

TROUBLESHOOTING

Versions 12.2.3xx.126

April 2013

New item – Week of April 21

Manitoba – Schedule 385, Manitoba Odour-Control Tax Credit (S385) – Eliminating the limit in the calculation of the refundable tax credit for a corporation carrying on the business of farming

Problem:

In its 2013 budget, the Manitoba government announced that the refundable tax credit would no longer be limited for corporations carrying on the business of farming. This change applies to eligible expenditures incurred after 2012. However, *Cantax* limits the refundable tax credit amount for eligible expenditures incurred after 2012.

Solution:

If the corporation carries on a farming business that incurred eligible expenditures after 2012 and the amount on line 200 of Schedule 385 is different from zero, please proceed as follows:

1. Modify the amounts on lines 100, 101 and 102 in order to exclude the eligible expenditures incurred after 2012 (to keep only the eligible expenditures incurred before 2013).
2. To lock the amounts calculated by the software on lines 160 and 161, enter these amounts using overrides on each of these lines.
3. Restore the initial amounts on lines 100, 101 and 102 (i.e. the amounts including eligible expenditures incurred after 2012).
4. To the amount on line 161 entered at step 2, add 10% of the total expenditures amount incurred after 2012.

Part 1 - Eligible expenditures made in the current tax year

Corporation's share of eligible expenditures allocated from a partnership	100	0	A
Corporation's share of eligible expenditures allocated from a trust	101	0	B
Corporation's eligible expenditures	102	0	C
Total eligible expenditures made in the current tax year (total of amounts A to C)		0	D

Part 2 - Credit available for the year and credit available for carryforward

Credit at the end of the preceding tax year			a		
Deduct: Credit expired after 10 tax years	104	0	b		
Credit at the beginning of the tax year (amount a minus amount b)	105	0	E		
Add: Credit transferred on an amalgamation or the wind-up of a subsidiary	110	0	F		
Current-year credit earned (amount D from Part 1)	0	x 10% =	120	0	c
Deduct: Credit renounced	150	0	d		
Subtotal (amount c minus amount d)		0	G		
Total credit available for the current tax year (total of amounts E, F, and G)		0	H		
Deduct:					
Non-refundable credit claimed in the current year* (enter on line 607 of Schedule 5)	160	0	e		
Refundable tax credit for agricultural corporations (complete Part 3)	161	0	f		
Credit carried back to previous tax years (complete Part 4)		0	g		
Subtotal (total of amounts e to g)		0	I		
Closing balance - credit available for carryforward (amount H minus amount I)	200	0	J		

* The credit claimed in the current tax year cannot exceed the Manitoba income tax otherwise payable or the amount on line H, whichever is less.

This new measure will be integrated into *Cantax* T2 13.1.3xx.100.

Federal

T106 – T106 Slip (T106#01) – Incorrect slip applicability

(Published in March 2013)

Problem:

When the total amount of all reportable transactions for non-residents persons or partnerships exceeds \$1,000,000, a corporation is required to file Form T106 (**T106SUM**) as well as each T106 slip. *Cantax* only prints T106 slips whose amount in box I is higher than "0.". However, all T106 slips should be printed and filed with the CRA.

Solution:

If a T106 slip does not contain an amount higher than "0" in box I, print this slip (Shift+F11) and attach it to the other T106 slips that have to be filed with the CRA.

Part V - Derivatives	Number of contracts	Notional amount	Revenue from non-resident	Expenditure to non-resident
101 Interest Rate Contracts	0	\$ 0	\$ 0	\$ 0
102 Foreign Exchange Contracts	0	\$ 0	\$ 0	\$ 0
103 Credit Contracts	0	\$ 0	\$ 0	\$ 0
104 Equity Contracts	0	\$ 0	\$ 0	\$ 0
105 Commodity Contracts	0	\$ 0	\$ 0	\$ 0
106 Index Contracts	0	\$ 0	\$ 0	\$ 0
107 Fees (including commissions)	0	\$ 0	\$ 0	\$ 0
108 Other payments / receipts (specify) <input style="width: 150px; height: 15px;" type="text"/>	0	\$ 0	\$ 0	\$ 0
Please enter the total of all entries made in each column of Part V	E= 0	F= \$ 0	G= \$ 0	H= \$ 0
Please enter in box I the total of all entries made in boxes A, B, C, D, G and H		I= \$ 0		

You can also see the CRA Web site to consult the De Minimis Policy governing Form T106 at the following address:

<http://www.cra-arc.gc.ca/tx/nrsdnts/ntcs/t106-eng.html>

This problem will be corrected in *Cantax* T2 13.1.3xx.100.

Schedule 4 – Corporation Loss Continuity and Application (S4) – Increase in the restricted farm losses deduction limit for corporations with a taxation year ending after March 20, 2013

(Published in March 2013)

Problem:

In its 2013 budget, the federal government announced that the restricted farm losses deduction limit would be increased to \$17,500 a year for taxation years ending after March 20, 2013.

In addition, the federal government proposes to amend the rules on the restricted farm losses to codify the chief source of income.

Solution:

If the corporation has a taxation year ending after March 20, 2013, and it has restricted farm losses for the taxation year under the new rule, override to \$15 000 line b in Part 4, "Restricted farm losses" of Schedule 4.

Part 4 - Restricted farm losses	
Current-year restricted farm loss	
Total losses for the year from farming business	485 36,000 A
Minus the deductible farm loss:	
(amount A above 36,000 - \$2,500) divided by 2 =	16,750 a
Amount a or 15,000, whichever is less	15,000 b
	2,500 c
Subtotal (amount b plus amount c)	17,500 B
Current-year restricted farm loss (amount A minus amount B; enter amount C on line 410)	18,500 C

For further information, consult [Annex 2 in the 2013 Budget Plan: "Tax Measures: Supplementary Information and Notices of Ways and Means Motions."](#)

This new measure will be integrated into *Cantax* T2 13.1.3xx.100.

Schedule 71, Income Inclusion for Corporations that Are Members of Single-Tier Partnerships (S71#01), and Schedule 72, Income Inclusion for Corporations that Are Members of Multi-Tier Partnerships (S72#01) – Current fiscal period of the partnership

(Published in January 2013)

Problem:

The current fiscal period of the partnership that has to be entered in Part 1 of Schedule 71 and/or Schedule 72 should be the fiscal period that starts in the corporation's taxation year and that ends after the end of the corporation's taxation year. Such being the case, the current calculations performed by *Cantax* T2 are done assuming that the fiscal period in Section 1 of these schedules is the last fiscal period of the partnership that ended in the corporation's taxation year.

Solution:

The fiscal period entered in Part 1 of Schedule 71 and/or Schedule 72 is used to determine the number of days in the stub period. In order for *Cantax* to be able calculate the number of days correctly, you should first enter in Part 1, the last fiscal period of the partnership that ended in the corporation's taxation year. Once the number of days in the stub period has been determined by the program, make the following overrides:

If an adjusted stub period accrual is calculated in Part 3 of Schedule 71, override line i with the number of days that was initially calculated at this same line. For example, if the value calculated at this line was "180," override that line with "180."

Number of days that are in both the corporation's tax year and the fiscal period of the partnership that starts in the corporation's tax year and ends after the tax year (the stub period)	180	=	0.49315	i
Number of days in the fiscal period(s) of the partnership that end(s) in the corporation's tax year***	365			

If an adjusted stub period accrual is calculated in Part 3 of Schedule 72, override line i, n or s (depending on the line that is required to calculate the adjusted stub period accrual for the corporation), with the number of days that was initially calculated at this same line.

Number of days that are in both the corporation's tax year and the fiscal period of the partnership that starts in the corporation's tax year and ends after the tax year (the stub period)	180	=	0.49315	i
Number of days in the first fiscal period of the partnership that ends in the corporation's tax year	365			

Number of days that are in both the corporation's tax year and the fiscal period of the partnership that starts in the corporation's tax year and ends after the tax year (the stub period)	180	=	0.49315	n
Number of days that are in the eligible fiscal period* of the partnership that ends in the corporation's tax year	365			

Number of days that are in both the corporation's tax year and the fiscal period of the partnership that starts in the corporation's tax year and ends after the tax year (the stub period)	180	=	0.49315	s
Number of days in the fiscal period(s) of the partnership that end(s) in the corporation's tax year***	365			

Note: No adjustment should be made to the number of days rolled forward from a prior year in Part 6.

This problem will be corrected in *Cantax* T2 13.1.3xx.100.

Schedule 71, Income Inclusion for Corporations that Are Members of Single-Tier Partnerships (S71#01), and Schedule 72, Income Inclusion for Corporations that Are Members of Multi-Tier Partnerships (S72#01) – Modification to certain calculations as a result of the publication by the CRA of legislative proposals relating to income tax

(Published in January 2013)

Problem:

On December 21, 2012, the CRA published legislative proposals relating to income tax that modify the calculation of income inclusion for corporations that are members of partnerships. The changes to the calculations introduced by the legislative proposals are the following:

- The dividends that are deductible under section 112 and/or 113 of the *Income Tax Act* received after December 20, 2012, by a corporation eligible for the transitional reserve now have to be deducted from income used in the calculation of the transitional reserve for taxation years that are ending after December 20, 2012.
- The eligible alignment income no longer has to be subtracted in the calculation of the adjusted amount of qualifying transitional income for corporations that are members of multi-tier partnerships.

In both cases, *Cantax* does not perform the calculations in accordance with the legislative proposals.

Solution:

Problem related to the income calculation used to determine the transitional reserve

If the corporation is a member of one or more single-tier partnerships or if it is a member of one or more single-tier partnerships and is also a member of one or more multi-tier partnerships, please subtract from the amount calculated at line CC in the first copy of Schedule 71 the dividends that are deductible under section 112 and/or 113 of the *Income Tax Act* received after December 20, 2012, and enter the result at line CC in the first copy of Schedule 71 using an override.

Corporation's income for the particular tax year before deducting the reserve and amounts under sections 61.3 and 61.4	0	CC
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If the corporation is only a member of one or more multi-tier partnerships, please subtract, from the amount calculated at line OO in the first copy of Schedule 72 the dividends that are deductible under section 112 and/or 113 of the *Income Tax Act* received after December 20, 2012, and enter the result at line OO in the first copy of Schedule 72 using an override.

Corporation's income for the particular tax year before deducting the reserve and amounts under sections 61.3 and 61.4	0	OO
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These modifications must be made only once the corporation's net income has been determined. If you make the modifications and the income is thereafter modified, you will have to make the modifications again.

Problem related to the adjusted amount of qualifying transitional income

If the corporation has to calculate the adjusted amount of qualifying transitional income in Part 6 of Schedule 72, please ensure that the value entered at line FF is "0."

Amount E from Part 2 of previous year's Schedule 72, if the original ASPA was calculated under paragraph 34.2(1)(b)(ii). If the original ASPA was calculated under paragraph 34.2(1)(a), or subparagraph 34.2(1)(b)(i), enter "0"	0	FF
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These problems will be corrected in *Cantax* T2 13.1.3xx.100.

British Columbia

(Published in March 2013)

Schedule 427, British Columbia Corporation Tax Calculation (S427) – Increase of the higher rate of tax for corporations with a taxation year ending after March 31, 2013

Problem:

In its 2013 Budget, the British Columbia government announced that the higher rate of tax would be increased to 11% for corporations with a taxation year ending after March 31, 2013. However, *Cantax* is currently using a rate of 10%.

Solution:

If the corporation has a permanent establishment in British Columbia with income subject to the higher rate of tax and its taxation year is ending after March 31, 2013, override the percentage field of line DD in Part 2, "Calculation of British Columbia tax before credits" of Schedule 427 with the following equation result:

$$\begin{aligned}
 &10\% \times \text{number of days in the taxation year before April 1, 2013} / \text{number of days in the taxation year} \\
 &+ \\
 &11\% \times \text{number of days in the taxation year after March 31, 2013} / \text{number of days in the taxation year}
 \end{aligned}$$

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	BB
			Number of days in the tax year	366					
Amount I2	0	X	Number of days in the tax year after December 31, 2009, and before January 1, 2011	0	X	10.50000	% =	0	CC
			Number of days in the tax year	366					
Amount I2	0	X	Number of days in the tax year after December 31, 2010	366	X	10.00000	% =	0	DD
			Number of days in the tax year	366					
Total British Columbia tax at the higher rate (total of amounts BB, CC, and DD)								0	FF

This new measure will be integrated into *Cantax* T2 13.1.3xx.100.

Manitoba

Schedule 383, Manitoba Corporation Tax Calculation (S383) - Incorrect calculation of the active business income when there is partnership income

(Published in March 2013)

Problem:

According to the instructions provided in Part 2 of Schedule 383, this section must be completed only if the amount on line 450 of Schedule 7 (**S7**) is positive. After verification with the CRA, it was confirmed to us that the instructions mentioned in this section are incorrect and that Part 2 must be completed when the amount on line Q of Schedule 7 is greater than 0. However, *Cantax* might or might not complete Part 2 of Schedule 383 based on the incorrect instructions in Schedule 383.

Solution:

If the corporation has a permanent establishment in Manitoba, is a member of a partnership and the amount on line Q of Schedule 7 is greater than 0, override line 450 of Schedule 7 to \$1.

Part 4 - Determination of partnership income

Corporation's share of partnership income from active businesses carried on in Canada after deducting related expenses - from line 350 in Part 3 (if the net amount is negative, enter "0" on line U) 375,000 Q

Add:

Specified partnership loss (from amount h in Part 3) 0 R

Subtotal (amount Q minus amount R) 375,000 S

Deduct:

Specified partnership income (from amount P in Part 3) 375,000 T

Partnership income (amount S minus amount T) 450 1 U
 (enter on line Y in Part 5)

Override line B in Part 1 of Schedule 383 to the result calculated on line X of Part 2.

Part 2 - Calculation of income from active business when there is partnership income

Complete this part only if the amount on line 450 of Schedule 7, Calculation of Aggregate Investment Income and Active Business Income, is positive.

Amount X from Part 5 of Schedule 7 125,452 J

Deduct partnership income:

Amount S from Part 4 of Schedule 7 200,001 K

	L Amounts from column E in Part 3 of Schedule 7	M Amounts from column G in Part 3 of Schedule 7 multiplied by	N Column L minus column M (if negative, enter "0")	O Lesser of columns L and M (if column L is negative, enter "0")
		400,000		
		500,000		
1.	200,000	158,401	41,599	158,401
2.	0	0	0	0
Totals			41,599 N	158,401 O

Amount on line 370 from Part 3 of Schedule 7 74,549 R

Amount on line 380 from Part 3 of Schedule 7 0 S

Subtotal (amount R plus amount S) 74,549 T

Enter amount P or amount T, whichever is less 41,599 U

Specified partnership income (amount Q plus amount U) 200,000 V

Partnership income (amount K minus amount V) 1 W

Income from active business (amount J minus amount W) 125,451 X
 Enter the amount from line X on line B in Part 1.

Part 1 - Calculation of income subject to Manitoba lower and higher tax rates

Taxable income for Manitoba * 140,452 A

Income eligible for the Manitoba lower tax rate

Amount from line 400 of the T2 return ** 125,451 B

Amount from line 405 of the T2 return 140,452 C

Amount from line 425 of the T2 return 500,000 X

500,000 = 400,000 D

Then, cancel the override on line 450 of Schedule 7.

This problem will be corrected in *Cantax T2 13.1.3xx.100*.

Nova Scotia

Schedule 346, Nova Scotia Corporation Tax Calculation (S346) - Incorrect calculation of the active business income when there is partnership income

(Published in March 2013)

Problem:

According to the instructions provided in Part 2 of Schedule 346, this section must be completed only if the amount on line 450 of Schedule 7 (**S7**) is positive. After verification with the CRA, it was confirmed to us that the instructions mentioned in this section are incorrect, and that Part 2 should be completed instead when the amount on line Q of

Schedule 7 is greater than 0. However, *Cantax* might or might not complete Part 2 of Schedule 346 based on the incorrect instructions in Schedule 346.

Solution:

If the corporation has a permanent establishment in Nova Scotia, is a member of a partnership and the amount on line Q of Schedule 7 is greater than 0, override line 450 of Schedule 7 to \$1.

Part 4 - Determination of partnership income

Corporation's share of partnership income from active businesses carried on in Canada after deducting related expenses - from line 350 in Part 3 (if the net amount is negative, enter "0" on line U) 375,000 Q

Add:

Specified partnership loss (from amount h in Part 3) 0 R

Subtotal (amount Q minus amount R) 375,000 S

Deduct:

Specified partnership income (from amount P in Part 3) 375,000 T

Partnership income (amount S minus amount T) 450 1 U
(enter on line Y in Part 5)

Override line B in Part 1 of Schedule 346 to the result calculated on line V of Part 2.

Part 2 - Calculation of income from active business when there is partnership income

Complete this part only if the amount on line 450 of Schedule 7, *Calculation of Aggregate Investment Income and Active Business Income*, is positive.

Amount X from Part 5 of Schedule 7 125,452 H

Deduct partnership income:

Amount S from Part 4 of Schedule 7 200,001 I

	J Amounts from column E in Part 3 of Schedule 7	K Amounts from column G in Part 3 of Schedule 7 multiplied by 400,000 500,000	L Column J minus column K (if negative, enter "0")	M Lesser of columns J and K (if column J is negative, enter "0")
1.	200,000	158,401	41,599	158,401
2.	0	0	0	0
Totals			41,599 N	158,401 O

Amount on line 370 from Part 3 of Schedule 7 74,549 P

Amount on line 380 from Part 3 of Schedule 7 0 Q

Subtotal (amount P plus amount Q) 74,549 R

Enter amount N or amount R, whichever is less 41,599 S

Specified partnership income (amount O plus amount S) 200,000 T

Partnership income (amount I minus amount T) 1 U

Income from active business (amount H minus amount U) 125,451 V
Enter the amount from line V on line B in Part 1.

Part 1 - Calculation of income subject to the lower and higher tax rate for Nova Scotia and its offshore area

Taxable income for Nova Scotia* 140,452 A

Income eligible for the lower tax rate for Nova Scotia and its offshore area:

Amount from line 400 of the T2 return** 125,451 B

Amount from line 405 of the T2 return 140,452 C

Amount from line 425 of the T2 return 500,000 X

500,000 X 400,000 = 400,000 D

Then, cancel the override on line 450 of Schedule 7.

This problem will be corrected in *Cantax* T2 13.1.3xx.100.

Prince Edward Island

Schedule 5, Tax Calculation Supplementary - Corporations (S5) – Increase in the lower rate of tax for corporations with a taxation year ending after March 31, 2013

(Published in March 2013)

Problem:

In its 2013 Budget, the Prince Edward Island government announced that the lower rate of tax would be increased to 4.5% for corporations with a taxation year ending after March 31, 2013. However, *Cantax* is currently using a rate of 1%.

Solution:

If the corporation has a permanent establishment in Prince Edward Island with income subject to the lower rate of tax and its taxation year is ending after March 31, 2013, enter the result of the following calculation using an override in column G of line *Prince Edward Island* in Part 1 of Schedule 5 with the following equation result:

1% X number of days in the taxation year before April 1, 2013 / number of days in the taxation year

+

4.5% X number of days in the taxation year after March 31, 2013 / number of days in the taxation year

Part 1 - Allocation of taxable income (continued)			
Jurisdiction	F Allocation of taxable income (C+E) x 1/2 (where G or H is nil, do not multiply by 1/2)	G Effective low rate (%)	H Effective high rate (%)
Newfoundland and Labrador	0	4.000	14.00
Newfoundland and Labrador offshore	0	4.000	14.00
Prince Edward Island	500,000	4.500	16.00
Nova Scotia	0	3.500	16.00

This new measure will be integrated into *Cantax* T2 13.1.3xx.100.

Technical problem

An error message stating that the file is corrupted displays when trying to open a client file

(Published in May 2012)

Problem:

In the 2012 version of the software, the format used to save client files has been modified to accommodate a new category of information. This new file format may generate an error message stating that the file is corrupted when trying to open it with a previous version of the software. The correct message should prompt you to use a newer version of the software to open this file.

Solution:

Open the file using the version with which it was initially saved or a newer version of the software.

Example of the error message:



Example of the message that should display:

