

RELEASE NOTES

Versions 12.2.3xx.126

November 2012

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Version Coverage

Here is a summary of the main topics in the current version.

New form for amended returns

A new form to provide details of changes made in an amended tax return has been added to the program. See the [note](#) on Form L996 for more information.

AgriStability and AgriInvest Programs – Statement A

A new question allowing you to only print Statement A has been added to the AgriStability and AgriInvest Programs for the provinces of Alberta, Prince Edward Island and Ontario. See the [note](#) on the AgriStability and AgriInvest Programs for more information.

Schedules 71, 72 and 73

These schedules are used to calculate the amounts to include in income of corporations that are members of partnerships. These schedules replace Form Partnerships Workchart, *Additional Income Inclusion/Deduction* (PARTNER#01). See the [note](#) on this topic for more information.

GIFI Notes – Election when there is no prescribed form

A new box has been added to the GIFI NOTES form. This box allows you to file the form when it contains information about an election for which there is no prescribed form. See the [note](#) on this topic for more information.

Version coverage

This release of *Cantax T2* and *T2Plus* can be used to prepare corporation income tax returns for taxation years that began on or after **January 1, 2010**, and will end on or before **April 30, 2013**.

Please refer to the "[Program Enhancements](#)" section for details about the changes made to this version.

Users will be able to prepare up to three returns with *Cantax T2* and an unlimited number of returns with *Cantax T2Plus*. Throughout these *Release Notes*, the programs will be referred to as "*Cantax T2*" including versions with Corporation Internet Filing, unless the description pertains to only one of the software packages, in which case it will be referred to specifically.

If you have not purchased *Cantax T2*, you may install it as a demo version. Note that you will not be able to save or print tax returns with this version. Should you decide to purchase the software, please contact our Customer Service department to obtain an unlock code. You can reach us by the method most convenient for you (see the Help on page 6).

Seminars

Cantax Productivity Seminars - Fall 2012

Mark your Calendar. The full-day *Cantax Productivity Tour* starts on November 28, 2012! Reserve your seat today and get the latest tax and form changes to efficiently prepare your T1 Personal and T2 Corporate Income Tax Returns. [Register here!](#)

What's New in this Release?

Word Processor Template

New & Revised Template

- [Client Letter Template](#)

New & Revised Forms

* Note that these forms were updated in accordance with the latest version issued by the applicable tax authority.

Federal

- [Corporate Profile \(T2-ID\)](#)

- [Schedule 200 - T2 Corporation Income Tax Return \(T2\)*](#)
- [Line 996 - Amended Tax Return - Description of Changes \(L996\)](#)
- [Schedule 1 - Net Income \(Loss\) for Income Tax Purposes \(S1\)*](#)
- [Schedule 5 - Tax Calculation Supplementary - Corporations \(S5\)*](#)
- [Schedule 7 - Aggregate Investment Income and Active Business Income \(S7\)*](#)
- [Schedule 31 - Investment Tax Credit - Corporations \(S31\)](#)
- [Schedule 32 - Scientific Research and Experimental Development \(SR&ED\) Expenditures Claim \(S32\)*](#)
- [Schedule 62 - Form T1146 - Agreement to Transfer Qualified Expenditures Incurred in Respect of SR&ED Contracts Between Persons Not Dealing at Arm's Length \(S62#01\)*](#)
- [Schedule 71 - Income Inclusion for Corporations that Are Members of Single-Tier Partnerships \(S71#01\)](#)
- [Schedule 72 - Income Inclusion for Corporations that Are Members of Multi-Tier Partnerships \(S72#01\)](#)
- [Schedule 73 - Income Inclusion Summary for Corporations that Are Members of Partnerships \(S73\)](#)
- [CDA - Continuity of Capital Dividend Account \(CDA\)](#)
- [GIFI Notes - Notes to the Financial Statements \(GIFI NOTES\)](#)

AgriStability and AgriInvest Programs

- [AgriStability and AgriInvest Programs \(AGRI/HAGRI\)](#)
- [AgriStability and AgriInvest Programs \(AGRI/HAGRI\) – Ontario*](#)
- [AgriStability and AgriInvest Programs \(AGRI/HAGRI\) – Saskatchewan*](#)

Ontario

- [Schedule 502 - Ontario Tax Credit for Manufacturing and Processing \(S502\)*](#)

Alberta

- [AT1 Schedule 9 - Alberta Scientific Research & Experimental Development \(SR&ED\) Tax Credit \(AT1-S9\)*](#)
- [AT1 Schedule 9 Supplemental - Alberta Scientific Research & Experimental Development \(SR&ED\) Tax Credit \(AT1-S9S#01\)](#)
- [AT1 Schedule 10 - Alberta Loss Carry-Back Application \(AT1-S10\)](#)

Nova Scotia

- [Schedule 341 - Nova Scotia Corporate Tax Reduction for New Small Businesses \(S341\)*](#)
- [Schedule 346 - Nova Scotia Corporation Tax Calculation \(S346\)*](#)

Deleted Forms

Federal

- [Partnerships Workchart - Additional Income Inclusion / Deduction \(PARTNER#01\)](#)

New & Revised Guides

- T4088, Guide to Form T661 - Scientific Research and Experimental Development (SR&ED) Expenditures Claim
- Saskatchewan AgriStability 2012 Corporations/Co-operatives/Other Entities Guide

Program Enhancements

Word Processor Templates

The "Number of days in tax year" variable was added to the **Other Variables** tab in the **Word Processor Variables** dialog box.

Federal

Corporate Profile (T2-ID)

Update of the NAICS list of codes for 2012

This list is used in Form *Corporate Profile (T2-ID)*, the T106 slip (T106#01) and Form T106 Summary, *Information Return of Non-Arm's Length Transactions with Non-Residents (T106SUM)*.

Note that the list underwent important changes. For details on these changes, consult the help topics related to the forms and slips concerned. When opening a client file prepared with a previous version of *Cantax T2* or when carrying forward client files, the codes that were entered, but that have since been removed from the list will be replaced by equivalent new codes or will not be retained.

According to new CRA requirements, amended tax returns filed using tax preparation software must now be submitted in *T2 - Bar Code* format, aside from certain exceptions provided for by the CRA. When you answer "Yes" on line 997, *Is this an amended federal tax return?* (note that this question already existed in the "Other information" section), you must complete the new line 996, *Description of changes*. An expand has been added for direct access to the new form created for data entry on this line, i.e. Form [Line 996, Amended Tax Return - Description of Changes \(L996\)](#).

Furthermore, the questions with respect to the filing of an amended federal tax return or an amended Alberta tax return have been grouped in a new section of the Corporate Profile form entitled "Amended tax return."

For more information on the exceptions provided for by the CRA, consult the Help.

The lines *Date of amalgamation* and *Date of dissolution* were added to the "Other information" section, to allow the program to better guide you, by displaying the appropriate diagnostics when preparing tax returns in specific situations.

The line *Date of amalgamation* must be completed when the answer to the question on line 076 is "Yes," i.e. when it is the corporation's final tax year before amalgamation. The date of amalgamation is found on the amalgamation certificate or on the corporation's letters patent of amalgamation.

The line *Date of dissolution* must be completed when the answer to the question on line 078 is "Yes," i.e. when it is the final return up to dissolution. The date of dissolution is found on the corporation's instrument of dissolution.

Schedule 200, T2 Corporation Income Tax Return (T2)

The lines, as well as the calculations, related to taxation years ending before January 1, 2010, have been removed from the "General tax reduction for Canadian-controlled private corporations" and "General tax reduction" sections.

Line 996, Amended Tax Return – Description of Changes (L996)

This new form is to be used to provide details of the changes made in an amended tax return. This form must be completed when you answer "Yes" on line 997, *Is this an amended federal tax return?* of the [Corporate Profile](#) form. For more information, consult the Help.

Schedule 1, Net Income (Loss) for Income Tax Purposes (S1)

Line 109, *Income or loss for tax purposes - joint ventures or partnerships* has been removed. The amount of income or loss relating to joint ventures and the amount relating to partnerships must now be entered on separate lines. Therefore, the following lines were added:

Line 129, *Income or loss for tax purposes - partnerships;*

Line 132, *Income or loss for tax purposes - joint ventures.*

In addition, two lines were added to take into account the adjustments to be made to the income of a corporation member of a partnership calculated in [Schedule 73 \(S73\)](#).

Line 130, *Amounts calculated under section 34.2 - Schedule 73;*

Line 131, *Income shortfall adjustment and additional amount from Schedule 73.*

When opening a client file prepared with a previous version of *Cantax T2*, in which an amount was entered on line 109 (which was removed), this amount will be posted to line 129, *Income or loss for tax purposes - partnerships*, or line 132, *Income or loss for tax purposes - joint ventures*. However, when the amount could be allocated between those two lines, a diagnostic will prompt you to make an allocation, where applicable.

The field of lines 601, 602 and 702, which were used for the calculations with respect to Form *Partnerships Workchart (PARTNER #01)*, is now an input field. When opening a client file prepared with a previous version of *Cantax T2*, if one of the fields of these lines contained an overridden value, this value will be retained and the field will be an input field.

Schedule 5, Tax Calculation Supplementary – Corporations (S5)

Line 577, *New Brunswick non-refundable research and development tax credit (from Schedule 360)* has been

removed from the New Brunswick "Tax payable, tax credits, and rebates" section, because this credit is no longer available.

Line 681, *British Columbia shipbuilding and ship repair industry tax credit (from Schedule 430)* has been added to the British Columbia "Tax payable, tax credits, and rebates" section.

Schedule 7, Aggregate investment income and active business income (S7)

In Part 3, "Specified partnership income," a note relating to line 315, *Adjustments*, has been added to show you how to determine the amount on this line using data in the new Schedule 73 (S73), in accordance with section 34.2 of the ITA. In addition, certain changes have been made to the display of the lines in the schedule.

Schedule 31, Investment Tax Credit – Corporations (S31)

Cantax lines relating to pre-production mining expenditures were added to Section 19 to take into account the tax credit rate reduction announced in the latest budget.

The current 10% rate will decrease to 5% for expenditures incurred in 2013 and to 0% for expenditures incurred starting January 1, 2014.

Schedule 32, Scientific Research and Experimental Development (SR&ED) Expenditures Claim (S32)

Part 4, Calculation of qualified SR&ED expenditures for investment tax credit (ITC) purposes

Line 529, *20% of expenditures included on lines 340 and 370 that were incurred after December 31, 2012*, was added to take into account the new measures introduced in the 2012 budget. Pursuant to these measures, only 80% of the expenditures related to SR&ED contracts carried out at arm's length for the corporation and the payments made to third parties will qualify for the investment tax credit for SR&ED purposes.

Part 5, Calculation of prescribed proxy amount (PPA)

The year's maximum pensionable earnings giving entitlement to the Canada pension plan for the 2013 fiscal year (i.e. \$51,100) has been updated. This amount is used to determine the specified employees' salary or wages when the proxy method is selected to calculate the SR&ED expenditures.

In addition, the 65% rate used to calculate the prescribed proxy amount (PPA) will be decreased to 60% in 2013 and 55% the subsequent years. The rate used for the proxy method that will be applicable for taxation years that include days in 2012, 2013 or 2014 will be calculated in proportion to the number of days in the taxation year included in each of these calendar years.

Schedule 71, Income Inclusion for Corporations that Are Members of Single-Tier Partnerships (S71#01)**Schedule 72, Income Inclusion for Corporations that Are Members of Multi-Tier Partnerships (S72#01)****Schedule 73, Income Inclusion Summary for Corporations that Are Members of Partnerships (S73)**

These schedules are used to calculate the amounts to include in income of corporations that are members of partnerships. These schedules replace Form *Partnerships Workchart - Additional Income Inclusion/Deduction* (PARTNER#01).

Schedule 71 has to be completed by corporations that are members of single-tier partnerships and Schedule 72 has to be completed by corporations that are members of multi-tier partnerships. As for Schedule 73, it is used to calculate the amounts to be added or deducted in the corporation's income. The amounts required to calculate the various amounts and deductions in Schedule 73 come from Schedule 71 and Schedule 72.

Cantax parts have been added to Schedule 71 and Schedule 72 to:

- Indicate the first year for which the filing corporation was eligible for transitional relief,
- Indicate the allocation between business income, property income and taxable capital gain for the various amounts calculated in these schedules,
- Indicate certain preceding year amounts that are required to calculate schedules, and
- Track the transitional reserve.

Note that Schedules 71 and 72 are workcharts and only the data in Schedule 73 is included in the *T2 Bar Code Return* and the electronic return.

When opening a client file prepared with a previous version of *Cantax*, if the Yes check box was selected at line *Is the partnership a member of one or more other partnerships?*, the data from the workchart will be retained in Schedule 72. If the No check box was selected at this line or if no check box was selected, the data from the workchart will be retained in Schedule 71. Please verify if adjustments are required.

Please note that corporations are required to file a Schedule 73 for a previous year if the corporation reported amounts of stub period accrual, alignment income or transitional reserve on Schedule 1 of that previous year. Thus, the prior year Schedule 73 has to be filed separately from the current year tax return.

CDA, Continuity of Capital Dividend Account (CDA)

We have moved part of the "Eligible capital property" (E.C.P) section with respect to E.C.P dispositions in the taxation year to prevent the inclusion of this amount in the capital dividend account balance before capital dividends paid or payable. The part related to E.C.P dispositions in the year is now under the "Capital dividends paid or payable" section and is taken into account in the capital dividend account balance. In addition, a new diagnostic has been added to indicate when an excessive payment out of the capital dividend account has been entered.

GIFI Notes, Notes to the Financial Statements (GIFI NOTES)

A new box has been added to this form to allow you to file it with the *Corporation Income Tax Return* (T2) when it contains information about one or more elections made by the corporation and for which there is no prescribed form.

Partnerships Workchart, Additional Income Inclusion/Deduction (PARTNER#01)

This form has been removed from the program since Schedules 71, 72 and 73 have been implemented and replace this form. For more information, consult the [note](#) related to Schedules 71, 72 and 73.

AgriStability and AgriInvest Programs**AgriStability and AgriInvest Programs (AGRI/HAGRI)**

Henceforward, when opening this form, where the province of Alberta, Prince Edward Island or Ontario is selected, the question *Do you want to print Form Supplemental Forms?* will appear under the question used to select the province. Therefore, you can print Statement A only, which corresponds to tabs 1 to 4 of the form by leaving the answer to this question at "No," or answer "Yes" to print Statement A and Form *Supplemental Forms*. The answer to this question will be retained on carry forward.

When opening a client file prepared with a previous version of *Cantax* T2, if the AGRI/HAGRI form was applicable, the answer to this question will be "Yes."

AgriStability and AgriInvest Programs (AGRI/HAGRI) – Ontario

Several changes were made to the form for existing participants. In tables A, B and C of the "2012 AgriStability form" section, the column **Market Revenue Number (if applicable)** has been added and the columns used to enter the social insurance number (SIN), the business number (BN) and the trust number have been removed. In addition, the line *Your name* in table C has also been removed.

In the "Schedule 1 - production Summary" section, the **Unit** column has been removed. Moreover, in the "Schedule 2 - Inventory, A/R, A/P" section, the table entitled *Type of breeding livestock* and the columns **Value of inventory change** and **Change in accounts receivable/payable** of the last three tables have been removed.

Alberta**AT1 Schedule 9, Alberta Scientific Research & Experimental Development (SR&ED) Tax Credit (AT1-S9)**

Alberta's Bill 9, which was in First Reading at the time *Cantax* was released, proposes changes to the Alberta scientific research and experimental development (SR&ED) tax credit. Because of these changes, lines 015, 017, 019, 021 and 023 were removed from the form. These lines were used to calculate the reduction in Alberta expenditures when the corporation had claimed a federal investment tax credit in the immediately preceding year and that this federal tax credit related to Alberta SR&ED expenditures.

For corporations whose taxation year is ending on or before March 31, 2012, the reduction in Alberta expenditures that had to be calculated in this situation is replaced by a reduction in the Alberta SR&ED tax credit, which must be calculated using the new Form [AT1 Schedule 9 Supplemental, Alberta Scientific Research & Experimental Development \(SR&ED\) Tax Credit \(AT1-S9S#01\)](#). The result obtained in this schedule is posted to line 116, *Alberta portion of prior year federal investment tax credit*, which was added to Form AT1 Schedule 9.

Furthermore, line 106, which was used to indicate eligible expenditures, was removed from the form. This line had no impact on the calculation of this credit. In addition, the field of line *Name*, which was previously completed by the program, is now an input field and line *Firm name, if applicable* was added to the form. This line will be completed automatically using the information in the tax preparer information dialog box.

Note that the Alberta government announced that corporations will have to recalculate their Alberta SR&ED credits for taxation years ending on or before March 31, 2012, by completing the new version of Form AT1 Schedule 9 as well as Form AT1 Schedule 9 Supplemental and by submitting these forms to the Tax and Revenue Administration (TRA). Recalculating the credit is necessary, because the changes proposed in Bill 9 have a retroactive impact to January 1, 2009.

AT1 Schedule 9 Supplemental, Alberta Scientific Research & Experimental Development (SR&ED) Tax Credit (AT1-S9S#01)

This new multiple clone worksheet was added to *Cantax* to allow you to calculate the reduction in the Alberta scientific research and experimental development (SR&ED) tax credit when the corporation claimed a federal investment tax credit in the immediately preceding year and that this federal tax credit related to Alberta SR&ED expenditures. This new reduction only affects corporations whose taxation year is ending on or before March 31, 2012. A copy of this worksheet must be completed for each year where the federal investment tax credit claimed in the immediately preceding year originates. For example, if the federal investment tax credit claimed in the immediately preceding year originates in 2009 and in 2010, a first copy of Form AT1 Schedule 9 Supplemental will have to be completed using the 2009 amounts and a second copy using the 2010 amounts. The total of these amounts will then be posted to line 116 of Form [AT1-Schedule 9](#).

When carrying forward the client file, *Cantax* will carry over to Form AT1 Schedule 9 Supplemental the amounts required to calculate the reduction, but only if the federal investment tax credit claimed in the immediately preceding year originates in a single year.

Note that Form AT1 Schedule 9 Supplemental is not part of the Alberta RSI schedules, but it must be attached to the Alberta RSI return, where applicable. The form does not have to be sent if the Alberta return is filed electronically, but it must be kept on file in case the government of Alberta asks to see it.

AT1 Schedule 10, Alberta Loss Carry-Back Application (AT1-S10)

A question was added at the top of the schedule in order to allow you to electronically file the AT1 Schedule 10 in cases where this schedule is applicable, but where the corporation is exempt from filing a tax return according to Schedule *Alberta Corporate Income Tax Exemption (AT1-E)*. For more information, please consult the Help.

Nova Scotia

Schedule 346, Nova Scotia Corporation Tax Calculation (S346)

A new line has been added to reflect the reduction in the lower rate which will be decreased from 4% to 3.5% on January 1, 2013.

Technical Enhancement

Web Service for Corporation Internet Filing

Starting this year, the filing of a corporate return to the CRA using *Cantax T2* will be made through a Web Service instead of the CRA Web pages.

To do so, you will need to configure your Corporate Internet Filing setup. Then, you may proceed with the filing of your return. If you did not enter an EFILE On-Line number in the **Internet Filing Setup** dialog box, you will be prompted to enter the business Web Access Code during the transmission process. *Cantax* will notify you of the status of the transmission, whether it is accepted or rejected.

Filing Requirements

Requirements for Filing Corporate Returns

Please refer to the "Filing Requirements" Help topic of the program for an explanation on the requirements of the various tax authorities for filing corporate returns.

A chart is also available under the "Printing - Requirements for Filing Corporate Returns" Help topic, which further explains the requirements of the various tax authorities.

Mandatory Internet filing for tax preparer

Bill C-38, which received Royal Assent on June 29, 2012, introduced modifications to the disposition of the *Income Tax Act (ITA)* with regards to electronic filing of tax returns. These modifications apply with respect to tax returns covering the 2012 and later taxation years that are filed after 2012.

Section 150.1 of the ITA has been modified with the result that tax preparers are required to electronically file the returns they prepare, if in the calendar year they prepared and paper-filed ten returns. Any tax preparer who fails to file a return in the manner described in subsection 150.1(2.3) of the ITA will be liable to pay a \$25 penalty for each such failure to file the return of an individual and a \$100 penalty for each such failure to file the return of a corporation.

Ensure to file your returns in the appropriate format.

For more information, consult the "Federal Corporation Internet Filing" help topic.

Corrected Calculation

The following problem has been resolved in the current version:

Federal

- Corporate Profile (T2-ID) - Wrong answer to the question with respect to the mandatory electronic transmission when there is a change of address

Help

Software Support Hotline: 1-888-829-7848
Tax and Technical Support E-mail: support@cch.ca

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