

## FREQUENTLY ASKED QUESTIONS

Versions 11.2.3xx.126

December 2011

## New Item for the Week of December 11

**Federal – North American Industry Classification System (NAICS) – Significance of the CAN, MEX and US symbols at the end of the NAICS codes****QUESTION**

What is the significance of the CAN, MEX and US symbols that display at the end of the NAICS codes?

**ANSWER**

The CAN, MEX and US symbols are used to signify comparability of similar business activities performed in Canada (Statistics Canada), the United States (Economic Classification Policy Committee (ECPC)) and Mexico (Instituto Nacional de Estadística, Geografía e Informática (INEGI)).

CAN	Canadian industry only
MEX	Canadian and Mexican industries are comparable
US	Canadian and United States industries are comparable
[Blank]	[No symbol] Canadian, Mexican and United States industries are comparable

For example, a NAICS code with the US symbol at the end of its description can be selected by a Canadian corporation, because the commercial activity it designates is comparable between the United States and Canada.

Please note that these symbols are for your reference. Only the NAICS code is transmitted to the CRA; the descriptions are not transmitted.

## Federal

**Schedule 32, Scientific Research and Experimental Development (SR&ED) Expenditures Claim (S32) – Calculations of line 429****QUESTION**

How can I ensure to correctly calculate the amount at line 429 of Schedule 32 if the corporation is eligible for the Ontario innovation tax credit and the Ontario research and development tax credit?

**ANSWER**

Here are the steps to follow to ensure to correctly calculate the amount at line 429 of Schedule 32:

**Step 1:** Complete Schedule 32.

**Step 2:** Complete Schedule 508, *Ontario Research and Development Tax Credit (S508)*, but don't enter any amount at line 105 of the schedule.

**Step 3:** Complete Schedule 566, *Ontario Innovation Tax Credit (S566)*, but don't enter any amount at line *Government assistance, non-government assistance or a contract payment in respect of eligible expenditures* of Schedule A located at the bottom of the schedule.

**Step 4:** Enter, at line 105 of Schedule 508, the government assistance, non-government assistance or a contract payment amount for eligible expenditures, but exclude the amounts for the Ontario Research and Development Tax Credit which are considered government assistance.

**Step 5:** Enter, at line 513 of Schedule 32, the government assistance attributable to the current expenditures and, at line 514, the government assistance attributable to the capital expenditures. For more details on the calculation that

has to be done, please consult the SR&ED application policy 2005-02 available on the CRA Web site at the following address: <http://www.cra-arc.gc.ca/txcrdt/sred-rsde/pblctns/p2005-02-eng.html>.

**Step 6:** Enter, in Schedule A of schedule 566, the government assistance, non-government assistance or a contract payment for eligible expenditures for the current expenditures and capital expenditures, but exclude the amounts for the Ontario Innovation Tax Credit, the Ontario Research and Development Tax Credit and the Ontario Business-Research Institute Tax Credit.

**Step 7:** Repeat steps 4, 5 and 6.

**Step 8:** Repeat step 7 until the results stay unchanged to the nearest dollar.

---

### **T661, Scientific Research and Experimental Development (SR&ED) Expenditures Claim (S32) – Part 2 – Project information (S60P2#01)**

#### **QUESTION**

Why doesn't *Cantax* respect the maximum word limitation for the fields 240, 242, 244, 250 and 252 as mentioned on the CRA Form T661, *Scientific Research and Experimental Development (SR&ED) Expenditures Claim*?

#### **ANSWER**

A limited number of words for fields 240, 242, 244, 250 and 252 is specified on the CRA Form T661; however, the CRA requires that software developers meet the following requirements instead:

fields 240, 242 and 250 must contain a maximum of 50 lines and fields 244 and 252 must contain a maximum of 100 lines. Note that the CRA also requires that each line contain a maximum of 78 characters.

---

### **GIFI Notes Checklist – Parts 1 and 4 (GIFI 141)**

#### **QUESTION**

What are the requirements to meet when completing Parts 1 and 4 of the GIFI Schedule 141?

#### **ANSWER**

If the person that prepares the tax return **is also** the person that prepared or reported the financial statements, he must complete Parts 1 and 4 (lines 101 to 108).

If the person that prepares the tax return **is not** the person that prepared or reported the financial statements, he must complete Parts 1 and 4 (lines 101 to 108). Furthermore, he must answer on line 110 **only** if he has a professional designation.

---

### **Schedule 54 - Low Rate Income Pool (LRIP) Calculation**

#### **QUESTION**

When should the deductible dividends, under subsection 112(1), received by the corporation be included in column 210 in Part 2 or on line 510 in Part 3 of Schedule 54, *Low Rate Income Pool (LRIP) Calculation*?

#### **ANSWER**

The taxable dividends that must be entered in column 210 in Part 2 of Schedule 54, *Low Rate Income Pool (LRIP) Calculation* must be received after December 31, 2005.

If the corporation meets the following conditions:

- it is a corporation that is neither a CCPC nor a DIC;
- its taxation year ends in 2006, but contains days in 2005;
- it received deductible taxable dividends under subsection 112 other than eligible dividends before 2006.

Ensure that the dividends received before 2005 that are not eligible dividends are subtracted from the amount entered in column 210 in Part 2 or on line 510 in Part 3 of Schedule 54, *Low Rate Income Pool (LRIP) Calculation*.

## Ontario

### Ontario loss carry back

#### QUESTION

How can I request the carry back of Ontario losses from a 2009 and subsequent taxation year end return to a pre 2009 taxation year end return?

#### ANSWER

For a 2009 and subsequent taxation year return, the carry back of Ontario losses should be requested on Schedule 4 (S4). Enter the carry back amount in Schedule 4 and attach a letter to the return mentioning that you are requesting the carry back of Ontario losses to a pre 2009 taxation year end. The CRA will process the adjustment to the pre 2009 tax return.

---

### Schedules 546-547, *Corporations Information Act Annual Return for Ontario Corporations (S546 and S547) – Diagnostics Error 5460003 and Error 5470002*

#### QUESTION

How can I remove diagnostics Error 5460003 and Error 5470002?

#### ANSWER

The CRA requires that software developers issue diagnostics when certain lines that should contain information are not completed. The diagnostics Error 5460003 and Error 5470002 are part of these diagnostics.

To remove the diagnostic Error 5460003, complete lines 220, 250 and 270 in Part 2 of Schedule 546 and if the country name on line 270 is Canada or United States of America, complete lines 260 and 280.

To remove the diagnostic Error 5470002, complete lines 700, 705, 730, 760 and 780 in Part 7 of Schedule 547 and if the country name on line 780 is Canada or United States of America, complete lines 770 and 790. Furthermore, if they are applicable, complete lines 795 and 796; otherwise complete one of lines 801 to 912.

## Alberta

### Electronic transmission of an income tax return to the Alberta government

#### QUESTION

Is it possible to electronically file an income tax return to the Alberta government with *Cantax T2*?

#### ANSWER

It is not yet possible to electronically file a tax return to the Alberta government with *Cantax T2*. This service was recently made available by the Government of Alberta and is optional at this stage. We anticipate that it will be possible to perform such transmission starting with *Cantax T2* version 12.1.3xx.100 which is scheduled for release in May 2012.

Please note that the transmission will only be available in a version with CIF.