

TROUBLESHOOTING

Versions 11.2.3xx.126

March 2012

New in this issue – Week of March 18, 2012

Alberta – AT1 Schedule 9, Alberta Scientific Research & Experimental Development (SR & ED) Tax Credit (AT1-S9) – Tax credit modification for corporations whose taxation year is ending after March 31, 2012
Problem:

In its 2012 Budget, the Alberta government has announced that the federal investment tax credit would no longer be taken into account in the calculation of the Alberta scientific research and experimental development (SR & ED) tax credit for corporations whose taxation year is ending after March 31, 2012. *Cantax* does not currently take this modification into account.

Solution:

If the corporation's taxation year is ending after March 31, 2012, and the corporation incurred expenditure for SR & ED in Alberta in a preceding year and there is an amount on line 015 of Alberta Schedule 9, please override line 015 to "0." Furthermore, in this situation, it is important that you do not enter amounts on lines 017 and 019 of that same schedule.

Federal investment tax credit received by the corporation in the immediately preceding taxation year (line 435 of federal T661)	015		0
Total eligible expenditures for Alberta purposes of the corporation for years in which the expenditure was incurred (line 031 less line 025 less line 011 from all relevant years)	017		0
Total federal expenditures of the corporation for the years in which the expenditure was incurred (line 559 from all relevant year's federal T661)	019		0
Calculate: Line 015 X line 017 ÷ line 019	021		0

This new measure will be integrated into *Cantax* T2 12.1.3xx.100.

Federal

Schedule 53, General Rate Income Pool (GRIP) Calculation (53) – Incorrect GRIP at the end of the previous tax year
Problem:

In *Cantax* T2 version 11.2.3xx.126, modifications have been made to the calculations of lines 500, 520 and 540 of Schedule 53 to ensure that the general rate factor used is the current taxation year's general rate factor. Previously, *Cantax* incorrectly used the general rate factor of the year to which the loss was carried back in those calculations. The modifications made could have an impact on the GRIP at the end of the previous tax year.

Solution:

Make sure that the general rate factor used in the calculation of lines 500, 520 and 540 in Part 2 of the previous year’s copies of Schedule 53 correspond to your situation and perform the appropriate modifications at line 100 of the current year Schedule 53, if applicable.



Partnerships Workchart – Additional Income Inclusion/Deduction (PARTNER#01) – Incorrect calculation of the amount at line V when there is more than one partnership and more than one transitional reserve is claimed

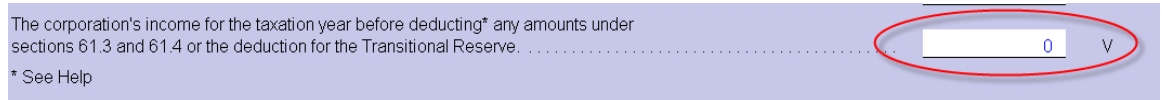
Problem:

The amount at line V in Part “Tracking the Transitional Reserve” of Form *Partnerships Workchart* is incorrectly calculated when there is more than one partnership and the corporation is claiming more than one transitional reserve (i.e.: there is more than one copy of Form *Partnerships Workchart* and at least two lines W include a calculated amount). In such a situation, *Cantax* is incorrectly calculating line V in the second and subsequent copies of the form by not taking into account lines W from the previous copies in the calculation of line V.

Solution:

If the corporation has more than one copy of Form *Partnerships Workchart* and it is claiming more than one transitional reserve, line V of the second and subsequent copies will have to be calculated as follows:

The amount at line V from the first copy of Form *Partnerships Workchart*.



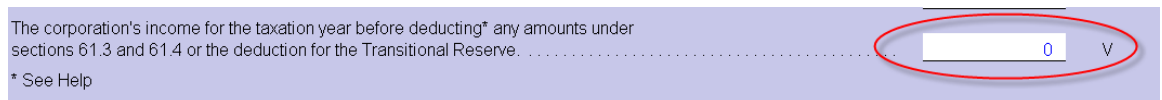
Minus

The sum of the amount at line W from each previous copy of Form *Partnerships Workchart*.



Note that the result of this calculation cannot be negative.

You will have to override line V in the appropriate copies of Form *Partnerships Workchart* with the result from the above calculation.



This problem will be corrected in *Cantax* T2 12.1.3xx.100.

British Columbia

Schedule 427, British Columbia Corporation Tax Calculation (S427) – Incorrect increase in the high rate of tax used for taxation years ending after December 31, 2011

Problem:

As a result of the repealing of the HST in British Columbia, the high rate of corporate income tax was not increased on January 1, 2012, and remains at 10%. The rate used in *Cantax* T2 11.2.3XX.126 is therefore incorrect.

Solution:

If the corporation has a taxation year ending after December 31, 2011, and has a permanent establishment in British Columbia with income subject to the high rate of tax in the year, please perform the following operation:

In Part 2, "Calculation of British Columbia tax before credits" of Schedule 427, override the percentage on line M to 10.00000%.

S427-1		S427-2		S427-3	
Part 2 - Calculation of British Columbia tax before credits (continued)					
British Columbia tax at the higher rate:					
Amount I1	0	X	Number of days in the tax year before January 1, 2010	0	X 11.00000 % = 0 K1
			Number of days in the tax year	366	
Amount I	0	X	Number of days in the tax year after December 31, 2009, and before January 1, 2011	0	X 10.50000 % = 0 K
			Number of days in the tax year	366	
Amount I	0	X	Number of days in the tax year after December 31, 2010 and before January 1, 2012	245	X 10.00000 % = 0 L
			Number of days in the tax year	366	
Amount I	0	X	Number of days in the tax year after December 31, 2011	121	X 10.00000 % = 0 M
			Number of days in the tax year	366	
Total British Columbia tax at the higher rate (total of amounts K1, K, L, and M)					0 N
British Columbia tax before credits * (amount J plus amount N)					0 O
* If the corporation has a permanent establishment in more than one jurisdiction or is claiming a British Columbia tax credit, enter amount O on line 240 of Schedule 5. Otherwise, enter it on line 760 of the T2 return.					

This problem will be corrected in *Cantax T2* 12.1.3xx.100.

Schedule 427, British Columbia Corporation Tax Calculation (S427) – Incorrect decrease in the lower rate of tax used for taxation years ending after March 31, 2012

Problem:

In its 2012 Budget, the British Columbia government has announced that the lower tax rate would not be reduced to 0% starting April 1, 2012, contrary to what was indicated in its 2011 Budget, and that this rate would remain at 2.5%. Therefore, the rate used in *Cantax T2* 11.2.3xx.126 is incorrect.

Solution:

If the corporation has a taxation year ending after March 31, 2012, a permanent establishment in British Columbia and earned income subject to the lower rate of tax in the year in British Columbia, please perform the following operation:

In Part 2, "Calculation of British Columbia tax before credits" of Schedule 427, override the percentage on line J3 to 2.50000%.

S427-1		S427-2		S427-3	
Part 2 - Calculation of British Columbia tax before credits					
British Columbia tax at the lower rate:					
Amount H1	0	X	Number of days in the tax year before January 1, 2010	0	X 2.50000 % = 0 J1
			Number of days in the tax year	365	
Amount H	500,000	X	Number of days in the tax year after December 31, 2009, and before April 1, 2012	365	X 2.50000 % = 12,500 J2
			Number of days in the tax year	365	
Amount H	500,000	X	Number of days in the tax year after March 31, 2012	0	X 2.50000 % = 0 J3
			Number of days in the tax year	365	
Total British Columbia tax at the lower rate (total of amounts J1, J2, and J3)					12,500 J

This problem will be corrected in *Cantax T2* 12.1.3.xx.100.