

INFORMATION DISCLOSURE FOR DETERMINATION OF INCOME IN ACCORDANCE WITH THE FEDERAL CHILD SUPPORT GUIDELINES

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The following summary is typical information needed pursuant to Section 21 (primarily) of the Federal Child Support Guidelines. It is meant as a comprehensive (although not all-inclusive) checklist of information, including descriptive information to ensure that the recipient of the request understands the requirements. Section references are provided for your guidance.

Description	Attached	Not Applicable	To Be Determined
Personal tax returns for the three most recent taxation years, plus every Notice of Assessment and Reassessment for these years. (If these have been misplaced, copies may be obtained online directly from the Canada Revenue Agency.) [Section 21(a) and (b)] The full tax return including business, rental, capital gain and other schedules are required. For retroactive claims, include data for all relevant years.			
As an employee, the payroll statement from the most recent pay cheque showing year-to-date earnings, including overtime. If this statement is not available, provide a letter from the company's payroll department showing year-to-date earnings and the annual rate of salary or remuneration. [Section 21(c)] Bonuses, commissions, and taxable benefits should be part of this report. If the pay stub descriptions are not apparent (because of the use of abbreviations, for example), provide a description of each income, benefit and deduction line, including whether any benefit amounts are taxable or not.			
<p>If self-employed, which means being involved in any unincorporated business activities, and whether the income is reported for income tax purposes or not, provide, for the three most recent taxation years:</p> <ul style="list-style-type: none"> • financial statements of the activity, including an income statement, balance sheet and statement of changes in financial position or cash flow if available. At a minimum, all of the self-employment schedules included with the personal income tax return are required. Include Statements of Rental Activities and supporting schedules also. • a breakdown of all salaries, wages, management fees or other payments or benefits paid to, or on behalf of, persons or corporations with whom the spouse does not deal at arm's length (defined in Note 1 below). [Section 21(1)(d)] 			
For any salaries, wages, management fees or other payments or benefits paid to, or on behalf of, persons or corporations with whom the spouse does not deal at arm's length, provide documentation that they are reasonable in the circumstances (such as a job description and comparable wage rates, etc.)			

Description	Attached	Not Applicable	To Be Determined
<p>If the spouse is a partner in any partnerships, confirmation of income and draws from, and capital in, the partnership for the three most recent taxation years. [Section 21(1)(e)]</p> <p>Copies of the partnership financial statements will provide this information, although a separate summary providing this detail is in accordance with the Guidelines. Because a partnership represents self-employment income, a statement showing a breakdown of all salaries, wages, management fees or other payments or benefits paid to, or on behalf of, persons or corporations whom a spouse does not deal at arm's length is also required with respect to this partnership in accordance with Section 21(1)(d).</p>			
<p>For all corporations controlled by the spouse, for the three most recent taxation years (and earlier if retroactive claims are being made):</p> <ul style="list-style-type: none"> • Financial statements of the corporation and any subsidiaries or other corporations controlled by the spouse. The definition of control is the definition legislated by the Income Tax Act and includes the following: • Ownership of a majority of the voting shares of the corporation, or having the right to acquire enough shares to obtain control; • Direct or indirect control, in any manner whatever, through influence which, if exercised, would result in control in fact of the corporation. For example, if a child legally owns the corporation but a parent is in control of its day-to-day operations, then the parent would be considered as having control. • A statement showing a breakdown of all salaries, wages, management fees or other payments or benefits paid to, or on behalf of, persons or corporations with whom the corporation and any related corporation, does not deal at arm's length. [Section 21(1)(f)] Please refer to Note 1 below, and also provide documentation that the amounts are reasonable in the circumstances. 			
<p>If the spouse is a beneficiary of any trusts,</p> <ul style="list-style-type: none"> • Copy of the trust settlement agreement and • Copies of the trust's three most recent financial statements. [Section 21(1)(g)] Where financial statements are not prepared, a schedule showing the assets and liabilities of the Trust, and its three most recent income tax returns (T3) and related schedules should be provided. 			

Other Information

To avoid delays and additional information to be requested by professional advisors and perhaps by court orders, any additional information that may be relevant to this case should be provided. Such information may not be included in the documents specifically required pursuant to the Guidelines, but is needed to make adjustments required by the Guidelines. Examples include the following, including Guideline references.

Description	Attached	Not Applicable	To Be Determined
A breakdown of capital cost allowance (depreciation and amortization) with respect to real property (typically tax classes 1, 3 and 6 but could be others) [Schedule III, paragraph 11]			
<p>Amounts required in each year for the purposes of capitalization. [Schedule III, paragraph 12]</p> <p>What is capitalization? Capitalization needs could be the cost of new capital assets purchased during the year that exceed loans that were or could have been borrowed, as well as payment of principal on all loans paid during the year. It could also be cash needed to run the business on a day to day basis because of fluctuations in the accounts receivable, accounts payable and inventory balances. If a balance sheet and cash flow statement for each year is part of the financial statements provided, it will help financial advisers determine this balance.</p>			
If self-employed income consists of farm operations which are reported on a "cash" basis as opposed to an accrual basis, the opening and closing amounts for each year for accounts receivable, prepaid expenses, accounts payable, and inventory (at cost) will be required. The forms prepared annually for farm insurance programs, such as AgriInvest, may provide this information in some cases.			
Provide an explanation of how the business versus personal allocations of expenses are calculated and reported. For example, how was the percentage of business use of the home, cellular telephone and vehicle usage determined and what are the allocations? [Section 19(g)] This disclosure will avoid follow-up enquiries regarding such personal benefits, improving efficiencies and reducing the costs of the process.			
Identification of any unusual, non-recurring income or expenses reported in the personal tax returns or business financial statements and explanations for large changes in business profit margins and recurring expenses. [Section 17]			

Description	Attached	Not Applicable	To Be Determined
Identification of any income not reported for income tax purposes because it is exempt income (e.g. certain military pensions or foreign source income) or because it was not properly reported for income tax purposes. [Section 19(1)(h)]			
For corporations, details of any bonuses declared to related parties but not paid by the end of the fiscal year should be disclosed, including amounts, payee and the date that they were actually paid. [Section 17 and 18 purposes]			
A breakdown of to whom and the date of dividends paid in each calendar year is required if the corporation does not use a December 31 fiscal year-end. [Section 17 and 18 purposes]			

Note 1: Definition of with whom the spouse does not deal at arm's length

Family members and related businesses not dealing at arm's length (i.e. are related) include the following:

(a) Individuals connected by blood relationship, marriage or adoption.

- i. Blood relationship includes a child or other direct line descendent (e.g., a grandchild), or brother or sister. A cousin, niece, nephew, aunt or uncle are not normally included. However, the definition may include a person of whom the taxpayer is a natural parent, as well as a person who is wholly dependent on the individual for support and is under the individual's custody and control, in law or in fact (or, if not now, was so immediately before such person reached the age of 19). Not included are a foster child in respect of whom the foster parents receive support payments from an agency responsible for the child's care. However, a step-child, an adopted child, a son-in-law or daughter-in-law and a step son-in-law or a step daughter-in-law are related.

Two persons are connected by marriage if one person is the spouse of the other person or is a brother-in-law or sister-in-law. This connection exists even after death of the spouse. A spouse includes a common law spouse. A common law spouse is basically defined as a person of the opposite sex who cohabits with the individual in a conjugal relationship and either has done so for a full 12-month time period, or the couple has a natural or adopted child

- ii. Adoption means legal adoption in law or in fact and may be an adopted child, grandchild, parent, etc. of the other person.

(b) Corporations are related to the person who controls that corporation, or to a person who is a member of a related group that controls the corporation, plus any person related to these persons or corporations. Control may be by way of ownership of a majority of shareholdings, or because of the factual control through day to day influence.

These definitions of relationships are defined in Section 251 of the Income Tax Act and related Canada Revenue Agency interpretations

The details of these payments should include a description of the relationship and the purpose of the payment. *Unless the amount is established as necessary and reasonable* in the circumstances, these amounts will be added to income [Section 18(2) and Schedule III, paragraph 9]

- Details of all benefits paid by the business(es) to (or on behalf of) the spouse, to related family members or to related businesses. These benefits will include any expenses incurred by the business(es) which provide gains on a personal basis. Most of these items are required to be reported on Canada Revenue Agency information slips for tax purposes (T4) although they are often omitted. Examples of typical benefits that should be disclosed include:
 - personal use of a company automobile or cellular telephone;
 - company paid group life insurance;
 - company paid personal tax return preparation and financial counselling fees;
 - interest-free or low interest loans.
 - personal use of a company property, such as a house, condominium or apartment, or of company inventory.

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