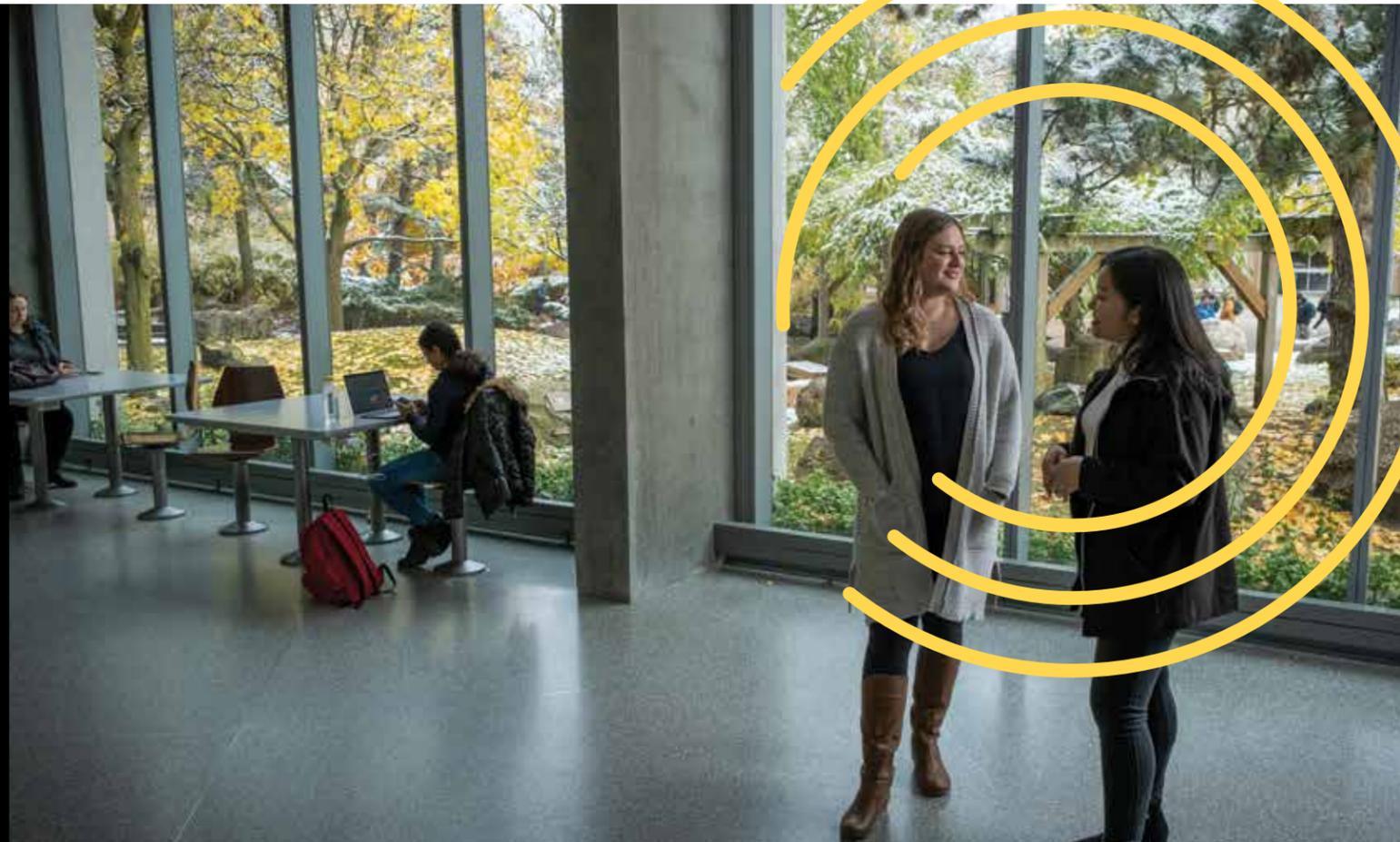
KEN KLASSEN, DIRECTOR

MISSION AND STRATEGY

Over the next ten years, the School of Accounting and Finance (SAF) at the University of Waterloo will leverage our people and the University's strengths and align our combined resources and energy towards our mission of *transforming the professions* through:

1. world-class research, and
2. experiential education

As a School composed of students, faculty and staff, we will transform the accounting and finance professions in two ways. First, our faculty will conduct world-class research and disseminate the findings to the business community, policy makers and standard setters. Second, our graduates will transform the professions through the impact that they will have in their careers based on the capabilities they develop through experiential education here at Waterloo.



Over the next five years, the SAF will:

WORLD-CLASS RESEARCH

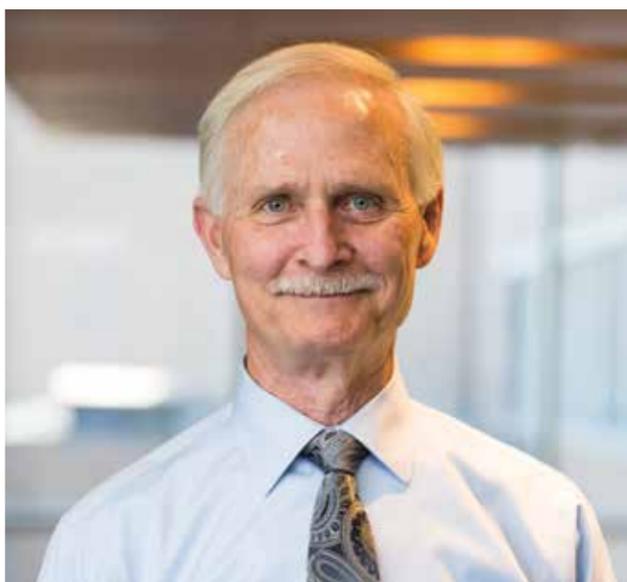
- > Strengthen Waterloo's reputation for outstanding scholarship in the global academic community by enhancing scholarship excellence in both accounting and finance.
- > Strengthen our reputation as thought leaders in the business community by conducting research that has an impact on business, the professions and policy making.
- > Develop resources to support applied research.

Over the next five years, the SAF will:

EXPERIENTIAL EDUCATION

- > Differentiate Waterloo's financial leaders as versatile, adaptive and confident professionals.
- > Develop financial leaders fluent in the languages of business, analytics, and technology.

RECOGNITION OF YEARS OF SERVICE



JAMES BARNETT

BY KENNETH KLASSEN

James Barnett has had an unmeasurable impact on tax education at the University of Waterloo and abroad, the School and its members, and for me personally.

Jim began his career here in 1990, having previously reached the ranks of partner at Deloitte and Touche. Jim has been an excellent teacher throughout his career. He has developed and redeveloped the tax curriculum here and considered things like Blooms Taxonomy, theories on course alignment, and problem-based learning. In fact, this was recognized at the University of Waterloo when he was awarded the prestigious Distinguished Teacher Award.

Soon after I arrived in 1994, it was clear that Jim was working hard for the betterment of tax education.

The first notable outcome was the formation of the Deloitte and Touche Centre for Tax Education and Research in 1996. This centre has since evolved into the present Waterloo Centre for Taxation in a Global Economy, also under Jim's guidance. The next year, the School launched the Master of Taxation (MTax) program as a full cost recovery Master's program, and the only graduate tax program in English-speaking Canada – a position it holds to this day. Jim was the first director in both of these initiatives and provided significant leadership to the evolution of tax education through them.

Both the Centre and the MTax program were important to my early development as a tax scholar, as well as to the more than 500 tax professionals that now have graduated from the MTax. I always enjoy sitting at convocation when they get to the MTax degree and the enthusiasm that its announcement generates in the audience for families when they see their little Johnny or Janey receive a graduate degree. The MTax degree is now widely seen as a gold standard for tax professionals at all levels in Canada.

Beyond these activities, Jim has been instrumental in helping CPA Canada significantly update its view on what tax young CPAs should be expected to know, both on the CFE and through the in-depth program that tax professionals in Canada take after graduation.

More recently, Jim has led the School. During his time as Director, he completed the work of prior Directors and others, by establishing a reasonable funding model

for the School. Under his leadership, we changed the school into accounting and finance, introduced methods to help keep faculty salaries more competitive, allowed funding for teaching support including staff and marking, and built the major addition to the building that houses the School – these and other accomplishments collectively have made the School what it is today.

Finally, on a personal level, I want to thank Jim for mentoring me, just as he has so many others. He promoted me as a scholar within the profession and encouraged me to work on the ICAO Council, and more recently on CPA Canada's Tax Policy Committee. He has always helped with my teaching efforts, which pale in comparison to his. He encouraged and promoted my research within the profession. Through it all, he has been a caring and kind mentor for me and others; always "up" and at peace; patient as I and others developed; and gentle, even-keeled, and supportive. Thank you, Jim.



ALAN MACNAUGHTON

BY ANDREW BAUER

Alan Macnaughton has been a mainstay of research and education at the University of Waterloo for over three decades. Alan joined in 1985, when the School of Accounting and Finance was first opened, and maintained his many contributions up until his retirement in 2019.

Alan's passion for tax policy has been a hallmark of his career. This passion included his time with the Department of Finance and a

one-year stint there as its Director of Personal Income Tax. His knowledge of and enthusiasm for the Federal Budget and its tax proposals has led to many media requests for commentary, and his contacts in government have been key to our outreach to the Ministry of Finance, Department of Finance, and the Canada Revenue Agency.

This love of policy also led to the creation of our annual Tax Policy Research Symposium. During our 16th Symposium in May 2019, friends and colleagues had the honour of wishing Alan well on his retirement and thanking him for all of his years of service directing the Symposium (from inception until 2019). We will all miss his invaluable efforts to brainstorm panel topics, organize participants and programs, and share his wealth of policy knowledge with practitioners, academics, and policymakers.

Relatedly, Alan has had an incredible impact on Canadian tax policy research, and beyond, most notably through his service to the Canadian Tax Foundation (CTF). Alan published countless articles for the CTF's Canadian Tax Journal and twice served as its editor (2004-2001 and 2016-present), for which he received two significant honours. In 2012, he was awarded the Queen Elizabeth II Diamond Jubilee Medal and in 2017, he received the Lifetime Contribution Award. This latter award also highlighted Alan's dedication to young tax professionals, for whom he proudly established the Canadian Tax Focus newsletter in 2011 as an outlet for their thoughts on Canadian tax policy.

I also benefited personally from Alan's mentorship of students and colleagues in many ways. He helped me to understand legal tax research during the completion of my Master of Accounting degree, and he was an important advocate for my subsequent pursuit of a PhD. While completing my doctorate, Alan advised me on coursework, helped me to develop the idea for and to craft what would become my very first tax journal publication (a project which became a co-authored study about income splitting and Canadian "kiddie tax" rules), and helped to guide me to defending my dissertation as one of my committee members. I will miss his encouragement, kind advice, and dedication of his time and expertise for all of our students and colleagues. From all those you have mentored, thank you Alan.

RESEARCH



TAX RESEARCH PUBLISHED:

“Tax uncertainty and incremental tax avoidance,” David Guenther (University of Oregon), Ryan Wilson (University of Oregon), and Kaishu Wu (University of Waterloo), *The Accounting Review*, March 2019.

We investigate whether tax avoidance becomes more uncertain as the rate of tax avoidance increases. We demonstrate that, as firms’ pretax income increases, each additional dollar of potential tax results on average in 32.8 cents of tax avoided, which we refer to as incremental tax avoidance. Of the incremental

tax avoided, 1.4 cents represent additions to the reserve for uncertain tax benefits (UTB reserve), or 4.3 per cent of the total incremental tax avoided. When partitioning sample firms into groups that engage in higher rates versus lower rates of tax avoidance, the results demonstrate that the percentage of incremental tax avoidance reflecting additions to UTB reserve is not larger for groups engaging in higher rates of tax avoidance. We conclude that higher rates of tax avoidance may not be more uncertain.

“Tax Avoidance at Public Corporations Driven by Shareholder Taxes: Evidence from Changes in Dividend Tax Policy,” Dan Amiram (Tel Aviv University), Andrew Bauer (University of Waterloo), and Mary Margaret Frank (University of Virginia), *The Accounting Review*, September 2019.

This study considers whether shareholder incentives might encourage firms to engage in less tax avoidance (i.e., minimization of tax liabilities), relying on a setting where some European countries eliminate their integrated tax systems (i.e., eliminate imputation credits to shareholders for corporate taxes paid). Building on a numerical illustration focused on after-tax cash flows to shareholders, the evidence shows that corporations in these countries pay higher corporate taxes – and avoid less tax – prior to the elimination of integration. The takeaway is that imputation credits create an incentive to pay corporate income taxes, as these credits can increase the after-tax cash flows to shareholders, and create a disincentive to spend money on tax planning, which reduces cash flows otherwise available for distribution to shareholders.

“The Importance of Aggressive Tax Planning to the Diversion of Corporate Resources: Evidence from Chinese Public Firms,” Andrew Bauer (University of Waterloo), Junxiong Fang (Fudan University), Jeffrey Pittman (Memorial University), Yinqi Zhang (American University), and Yuping Zhao (University of Houston), *Contemporary Accounting Research*, forthcoming in 2020.

This study extends the theory that aggressive tax planning and insider diversion of firm resources go hand-in-hand by showing how the former facilitates the latter. A lack of financial transparency (i.e., opacity) and available cash savings are two important mediators of this relation between aggressive tax planning and resource diversion, with cash savings playing a more prominent role (contrary to prior evidence and theory). However, additional tests find that when regulatory scrutiny is higher, opacity plays a greater role in helping to mask the resource diversion that occurs through aggressive tax planning. Collectively, the study supports the link between agency costs or corporate governance and tax planning, and suggests that cash savings and opacity are important channels through which aggressive tax planning can benefit certain firm stakeholders at the expense of others.

WORKING PAPERS:

“The relation between book-tax conformity and earnings quality: the role of accruals in taxable income,” Linda Krull (University of Oregon) and Kaishu Wu (University of Waterloo).

Prior studies in general find a negative association between book-tax conformity and earnings quality. Using an international setting, we hypothesize and find that this negative association is conditional on the level of accruals that a country applies to the definition of taxable income. Specifically, conformity is no longer negatively associated with earnings quality when the level of accruals in taxable income is high. We also find that earnings’ informativeness with regard to stock returns decreases in conformity, but only when the level of accruals in taxable income is low. This finding informs policy makers to consider accrual factors when making regulatory decisions concerning book-tax conformity. We also examine the relation between conformity and earnings management but find no evidence that accruals in taxable income facilitate earnings management.

“The interaction of incentive and opportunity in corporate tax avoidance: evidence from financially constrained firms,” Kaishu Wu (University of Waterloo).

I hypothesize and find that the variation in corporate tax avoidance is jointly determined by firms’ incentive and opportunities to avoid taxes. Specifically, results based on a variety of identification strategies demonstrate that

the positive relation between financial constraints (my proxy for an incentive to avoid taxes) and tax avoidance is significantly stronger for firms with more tax planning opportunities (TPO), where TPO is the distance between a firm’s actual and predicted ETRs. I then split a firm’s TPO into the components based on permanent and temporary book-tax differences (BTDs), and show that firms with TPO based on either component would exploit the corresponding type of BTDs under financial constraints. Finally, I find little evidence that financial constraints drive low TPO firms to pursue risky tax strategies. In general, the findings in this paper provide evidence consistent with an incentive-opportunity interaction story to help explain differences in corporate tax avoidance.

“The Effect of International Tax Planning Aggressiveness on Corporate Investment,” Lisa De Simone (Stanford University), Kenneth Klassen (University of Waterloo), and Jeri K. Seidman (University of Virginia).

Do firms balance tax and operating considerations when making investment decisions? We investigate whether income-shifting aggressiveness affects new investments and predict firms that aggressively shift income will choose affiliate-level investments driven less by local investment opportunities. We use affiliate-level data from multinational

corporations to develop a firm-specific measure of the sensitivity of reported profits to cross-border tax incentives. Results suggest firms with below-median income-shifting aggressiveness exhibit the typical positive relation between investment opportunities and investment level, but firms with above-median income-shifting aggressiveness exhibit no statistical relation. Our tests extend the literature on investment distortions by documenting that multinational corporations’ international tax considerations alter their tangible investment decisions.

“Managers’ Use of Tax Settlements in Future Unrecognized Tax Benefit Accruals,” Andrew M. Bauer and Kenneth J. Klassen (University of Waterloo).

We electronically “read” the financial statement disclosures that accompany settlements of unrecognized tax benefits (UTB) to explore how managers reflect this information in their underlying probability assessments and thus future estimates of UTB accruals. We use textual analysis to develop a measure of the similarity between tax footnotes and our own tax settlement-specific list of terms capturing unfavorable and favorable outcomes. With this proxy, we examine whether these disclosures predict future UTBs and find that managers revise upwards future UTBs following unfavorable tax settlements, but do not revise future UTBs following favorable tax settlements. These findings build on extant literatures that suggest, first, managers respond more

to unfavorable information and, second, UTB balances tend to be over-stated. Our research extends these literatures by providing evidence on how managers incorporate new information into their accounting estimates.

“The Real Effects of Tax Risk: Evidence from Acquisition Structure and Pricing,” Kenneth J. Klassen (University of Waterloo) and Hamza Warraich (University of Waterloo PhD student).

Theoretical research predicts that uncertainty about the true value of a target in an acquisition transaction induces an acquirer to pay with its own stock rather than with cash because stock payments have a contingency pricing effect. We apply this theory to a setting in which the target’s valuation uncertainty arises due to its tax risk, as measured by unrecognized tax benefits (UTBs) under ASC 740. Consistent with the theory, we find that 1) stock consideration is increasing in the size of the target’s UTB, and 2) the acquirer’s deal announcement returns are decreasing in the size of the target’s UTB, but this is offset by higher stock consideration. The opposing acquirer and target reactions we document suggest that risk-sharing results in a wealth transfer between the two parties. By documenting contingency pricing wealth effects to both acquirers and targets, we provide a more complete view of the theory. Our evidence also provides new insight into how tax risk influences corporate investment decisions and whether tax risk is value-relevant to capital market participants.

“Corporate social responsibility and tax planning: evidence from the adoption of constituency statutes,” Kaishu Wu (University of Waterloo).

The existing literature documents mixed evidence towards the association between corporate social responsibility (CSR) and corporate tax planning. In this study, I identify a causal relationship between CSR and tax planning, leveraging the staggered adoptions of U.S. constituency statutes that permit firm directors to consider the interests of all constituents when making business decisions, including those who benefit from firms paying their fair share of income taxes. Thus, the adoption of the statutes raises the importance of firms’ social responsibility in paying income taxes. I find that firms incorporated in states that have adopted constituency statutes exhibit significantly higher effective tax rates (ETRs) based on current tax expense. This finding suggests that managers, with the legitimacy to consider the social impact of tax avoidance, become less aggressive in tax planning. I further find that the effect of adoption is stronger for financially unconstrained firms and firms in retail businesses, where the demand (cost) for tax avoidance is lower (higher). Finally, I show that my main results are driven by firms located in states with a high sense of social responsibility and firms with high levels of tax avoidance prior to the adoption. Overall, the findings in this paper

contribute to the literature by delineating a negative causal relationship between corporate social responsibility and tax avoidance and identifying a positive social impact brought by the passage of constituency legislation.

“Tax deductibility of interest expense and conditional conservatism,” Shawn Huang (Arizona State University), Mark Ma (University of Pittsburgh), and Kaishu Wu (University of Waterloo).

Many countries have imposed limits to the tax deductibility of interest expenses and thus created a plausibly exogenous increase in the net cost of borrowing. Firms in these countries are expected to rely less on debt financing and face weaker demand for conditional conservatism from creditors as compared to firms in other countries. Using a large sample of firms in OECD countries from 1985 to 2013 and a difference-in-differences design, we provide evidence that the adoption of these tax deductibility limits reduces firms’ conditional conservatism. The decline in conservatism is more pronounced among firms that previously had higher leverage and in countries with higher statutory tax rates or stronger creditor rights. We also document similar findings using a sample involving only U.S. firms, based on the 2017 Tax Cuts & Jobs Act (TCJA). Overall, our findings suggest that limits to interest deductibility have important impacts on corporate financial reporting.

“Employee education and corporate tax planning: evidence from firm-level reporting,” Hanzhong Shi (Huazhong University of Science and Technology) and Kaishu Wu (University of Waterloo).

Taking advantage of a unique financial reporting feature in the Chinese setting, this study examines whether the education level of a firm’s rank-and-file employees is associated with its level of tax planning. We conjecture that highly educated employees should either play an information role and facilitate corporate tax planning or play a monitoring role and restrict it. Using a variety of identification strategies, we provide evidence consistent with the monitoring role of employees in restricting tax avoidance. We find that the main effect is more pronounced when employees have the incentive and ability to “blow the whistle” on financial misreporting and managerial diversion, and when external monitoring and tax regulation are weak. We also find a negative association between employee education and tax risk. Overall, our study extends an emerging body of literature on the association between employee education and firm-related outcomes (Call et al., 2017), along with identifying another important determinant of corporate tax planning.

PRESENTATIONS:

KAISHU WU

“The interaction of incentive and opportunity in corporate tax avoidance: evidence from financially constrained firms,” Hawaii Accounting Research Conference, Hawaii, January 2019.

“The interaction of incentive and opportunity in corporate tax avoidance: evidence from financially constrained firms,” American Accounting Association Annual Meeting, San Francisco, August 2019.

“Corporate social responsibility and tax planning: evidence from the adoption of constituency statutes,” American Accounting Association Annual Meeting, San Francisco, August 2019.

ANDREW BAUER

“Do enhanced SEC disclosure rules mitigate agency problems? Evidence from executive jet perquisites” Western University, workshop, London, ON, January 2020.

“Discussion of: Controlling the Family in Family Firms: The Role of Management Controls.” CAAA Annual Conference, Ottawa, ON, June 2019.

KENNETH KLASSEN

“The Effect of International Tax Planning Aggressiveness on Corporate Investment,” Erasmus University, Rotterdam, research presentation, November 2019.

“Managers’ Use of Tax Settlements in Future Unrecognized Tax Benefit Accruals,” Presentation while a visiting Scholar at the University of Glasgow, May 2019.

AWARDS:

ANDREW BAUER

Social Sciences and Humanities Research Council (SSHRC) Insight Grant, “Corporate tax planning and the links to managerial compensation and risk-taking”; \$174,335, 2019–2022.

TAX POLICY RESEARCH SYMPOSIUM

On May 9 and 10, 2019, the Centre hosted its annual conference for tax researchers in Toronto, Ontario. More than 50 participants were in attendance, most of whom were academics, but Finance Canada policymakers from Ottawa and Ministry of Finance from Toronto also came. As usual, the symposium was comprised of two parts.

TAX POLICY PANEL DISCUSSION

The topic of the afternoon panel discussion was Taxation of Global Digital Commerce. Panelists included Albert Baker (Deloitte), Allison Christians (McGill Law), Art Cockfield (Queen’s Law) and Wei Cui (UBC Law).

PRESENTATION OF RESEARCH PAPERS

Five tax research papers were presented in a day-long research symposium, with both academic and practice discussants. Tax research from accounting and law was included in the program. Andrew Bauer and Art Cockfield coordinated and moderated the sessions.

EDUCATION



TAX EDUCATOR CONFERENCE

Our Tax Educator Conference was held on May 9, 2019. As a morning event, it led into our Tax Policy Research Symposium to provide attendees with the opportunity to participate in a broader tax conference. 36 people from 14 Canadian universities, CPA Canada, Deloitte, Wolters Kluwer, and PwC participated.

The 2019 conference topic was teaching value added taxes (e.g., the GST) in Canada since this area has increased in importance for taxpayers and CRA over the past few years, and CPA Competency Map expectations of students have dramatically increased in this area.

Jane Bowen of the University of Ontario Institute of Technology and Andy Thomas of CPA Canada spoke on the enacted changes in the CPA Canada Competency Map including significantly increased competencies for GST/HST. Danny Cisterna of Deloitte reviewed major technical aspects of VAT taxes in Canada. Maurice Arsenault of the Université de Sherbrooke and Marie-Thérèse Dugas of the Université de Sherbrooke presented on how tax educators are teaching VAT's in Quebec.

YOUNG TAX PROFESSIONALS

Our Young Tax Professionals program was started in 2014 to offer excellent students who have an interest in a career in taxation the opportunity to closely interact with faculty, alumni and other full-time tax professionals. Students gain a deeper understanding of career options, develop some key skills needed for tax practice, network with tax professionals and learn about current issues and specialty areas within the field.

THIS YEAR WE HAD 100 STUDENTS INVOLVED IN THE PROGRAM ENGAGING WITH SPEAKERS SUCH AS:

- > KARI VIGLASKY, VP People Solutions, Baker Tilly Canada
- > JIMMY CHANG, Tax Associate, Osler, Hoskin & Harcourt LLP, MAcc Alumni 2012
- > DEREK DE GANNES, Senior Director, Private Client Services, RSM Canada LLP UW Alumni 1984
- > SANKALP JAGGI, Tax Principal, Kakkar CPA Professional Corporation, MTax Alumni 2015
- > BRANDON SIEGAL, Tax Lawyer, Siegal Tax Law, MTax Alumni 2007
- > DANIELA PROFITI, Principal, Continuing Education at Chartered Professional Accountants of Canada, MAcc Alumni 2003

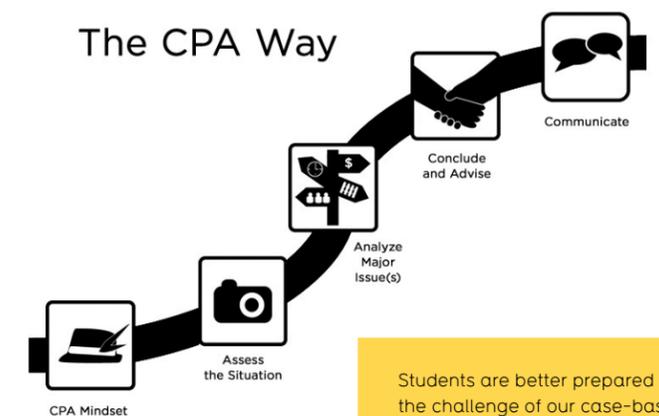
TECHNICAL SESSIONS

During the year, we ran technical tax sessions designed to provide students with skill development beyond that gained in our undergraduate and graduate tax courses. Theophanis Stratopoulos and Dan Rogozynski presented on the impacts of technology on tax practice and tax education. Danny Cisterna of Deloitte provided a technical session on HST issues and related CPA Competency Map changes.

UNDERGRADUATE PROGRAM

There are currently three undergraduate tax courses students who are working towards a CPA designation must complete within our program: AFM 362, AFM 363 and AFM 462. All three courses emphasize skill development rather than topic coverage. The first two courses include an element of repetition to reinforce learning. The first course, AFM 362 emphasizes the development of a strong base of fundamental knowledge and skills needed for students to be able to understand and apply knowledge to more advanced fact situations. AFM 363 reinforces fundamentals through the application and integration of knowledge gained in AFM 362 to familiar but less structured fact situations and more complex case-based tax issues. Both courses introduce the use of data analytics and data mining techniques to students in tax situations to further develop their skills in these key practice areas of the future.

AFM 462 further develops enabling competencies and skills through the introduction of the CPA Way approach to case analysis in the course. Students often have difficulty identifying tax issues in non-directed situations and analyzing multi-topic tax focused cases. We use the process from the CPA Professional Education Program adapted to be tax specific in our course to teach students this skill set in preparation for the MAcc or the CPA Canada Professional Education Program.



Students are better prepared for the challenge of our case-based MAcc tax courses having been introduced to this method of case analysis in this fourth year course.



MASTER OF ACCOUNTING PROGRAM

We offer four tax courses in our MAcc program. The first one, Tax Issues Integration, is our equivalent of the CPA tax elective in the CPA Professional Education Program. The other three courses, Tax for the CFO, Business Structuring & International Tax, and Tax Practice are electives. In the 2020 MAcc class, there was significant interest in these courses with the following number of students enrolled:

2020 MACC TAX COURSE STUDENT ENROLMENT

203 STUDENTS
Tax Issues Integration

85 STUDENTS
Tax for the CFO

35 STUDENTS
International Tax

62 STUDENTS
Tax Practice

MASTER OF TAXATION PROGRAM

Employer demand for MTax graduates remains strong with 77 per cent of our 2019 graduates going to work for a professional firm, and 23 per cent choosing a career at the CRA. We also continue to experience strong demand for MTax co-op students, having once again achieved 100 percent success in placing all students during the Fall 2019 co-op recruiting cycle – nearly 70 per cent to professional firms, about 25 per cent to the CRA and 5 per cent to industry.

In addition to hiring from within the MTax group, we are delighted to have the strong support of the big-four professional firms each of whom continue to lead the teaching of advanced tax courses within the program. The generous sharing of time and support from practitioner faculty is truly appreciated and a big bonus for our students who benefit from the valuable mentoring both academically and during their work terms.

On behalf of the MTax team, Deb Kraft, MTax program director, extends a huge thank you to Greg Boehmer (EY) for his outstanding and incredible support and contributions for 22 years. Greg's leadership has been invaluable. This was Greg's final year as he opts to close his Tax Act to pursue a new chapter of his life. We are truly grateful for all that he has done for the program and his unending passion for teaching and support of our students. Our sincerest thanks to Greg and all the best!

Deb also extends another huge thank you to Matthew MacInnis who as Greg's teaching teammate for the past 10 years has left a significant mark on the program for which we will be forever grateful. Matthew accepted a significant leadership role in which he now leads the tax team at an international financial institution. We extend our sincere appreciation to Matthew for his wonderful and unending contributions. All the very best to Matthew!

We thank the 12 practitioner-faculty members whose valuable leadership continue to contribute significantly to the success of the MTax program.

PRACTITIONER FACULTY:

- > Carolyn Hurst and David Van Voorst (EY)
- > Jayme Yeung and Ian Bradley (PWC)
- > Hugh Chasmar, Andrew Oldham, Christy MacDonald and Jasdeep Johal (Deloitte)
- > Justin Park, Steve Barichello and Dan Vance (KPMG)
- > Brian Arnold (Canadian Tax Foundation)

MTax COURSES

- > Accounting for Income Taxes
- > Tax Research and Statutory Interpretation
- > Tax Policy
- > Advanced Taxation of Corporations
- > Introduction to Business Structuring
- > Advanced Business Structuring
- > International Tax I
- > Tax Planning for the Owner-Manager and Executive
- > Tax Risk Management
- > Estate & Retirement Planning
- > International Tax II
- > Research Paper

PHD PROGRAM

The School's PhD program is the only accounting doctoral program in Canada where students can specialize in taxation. Our graduates are researching and teaching in leading universities in Canada, the US and in Asia.

During the winter, our PhD student, Betty Xing, successfully secured an offer from Baylor University, Waco, Texas. She will be joining them as an Assistant Professor in the summer of 2020. We have four additional students focused on tax research at various stages of their programs.



KEN KLASSEN, MACC, PhD, FCPA, FCA
ANDREW BAUER, MACC, PhD, CPA, CA

TAX FACULTY



DAVID LIN, MACC, CPA, CA



KAISHU WU, PhD



DEB KRAFT, MTAX, TEP, CFP



DAN ROGOZYNSKI, MACC, CPA, CA, CPA (ILLINOIS)



JULIE ROBSON, MACC, CPA, CA, CPA (ILLINOIS)



SPONSORS

STAKEHOLDERS

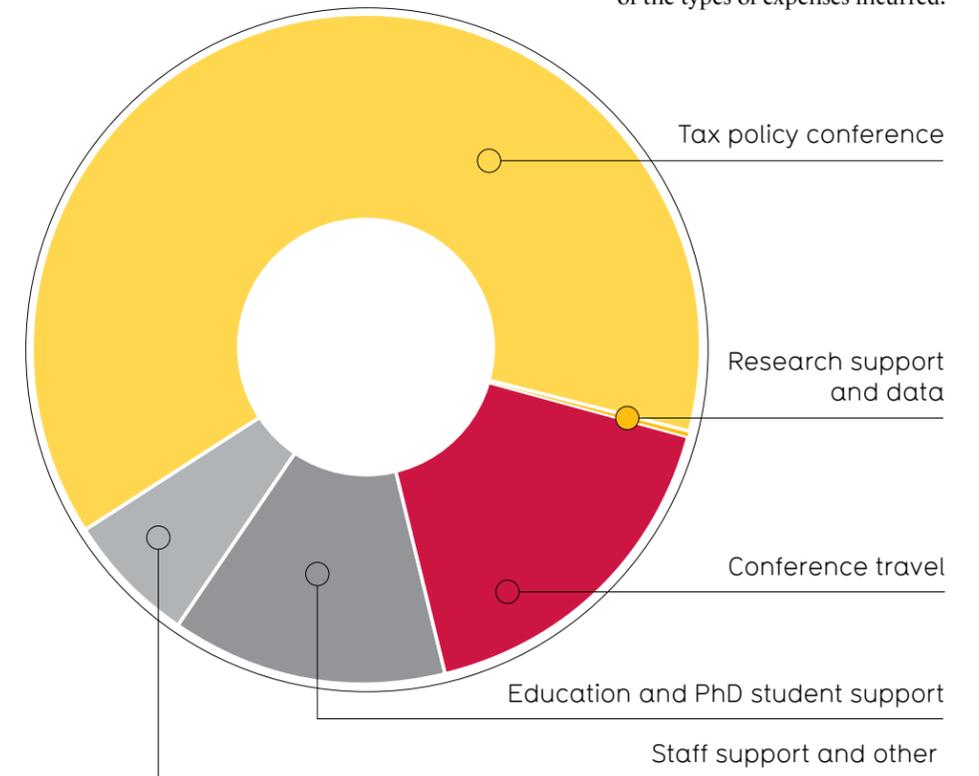


FINANCIAL REPORTING

RESULTS FOR 2019/2020

Our April 30, 2020 fiscal year is the fifth operating year of the Centre.

The following graph shows the relationship among the various expense categories and provides an overview of the types of expenses incurred.





TAX COURSES OFFERED

AT THE UNIVERSITY OF WATERLOO

UNDERGRADUATE

Accounting and Financial Management (AFM) Program

YEAR 2 - 2A TERM

SAF students have the option of taking a six-week segment designed to prepare them for a work term in personal tax preparation.

YEAR 3 - 3A TERM: TAXATION 1

Theme: Type of Taxpayer + Type of Income = Tax Treatment

Students will develop their understanding of the various sources of income and the components of taxable income and tax payable for individuals and corporations. The topics are covered at a high level to give them a broad perspective on the tax system and an understanding of the importance of the types of income and taxpayer in the determination of tax payable.

YEAR 3 - 3B TERM: TAXATION 2

Theme: Integration across topics

Students will study the same topics as their first full-term tax course but both in more detail and across topics. For example, when discussing employment and business income, students will address both the tests for determining whether an individual is an employee or a self-employed contractor as well as consider the impact on the taxable income and deductions available to both individuals and corporations receiving this type of income.

YEAR 4 - 4B TERM: TAXATION 3

Theme: Advising Private Corporations and their Shareholders

Students will explore tax planning opportunities available to private corporations and their owner-manager including compensation, business structuring and estate planning.

Students will develop their ability to identify issues as well as their ability to plan out the analysis that needs to be done. Students will also expand their knowledge and skills beyond the technical tax rules to analyzing, evaluating and creating tax planning ideas.

U.S. TAX

This elective course will provide an introduction to the US tax system for both individuals and corporations. Students will explore the concept of US individual taxation of "U.S. persons" and the filing requirements of a U.S. citizen living in Canada. Students will also study the Canada-U.S. Income Tax Convention (Treaty) and when a Canadian corporation will become subject to U.S. tax. Students will develop their technical competencies, such as how to compute U.S. taxable income and how to populate U.S. tax forms.

PERSONAL FINANCIAL PLANNING

Students will learn how to develop and present a Personal Financial Plan, and understand the major issues in financial planning, tax planning, debt, and mortgage management. Students will study personal income tax, and its impacts on financial planning.

GRADUATE

Master of Accounting

TAX ISSUES INTEGRATION

This course is designed to expand the students' ability to integrate by building on the Taxation 3 course. It is relevant to students interested in developing tax issue identification skills and understanding the interrelationship of tax and related issues in practical settings. The course is a CPA elective course relevant to students preparing for CPA exams.

BUSINESS STRUCTURING & INTERNATIONAL TAX IN A CANADIAN CONTEXT

This course is designed to provide students with a foundation in the basics of business structuring and international tax law in Canada. The course is of interest to students interested in a specialization in taxation and relevant to students who will not specialize in tax but want to understand basic corporate reorganization provisions in the Income Tax Act and the tax implications of international transactions.

TAX PRACTICE

Students in this course will develop tax research, tax writing and tax presentation skills while working on practical tax cases. The course uses a problem based learning approach that allows students to work in groups to address tax and non-tax issues in real life cases. Students will learn to read and interpret the Income Tax Act, Canada Revenue Agency (CRA) documents, information provided by the tax services and Tax Court cases as they research, write and present their analyses of the cases. The course will be of interest to students who will specialize in taxation and to those that will not specialize in tax as the course will help develop research, writing and presentation skills that will be of value to all finance professionals.

TAX FOR THE CFO

This course is designed to provide students with a foundation of tax concepts that will be relevant to industry practitioners. It is most relevant to students interested in developing an understanding of tax reporting, risk management and related accounting issues and will be useful to both students who will and those who will not specialize in taxation.

Master of Taxation

INTRODUCTORY TAX AND ACCOUNTING FOR MTAX

This course is designed to provide the student with the fundamentals of Canadian income taxation and the accounting needed to begin work in the tax field. It will cover both personal and corporate taxation with assigned cases used to demonstrate how the tax system actually works. It will also cover balance sheet and income statement accounting topics related to tax practice. The course will be held in August each year.

AN INTRODUCTION TO THE ACCOUNTING FOR INCOME TAXES

The goal of financial accounting is to reflect the economic activities of the firm in its financial statements. This course introduces students to the accounting for income taxes with a particular focus on analyzing differences between accounting and tax treatments, computing tax provisions, and disclosing tax information in corporate financial statements. The course also provides exposure to the both internal and external uses of tax accounting disclosures. In doing so, the course builds a solid grounding in the preparation of accounting information, but also helps students gain an appreciation for the role of financial accounting in tax planning and compliance decisions.

TAX RESEARCH AND STATUTORY INTERPRETATION

This course covers two of the most fundamental skills of a tax practitioner: statutory interpretation and the understanding and application of case law. Students will learn the basic structure of the Income Tax Act and related legislation, gain familiarity with the various tools for interpreting and applying the legislation (e.g., defined terms, deeming rules, general rules of statutory interpretation etc.) and understand the various external sources for guidance and their relevance (e.g., CCRA opinions, cases etc.). Students also learn how to read cases, to determine what legal principles and precedents a case established, and to apply case law to particular fact situations.

TAX POLICY

This course investigates the Canadian tax system in light of the objectives of that system. For any current tax rule, the idea is to identify the underlying policy problem the rule is intended to solve, consider alternative solutions, and then determine if the current tax rule can be improved or to identify tax planning opportunities.

TAXATION OF CORPORATIONS

This course concentrates on issues related to the taxation of corporations. This course is taught by integrating a variety of tax issues into cases for discussion.

INTRODUCTION TO BUSINESS STRUCTURING

This course introduces students to the more advanced areas of taxation including corporate reorganizations, partnerships and trusts.

BUSINESS STRUCTURING

The Business Structuring course is intended to provide students with an overview, from a tax and business perspective, of a variety of corporate structures that may be used to carry on business. The course examines how these structures differ from one another and how businesses may be reorganized with existing corporate groups and within the context of purchase and sale transactions. The course also deals with related debt and equity financing and capital restructuring issues. Focus is placed on the use of the numerous reorganization provisions contained in the Income Tax Act. This is in order to facilitate the completion of transactions designed to meet the stakeholders' objectives in a tax efficient manner while taking into account an analysis of the business and tax risks associated with the structure.

INTERNATIONAL TAX I

The International Tax I course is designed to provide an introduction to Canada's international tax rules and tax treaties. Barriers to cross border trade and investment continue to come down. At the same time, technology has enabled business organizations to access markets that were previously out of reach and to develop new business models that improve the profitability of their operations. The business operations for companies of all sizes are increasingly global. International tax plays a significant role in shaping the manner in which multi-national enterprises organize and finance their operations. The practice of international tax provides an exciting opportunity to actively participate in the fast changing world of global commerce alongside a multi-disciplinary team of other professionals and business leaders.

TAX PLANNING FOR THE OWNER-MANAGER AND EXECUTIVE

Owner-Managers usually have dynamic tax circumstances which demand that the tax advisor adapt their thinking quickly and effectively to bring significant value to their businesses.

TAX RISK MANAGEMENT

This course investigates tax and related accounting issues found in the tax provision on the financial statements to deepen the understanding of the impact of tax on accounting. It will also address the identification, measurement and reporting of tax risk. Corporate governance issues involved in the tax provision are also considered in this course.

ESTATE AND RETIREMENT PLANNING

This course integrates the tax, legal, family and business issues involved in planning for the estate and retirement of the business owner, the professional and the executive.

INTERNATIONAL TAX II

International Tax II builds on the fundamental principles taught in International Tax I. The course examines in more detail the foreign affiliate and foreign accrual property income rules and practices that apply to Canadian companies seeking to establish, expand, structure and finance their foreign operations in a tax efficient manner. The course also examines how Canadian companies can make effective use of low-tax jurisdictions in international tax planning to own and to finance foreign operations. Finally, the course explores how domestic and international developments and rules, such as transfer pricing, might impact such planning currently and in the future.

RESEARCH PAPER

There are two aspects to this course. First, this is the major research paper course, which requires students to design and conduct original research on a specific tax issue. Second, the classes address current and emerging tax policy and practice initiatives which practitioners need to recognize to properly advise their clients. They also cover tax and economic issues which might be addressed only tangentially in other courses.



YOUNG TAX PROFESSIONALS

THE FOLLOWING ARE THE MEMBERS OF OUR YOUNG TAX PROFESSIONAL TEAM AT APRIL 30, 2020

Ayush Aggarwal
Arsalan Ali
Jeffery Bae
Suellen Bai
Umar Baqai
Andrea Bauschke
Hardeep Begda
Esther Cai
Lauren Callaghan
Michael Carusi
Flora Chan
Kevin Chan
Megan Chan
Amber Cheung
Elisa Ching
Sarah Chu
Toby Chung
Daniel Clarke
Michelle Duong
Jason Fu
Genevieve Fung
Inderjit Gill
Selena Guo
Mugdha Gupta
Ummekulsum Jakda
Akshay Kapadia
Radhika Khosla
Richard Kwan
Victoria Kwok
Hilary Lai
Tanvir Lamba
Kelvin Lee
Maggie Liu
Kenneth Loong
Atom Luo
Elina Ma
Callum McLean
Brendan Mick
Uzma Nadir
Harish Naidu
Vidya Nair
Evan Naismith

Bevan Namasivayam
Asif Nawaz
Arushi Negi
Adrienne Ng
Kristen Ngai
Manoshi Paranatala
Claire Peng
Brianna Prive
Tobias Pushparajah
Queeny Qiu
Ana Rusu
Claire Saddy
Ishana Sahi
Aastha Saini
Manasvita Sethi
Alina Sewani
Aasim Shaikh
Laura Shi
Jennifer Shu
Davika Singh
Ecaterina Smirnov
Simran Sodhi
Anika Tahsin
Deborah Tang
Philip Tasedan
Sinthugan Tharmaratnam
Thilakshya Theiventhirarajah
Christine Tran
Karolina Tucci
Jacob Van Voorst
Sean Veitch
Luna Wang
Field Westbroek
James Wong
Joshua (Chun Kwong) Wu
Karen Xu
Yani Xu
Stephanie Yu
Kelvin Zeng
Tony Zhang

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UNIVERSITY OF
WATERLOO



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