

2021 | 2022 ANNUAL REPORT

WATERLOO CENTRE FOR TAXATION IN A GLOBAL ECONOMY

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. The Centre presently has seven supporters of its work: CPA Canada, Canadian Tax Foundation, Deloitte, EY, Grant Thornton, KPMG, and PricewaterhouseCoopers.

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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DIRECTOR'S REPORT

“As the Centre looks to 2023, we anticipate moving forward with a blend of activities and approaches from the pre-pandemic era and the activities and methods that were developed and adopted over the last two years. We look forward to an enhanced education and research environment as a result.”

KEN KLASSEN, DIRECTOR

2021 | 2022

The Waterloo Centre for Taxation in a Global Economy completed its eighth year in 2022. This year marks the first year in the Centre's third round of sponsor commitments. We are extremely pleased to have Grant Thornton join the Centre as a new sponsor starting this year. The Centre has already benefited from the involvement of dedicated tax professionals from this sponsor. I continue to be very grateful for the sponsors that support the work of the Centre. I believe we have made significant progress on our goals. Through the Centre, Waterloo faculty have advanced knowledge in taxation, enhanced educational programming, and participated in the tax policy debate.

This past year was exceptionally difficult for many. The innumerable effects of the COVID-19 pandemic have affected all aspects of life at the Centre, like everywhere else. To accommodate restrictions brought on by the pandemic, the Tax Policy Research Symposium was held using a virtual online platform in May 2021. While the online format was a more challenging one in many ways, it also allowed a broader set of participants to attend, including record numbers from government. This further enhanced the policy-oriented goals of the event.

Teaching has also had to adapt to this new reality. Beginning in March 2020, all teaching was switched to an online format requiring significant redevelopment of teaching materials and methods. By the spring 2021 term, our tax courses had advanced their ability to offer quality instruction in the virtual environment. Fall and winter instruction was a mix of online and in-person student contact. As we move into spring 2022, we continue to evaluate the best way to integrate the use of the new techniques we developed during the online instruction terms, with the traditional classroom experience.

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. Brigham Young University maintains a database of all research published in the leading accounting academic journals worldwide. With these data, they produce a variety of rankings. For tax research, the University of Waterloo is ranked 17th in the world for research produced and published in the last six years. The next highest Canadian university is ranked 26th. The University of Texas at Austin

is ranked first. Beyond the academic research work, Canadian tax-policy relevant research is also 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. As the profession and practice of tax evolves, so too does the content of our courses. Over the last few years, Dan Rogozynski and Andy Bauer have made significant strides in introducing and advancing data analytics into our undergraduate tax classes. These assignments build on other SAF courses to apply the concepts around data aggregation and analysis into specific tax settings. The Young Tax Professionals student group continues to be very successful, even as it too moved to an online format. Together these improvements and ongoing activities provide more opportunities for students to learn and engage with tax topics using new, more active, learning pedagogies.

As the Centre looks to 2023, we anticipate moving forward with a blend of activities and approaches from the pre-pandemic era and the activities and methods that were developed and adopted over the last two years. We look forward to an enhanced education and research environment as a result. The support of the Centre's sponsors in lending expertise and support continues to be critical to our success.

KEN KLASSEN, DIRECTOR

MISSION AND STRATEGY

The School of Accounting and Finance (SAF) at the University of Waterloo is presently about halfway through its present ten-year strategic plan. That plan sees SAF leveraging our people and the University's strengths and aligns 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 and disseminating research that has an impact on business, the professions and policy making.
- > Develop resources to further enhance 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.

RESEARCH



TAX RESEARCH PUBLISHED:

“The influence of corporate income taxes on investment location: Evidence from corporate headquarters relocations.” Travis Chow (The University of Hong Kong), Sterling Huang (Singapore Management University), Kenneth J. Klassen (University of Waterloo) and Jeffrey Ng (The Hong Kong Polytechnic University). *Management Science*, 68(2): 1404-1425.

Are the effects of jurisdictions’ corporate taxes and other policies sufficiently important to alter firms’ headquarters (HQ) location decisions?

We use changes in state corporate income tax rates across time and states as the setting to explore this question. This research contributes to the literature on corporate decision making by showing how state income taxation affects a real corporate decision that has significant economic consequences for the company and the state. As such, it has important implications to state and provincial governments as they consider the effects of setting their corporate income tax rate.

In our analysis using firms that relocate their headquarters, we find that a one-percentage-point increase in the HQ state corporate income tax rate increases the likelihood of firms relocating their HQ out of the state by 16.8 per cent, and an equivalent decrease in the HQ state rate decreases the likelihood of HQ relocations by 9.1 per cent. Exploiting the unique tax policy features within the U.S. state apportionment system lends strong support to the interpretation that taxation drives this effect.

“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). *Journal of Accounting and Economics*. Forthcoming.

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 from many European countries to develop a firm-specific measure of the sensitivity of reported profits to cross-border tax incentives. Results suggest firms with less aggressive income-shifting exhibit the typical positive relation between investment opportunities and investment level. However, firms with higher income-shifting aggressiveness exhibit no statistical relation. That is, local investment is driven by factors other than investment opportunities – presumably tax. This research extends the literature on investment distortions by documenting that multinational corporations’ international tax considerations alter their tangible investment decisions.

“The effect of changes in income shifting on affiliate managers’ internal reporting decisions,” Kenneth Klassen (University of Waterloo) and Cinthia Valle Ruiz (IESEG School of Management, Paris), *Contemporary Accounting Research*. Forthcoming.

When multinational corporations shift income among locations, some low tax-rate affiliates report higher profits and high tax-rate affiliates report lower profits. The firm’s assessment of affiliate managers incorporates these tax-driven adjustments. However, when a high tax-rate country tightens its income shifting rules, we find that firms alter their tax plans and shift less income to low tax-rate affiliates.

We then show that this change in income induces these low tax-rate affiliates to managing their earnings upward, reducing the effect of changes in corporate tax planning on their own evaluation.

Analyses across the different types of firms provide further evidence consistent with the theory underlying the main tests. The results support the policy of tightening income shifting rules when the objective is to reduce income shifting, and firm's central management would benefit from considering the implications of changing tax plans on the assessment of local managers.

“Corporate governance and profit shifting.”
Fotis Delis (University of Piraeus), Manthos Delis (Montpellier Business School), Panagiotis I. Karavitis (University of Glasgow), Kenneth J. Klassen (University of Waterloo), *European Accounting Review*. Forthcoming.

Do characteristics of the board of directors influence the aggressiveness with which the corporation shifts income internationally for tax purposes?

This study contributes to our understanding of the features internal to a multinational corporation that lead to decisions around tax planning activities in the international environment. We hypothesize that audit committee size and experience, as well as CEO duality are key factors affecting profit shifting.

Because board characteristics and systematic corporate choices are often mutually reinforcing, we develop a novel subsidiary-year measure of profit shifting that is not the result of past corporate decisions. Our main tests show that increasing audit committee size by one standard deviation increases profit shifting by an economically significant 7.8 per cent. We also find that this positive effect reverses for MNEs with higher numbers of audit committee members who have audit expertise and for MNEs without CEO duality.

“The importance of IRS enforcement to stock price crash risk: The role of CEO power and incentives.”
Andrew M. Bauer (University of Waterloo), Xiaohua Fang (Florida Atlantic University), Jeffrey Pittman (Memorial University). *The Accounting Review*, 96(4): 81-109.

Does tax monitoring generate spillover benefits that limit the risk of managers withholding relevant bad news from equity shareholders?

Sure, theoretical models suggest that investors learn more about a company when tax enforcement is stronger. But really, does tax enforcement affect anything other than taxes, particularly stock market outcomes? Can tax enforcement actually represent a useful corporate governance mechanism? Despite the inherent doubts, a spillover role of tax authority monitoring has important policy implications given the steep rise in company stock price crashes over the last two decades. This study also represents an important test of existing agency theory.

We provide consistent evidence that as the threat of an IRS audit increases, stock price crash risk decreases. We also find that this monitoring role is more important in companies where executives have stronger agency conflicts and underlying incentives to withhold the bad news that leads to crashes.

“Corporate social responsibility and tax avoidance: evidence from the adoption of constituency statutes” Kaishu Wu (University of Waterloo), *Advances in Taxation*. Forthcoming.

The existing literature documents mixed evidence towards the association between corporate social responsibility (CSR) and corporate tax planning (e.g., Hoi et al. 2013; Davis et al. 2016). In this study, I aim to identify a causal relationship between CSR and tax planning, leveraging the staggered adoptions of constituency statutes in U.S. states, which is a plausibly exogenous shock

to firms' emphasis on their social responsibility. In general, the statutes 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. Employing a staggered difference-in-differences method, 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 causal relationship 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.

WORKING PAPERS:

“Tax aggressive behavior and voluntary tax disclosure in corporate sustainability reports.”
Jillian Adams, Elizabeth Demers, and Kenneth J. Klassen (all of the University of Waterloo).

Reporting on corporate sustainability activities have become an increasingly important source of information for stakeholders. Including tax disclosures within this context has grown substantially over the last decade to reach more than 20% by 2021. Further, some firms include country-by-country (CbC) tax data within this context, the only public source of this detailed information on the international tax planning activities of firms. In this study we explore the factors that influence firms to include these disclosures, and in particular focus on the tax behavior of the firm, and the geo-political environment in which the firm operates.

Our evidence shows that firms that pay more taxes, as demonstrated by their effective tax rate, are much more likely to discuss tax activities in their report, but also country features including the so-called liberal market economies; the general level of environmental, social and governance (ESG) quality; and the strength of both the regulatory environment and the populous voice and free press are important. CbC reporting is not driven by the general level of tax payments, but is significantly less common for aggressiveness income shifting multinationals. Contrary to the general tax disclosures, CbC reporting is less common with strengthened regulation or stronger ESG ratings in the country. Strong voice and free press within the country also encourage CbC reporting.

These findings are important as a first step in understanding this relatively new form of public tax information disclosure and as standard setters and policy makers consider further strengthening the requirements around tax disclosures.

“Does the tax deductibility of interest expense affect financial reporting?” Shawn Huang (Arizona State University), Kenneth Klassen (University of Waterloo), 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. The U.S. tax reform embodied in the Tax Cuts and Jobs Act of 2017, also imposed such limits. 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 U.S., and separately in other OECD countries from 1985 to 2013, we provide evidence that the adoption of these tax deductibility limits reduces firms’ conditional conservatism. That is, the tendency to accrue declines in value sooner than increases, was lessened. 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. Overall, our findings suggest that limits to interest deductibility have important impacts on corporate financial reporting.

“Cooperative versus enforced tax audits: Implications for tax compliance and spillover to financial reporting quality.” Jillian Adams and Andrew M. Bauer (all of University of Waterloo).

Are voluntary, cooperative tax audits associated with greater corporate tax compliance and financial reporting quality compared to adversarial, enforced tax audits?

Existing research scarcely evaluates the effectiveness of the various methods a tax authority can employ to ensure tax compliance, particularly with respect to corporations. Moreover, that tax enforcement is constrained by available resources and tax compliance decreases when tax audit budgets are reduced reinforces the need to study more efficient alternatives. Finally, firms undertaking voluntary audits may have lower costs associated with information asymmetry, which could benefit the firm’s financial reporting and its investors’ economic well-being more than any externalities of enforced tax monitoring.

We compare the tax reserves and financial restatements of two sets of U.S. firms: those that we estimate are continuously under audit and those that we use an algorithm to identify as participating in the IRS’ compliance assurance program. Our findings imply that the carrot of cooperative tax audits reduce tax minimization, tax reserves, and restatement likelihood relative to the stick of enforced tax audits.

“The role of tax experts in the audit of tax matters and estimates.” Andrew Bauer (University of Waterloo), Miguel Minutti-Meza (University of Miami), Saad Siddiqui (Villanova University), and Aleksandra Zimmerman (Florida State University).

How do tax expert auditors influence client internal control assessments, financial misstatement, and tax disclosures and estimates?

Conventional wisdom suggests that more expertise is associated with better outcomes, but in the setting of auditors and client tax matters, no research exists to analyze and confirm this intuition. Furthermore, constraints may arise within the audit team, stemming from delegation or coordination of work between core auditors and tax experts, which raise questions over the limits to expertise. Despite that tax is complex and auditors rely extensively on their tax colleagues –

the core audit team use tax personnel over 95% of the time in our PCAOB inspection sample of data – concerns abound when non-tax expert auditors supervise tax matters and non-audit expert tax professionals conduct audit procedures.

We examine the likelihood of tax-related i) material weaknesses, ii) restatements, and iii) SEC comment letters as tax expertise (i.e., proportion of total audit hours spent by tax personnel) increases. We find that material weaknesses are more likely to be identified, yet subsequent restatements are also more likely. This evidence implies that tax experts help to partially minimize financial statement risks associated with tax issues (i.e., control issues are uncovered) but limits exist (i.e., restatements are not prevented). Important practice implications result also from supplemental evidence that outcomes improve when tax experts are involved earlier in the audit.

“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 planning aggressiveness 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 planning 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.

“Corporate Reputation and Tax Avoidance Revisited: Evidence from the Recognition of Well-Known Trademarks.” Hanzhong Shi (Huanzhong University of Science), Kaishu Wu (University of Waterloo), Qiang Wu (Hong Kong Polytechnic University), and Xin Yang (Hohai University).

Does the reputation that arises from well-known trademarks in China create costs to the firm that reduce its corporate tax planning activities?

The recognition of well-known trademarks marks is a sudden and significant increase in the popularity of a firm’s products and, hence, provides an ideal setting to test whether firms bear reputational costs in aggressive tax planning activities. We find that firms with well-known trademarks exhibit a lower level of tax avoidance, and this effect is concentrated in firms whose brand names are similar to entity name, firms located in regions that show high levels of social trust, and firms that are not owned by the government. These findings support the notion that reputational costs lead firms to engage less in aggressive tax reporting and inform tax policy makers of an important factor that drives corporate tax behavior.

PRESENTATIONS:

KENNETH KLASSEN

The Ohio State University Tax Research Symposium, Discussant, "Cost structure and tax-motivated income shifting." May 2021.

American Accounting Association Annual Meetings, International Research Panel, "International research: Raison d'être." August 2021.

American Taxation Association Doctoral Consortium, "Writing great reviews and responding to all reviewers." February 2022.

Virginia Tech University research workshop, "Tax aggressive behavior and voluntary tax disclosure in corporate sustainability reports." March 2022.

University of Toronto research workshop, "Tax aggressive behavior and voluntary tax disclosure in corporate sustainability reports." April 2022.

ANDREW BAUER

Canadian Academic Accounting Association Craft of Accounting Workshop, "Textual analysis and related topics" and "Publication Q&A: Taxation." June 2021.

American Taxation Association Mid-Year Meeting, "The role of tax experts in the audit of tax matters and estimates." February 2022 (presented by co-author due to travel restrictions).

McMaster Accounting Research Symposium, "The role of tax experts in the audit of tax matters and estimates." April 2022.

KAISHU WU

American Accounting Association Annual Meeting, "On the Use of 'Book-Tax Difference' in Accounting Research." August 2021.

FARS Midyear Meeting, "Does Tax Deductibility of Interest Expenses Affect Financial Reporting? Evidence from Conditional Conservatism." February 2022.

Iowa State University, "Corporate Reputation and Tax Avoidance Revisited: Evidence from the Recognition of Well-Known Trademarks." January 2022 (presented by co-author).

AWARDS AND GRANTS:

KENNETH KLASSEN

Haim Falk Award for Distinguished Contribution to Accounting Thought, Canadian Academic Accounting Association, June 2021.

ANDREW BAUER

Social Sciences and Humanities Research Council (SSHRC), Insight Development Grant, co-applicant, June 2021 – May 2023.

KAISHU WU

SAF Small Research Grant 2021 - 2022.

TAX POLICY RESEARCH SYMPOSIUM

On May 6 and 7, 2021, the Centre hosted its annual symposia for Canadian tax research, returning in virtual format after a COVID cancellation of the 2020 event. Participants continued to range from academic to practitioner to government official, with slightly higher numbers than prior years given the ease of attending virtually. Below, summaries of the two parts of the symposium are provided.

TAX POLICY PANEL DISCUSSION

The topic of the afternoon panel discussion, moderated by Art Cockfield (Queen's Law) was "Should We Fight Income Inequality Through the Tax System?" Panelists included Rob Jeffrey (Deloitte), Jinyan Li (York Law), Ala Mokhtar (Waterloo Accounting) and Ted Gallivan (Assistant Commissioner, Canada Revenue Agency).

PRESENTATION OF RESEARCH PAPERS

Three tax research papers were presented in a half-day research symposium, moderated by Ken Klassen, with both academic and practice discussants. Tax research from accounting and economics was included in the program. An update of activities at the Canadian Tax Foundation was included also.

EDUCATION



TAX EDUCATOR CONFERENCE

Our Tax Educator Conference was held virtually on May 6, 2021. The virtual format allowed more participants to attend the conference. 105 people attended from across Canada with participants from various post-secondary institutions and professional firms.

The 2021 conference topic was “Teaching Tax in a Changing World.” Panels of tax educators discussed the following two topics: “How to make tax relevant and interesting to undergraduates” and “Teaching and assessing students before, during and after COVID- What has changed and what will change?” Post-secondary instructors also provided presentations on the following areas: “Teaching Tax Content using Comp Map Based Problems (Depth) vs Teaching Tax with Breadth” and “Use of the Tax Act in Undergrad Education.” The conference material was well received by attendees as post conference surveys from 32 attendees indicated that 96 per cent of those attendees found that the conference material was either very good or excellent.

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 132 THIRD, FOURTH AND, FIFTH YEAR STUDENTS INVOLVED IN THE PROGRAM ENGAGING WITH SPEAKERS SUCH AS:

- > **JULIA KLANN**, US Tax Partner, Grant Thornton
- > **LEAH DOH**, High Net Worth Planner, TD Wealth
- > **SIMON CHAN**, Tax Technology and Transformation, PwC
- > **CHULIN CHEN**, Manager International Tax, KPMG US (Washington)
- > **BEN ALARIE**, University of Toronto Professor Osgoode Law, Blue J Legal
- > **HEATHER EVANS**, Canadian Tax Foundation
- > **CODY BUCHENAUER**, Tax Manager, EY
- > **RENEE GRONDIN MILLIGAN**, Senior Manager International Tax, Deloitte
- > **ABBY HU**, Senior Manager Tax, Deloitte
- > **SHAWN PORTER**, Associate Assistant Deputy Minister (Legislation), Tax Policy Branch, Department of Finance
- > **ANDREW DUNN**, Founder and Managing Partner, Canadian Shield Capital
- > **KEN GRONDIN**, CFO, Recipe Unlimited Corporation

TECHNICAL SESSIONS

During the year, we run technical tax sessions designed to provide students with skill development beyond that gained in our undergraduate and graduate tax courses. Julie Robson provided a 2022 Federal Budget update and regular tax updates through the Desire2Learn Young Tax Professionals’ site through the year. Simon Chan and Ben Alarie provided insights on the impact of the use of technology in tax practice and research in the presentation sessions noted above.

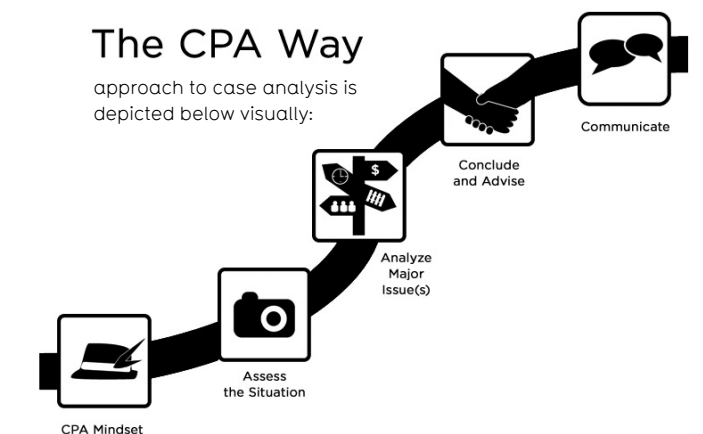
UNDERGRADUATE PROGRAM

There are three undergraduate tax courses that students take as they work towards a CPA designation completed within our program: AFM 206 (one-half course), AFM 362, and AFM 462. Students also complete AFM 321 which is a course integrating personal taxation with financial planning concepts. All of the courses included in our tax curriculum emphasize skill development rather than topic coverage. The first two courses, AFM 206 and AFM 321, emphasize a strong base of fundamental knowledge and skills relevant to personal taxation concepts needed for the later courses in our tax

curriculum. AFM 362 reinforces fundamentals through the application and integration of knowledge gained in AFM 206 and AFM 321 as well as introducing fundamental knowledge and skills relevant to corporate taxation concepts, HST and tax administration. Both AFM 321 and AFM 362 introduce the use of data analytics and data mining techniques to students, in financial planning and/or tax situations, to further develop their skills applicable to key practice areas of the future.

AFM 462 covers more advanced personal and corporate tax planning topics such as owner-manager compensation planning, sale of a business, and death of a taxpayer. As well, it introduces the development of enabling competencies and skills with an introduction of a tax specific approach to case analysis (shown below). The course prepares students for the more difficult non-directed, integrative situations and cases they will experience in the Master of Accounting program, the CPA Canada Professional Education Program or tax practice

Students are also introduced to financial reporting topics such as accounting for income taxes and related party transactions in this course to encourage students to integrate knowledge. In 2021, data analytics was added to the course to emphasize the importance of the development of skills through the use of technology tools. The course places a high emphasis on the development of professional communication skills using new assessment methodologies.





MASTER OF ACCOUNTING PROGRAM

We offer five 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 four courses, Tax for the CFO, Corporate Reorganization and International Tax Planning, US Corporate Tax and Problems in Tax Practice are electives. In the 2022 MAcc class, there was significant interest in these courses with the following number of students enrolled:

2022 MACC TAX COURSE STUDENT ENROLMENT

194 STUDENTS
Tax Issues Integration

58 STUDENTS
Problems in Tax Practice

66 STUDENTS
Tax for the CFO

23 STUDENTS
Corporate Reorganization and International Tax Planning

28 STUDENTS
US Corporate Tax

MASTER OF TAXATION PROGRAM

The Master of Taxation (MTax) classes continued in real-time in the MTax virtual classroom throughout the pandemic, returning to the physical classroom toward the end of the winter 2022 term.

Employer support for the program remains strong with 100 per cent employment for the fall 2021 and winter 2022 co-op terms. We are gearing-up for the fall 2022 recruiting and would value hearing from any employers who may have an interest in hiring an MTax coop student for the winter/fall 2023 work terms.

The new MTax virtual part-time stream has been approved, with fall 2022 being our first cohort under this new approach. Learning outcomes for the part-time stream remain the same as the full-time stream, with the key difference being the location; classes will be held in our virtual learning space rather than at our physical classroom.

We are excited about this new opportunity as it expands the program's reach to more students across Canada.

We welcome the opportunity to connect with organizations who might have an interest in supporting candidates through the new part-time stream as a way to strengthen their tax teams. The MTax program has an outstanding reputation as a pipeline supporting key tax areas including international tax, private companies, estate planning, tax accounting and mergers and acquisitions.

The full-time stream provides an in-person learning experience and continues to incorporate two co-op terms that add value for the students and the professional community.

A special note of appreciation to our very dedicated team of highly experienced tax professionals whose humour and openness allowed for an amazingly smooth transition to our v-classroom!

PRACTITIONER FACULTY:

- > Gabriel Baron, Carolyn Hurst, Matthew Mammola, and David Van Voorst (EY)
- > Jayme Yeung and Ian Bradley (PWC)
- > Hugh Chasmar, Andrew Oldham, and Jasdeep Johal (Deloitte)
- > Ruth Cummings, 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 and 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 U.S. and in Asia.

During the fall of 2021, our PhD student, Hamza Warraich, successfully completed his studies. He also accepted a new position at the University of Lethbridge. During the winter of 2022, Karen Pinto completed her studies as well. She is currently seeking employment opportunities. As we end the year, we continue to have one student, Jillian Adams, who focuses on tax research. She has completed three years in the program and is working on research exploring voluntary tax reporting within sustainability reports.



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

TAX FACULTY



DAVID LIN, MACC, CPA, CA



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



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



SPONSORS

STAKEHOLDERS

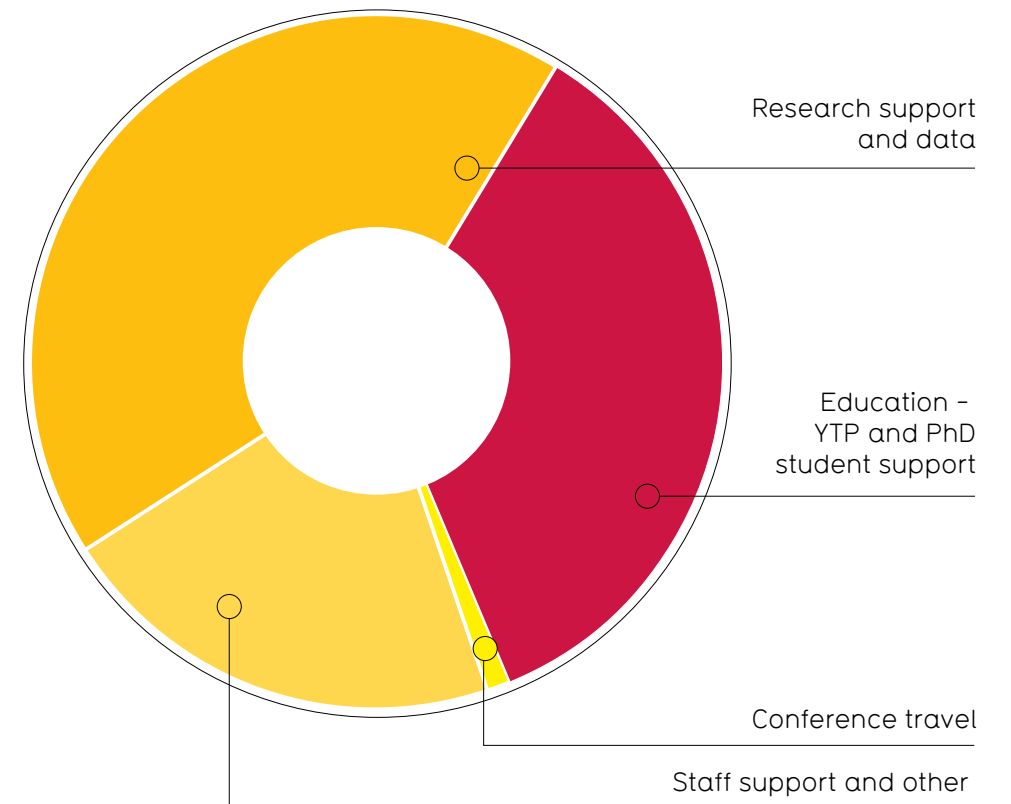


FINANCIAL REPORTING

RESULTS FOR 2021-2022

Our April 30, 2022 fiscal year was the eighth 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 TWO - 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 THREE - 3A TERM: FINANCIAL PLANNING AND PERSONAL TAXATION

Students receive an introduction to do-it-yourself (DIY) individual financial planning and tax considerations. Students should feel comfortable creating a basic financial plan for themselves, centered around their budget, across any stage of their life. Within each area of planning, saving, spending, and reporting, students will develop appreciation of important financial and tax considerations that will set them up for financial success.

YEAR THREE - 3B TERM: CORPORATE TAXATION

In addition to introducing students to more complex areas of personal taxation, this course examines the foundational concepts in the calculation of different sources of income and the taxation of Canadian corporations.

YEAR FOUR - 4B TERM: SPECIALIZED TOPICS IN TAXATION

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

They will develop their ability to identify issues as well as their ability to plan out the analysis that needs to be done for those issues. 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.

GRADUATE

Master of Accounting

TAX ISSUES INTEGRATION

This course is designed to build on the skill development started in AFM 462. Students develop case analysis skills in responding to multi-topic tax cases. The course emphasizes the integration of knowledge, further development of problem-solving and communication skills and adding value as a professional advisor. It is relevant to students interested in developing 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 and public accounting licensing eligibility.

CORPORATE REORGANIZATION AND INTERNATIONAL TAX PLANNING

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 who want to understand the basic corporate reorganization provisions in the Income Tax Act and the tax implications of international transactions.

PROBLEMS IN TAX PRACTICE

Students in this course 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 organizations and Tax Court cases as they research, write and present their analyses of the cases. The course is designed for students who will specialize in taxation. Students that do not plan to specialize in tax take this course to develop research, writing and presentation skills that are 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 that will specialize in taxation. Students that will not specialize in taxation benefit from taking this course as well as it provides a strong base of understanding of an organization's tax function and position.

US CORPORATE TAX

This course uses a problem-based learning approach to provide an introduction to US tax concepts involving US expansion, mergers, acquisitions and other transactions for Canadian (and US) based practitioners.

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 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 done 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 the 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 process 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.



SCHOOL OF
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WATERLOO CENTRE FOR TAXATION
IN A GLOBAL ECONOMY

UNIVERSITY OF
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