



New Item for the Week of April 7

Note: Last week, we published the item below. However, we decided to modify the suggested solution to meet the needs of a greater number of users. That is why we are publishing this item again today.

Error message displayed while importing data from CCH R&D

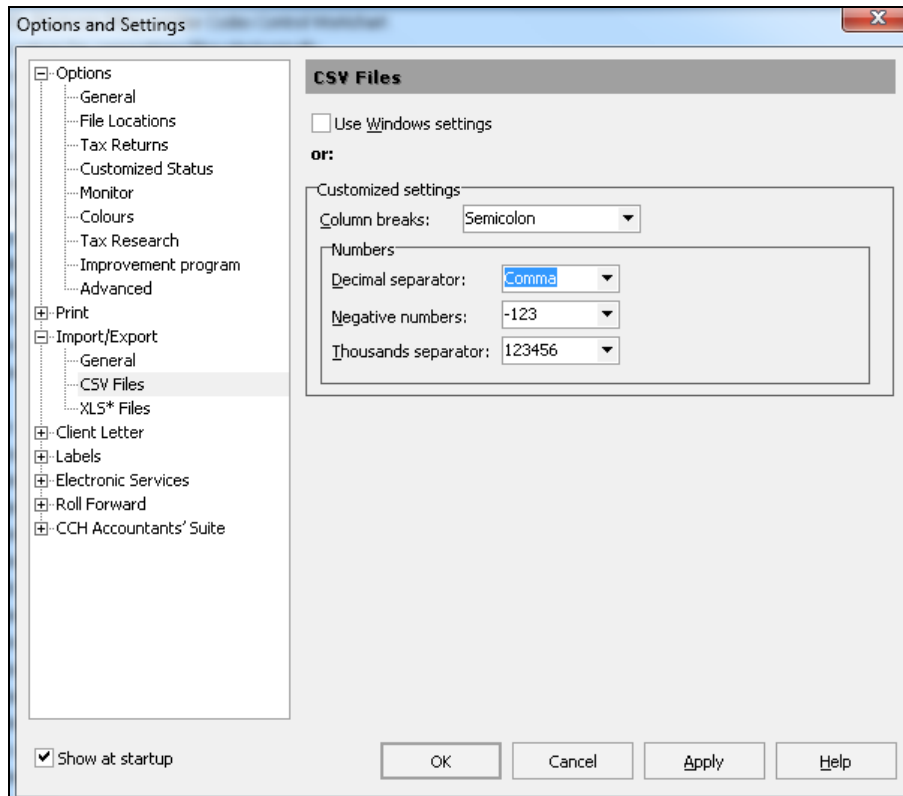
QUESTION

What should I do if, while importing data from *CCH R&D* into Form T661, the *Corporate Taxprep* program returns the “Too many errors to import” message?

ANSWER

Here are the things that can be verified:

1. Ensure that the CSV file was not opened with Excel.
2. In *Taxprep*, verify that the correct separators are selected for the columns and decimals. To do so, access the **CSV Files** panel in the “Import/Export” section of the **Options and Settings** dialog box (**Tools/ Options and Settings** command). It is important to use the semi-colon (;) as the column separator and the comma (,) as the decimal separator.



Federal

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

(Published in December 2011)

QUESTION

What is the significance of the CAN, MEX and US symbols that display at the end of 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.

Electronic Filing and balance payment

(Published in January 2011)

QUESTION

How can I pay the balance due when I electronically file a corporate tax return?

ANSWER

We invite you to consult the CRA Web site at the following address to become familiar with the different methods to pay a balance due when a return is electronically filed with the federal government: www.cra.gc.ca/tx/bsnss/tpcs/crprtns/pymnts/mthds/menu-eng.html.

If you electronically file a CO-17 return, we invite you to consult the *Revenu Québec* Web site at the following address to become familiar with the different methods to pay a balance due when a return is electronically filed with the Québec government: http://www.revenuquebec.ca/en/entreprise/impot/societes/declaration/prod_ordi/trans_elecronique/paiement_remboursement.aspx.

Notes, Notes to the Financial Statements (Jump Code: NOTES) - Diagnostic N11

(Published in June 2010)

QUESTION

How can I clear the diagnostic N11 when I am not transmitting electronically the notes to the financial statements with the Notes form?

N11 - Schedule 141 - The return has been selected for Corporation Internet Filing and you have answered "Y" to the question on line 141101. However, there are no notes in the GIFI Notes form.

ANSWER

In the Notes form, select the box **Do not transmit electronically** and enter a value in the cell below this box.

Notes to the financial statements

Do not transmit electronically

The CRA limits the size of the transmission to 4 millions bytes. During transmission, if Taxprep advises you that you are exceeding this limit, select this checkbox to avoid submitting the notes to the financial statements. You must then submit them by fax or mail.

Ⓜ

The value entered will not be transmitted electronically.

T661, Scientific Research and Experimental Development (SR&ED) Expenditures Claim (Jump Code: 661) - Calculations of line 429b and 429b2

(Published before 2010)

QUESTION

How can I ensure that the program is correctly calculating the amounts at lines 429b and 429b2 of Form T661 in respect of the Ontario innovation tax credit and the Ontario research and development tax credit?

ANSWER

Here are the steps to follow to ensure that the program correctly calculates the amounts at lines 429b and 429b2 of Form T661:

Step 1: Complete Form T661.

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

Step 3: Complete Schedule 566, *Ontario Innovation Tax Credit* (Jump Code: 566), 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 calculated at lines 513b2 and 514b2 of Form T661.

Step 5: Enter, at line 514b2 of Form T661, the portion of the Ontario Research and Development Tax Credit (Schedule 508) attributable to the capital expenditures. For more details on the calculation that has to be done, please consult section 38 of the *Taxation Act, 2007* (Ontario) and 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 calculated at lines 513b, 513b1 and 513b2 of Form T661 for the current expenditures, and the lines 514b, 514b1 and 514b2 for the capital expenditures.

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 (Jump Code: 661) Part 2, Project information (Jump Code: 661 PART 2)

(Published before 2010)

QUESTION

Why doesn't *Taxprep* respect the maximum word limitation for 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.

Schedule 141, Notes Checklist (Jump Code: G141) - Parts 1 and 4

(Published before 2010)

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.

T1134A, Information Return Relating To Foreign Affiliates That Are Not Controlled Foreign Affiliates (Jump Code: 1134A), and T1134B, Information Return Relating to Controlled Foreign Affiliates (Jump Code: 1134B) - New Form T1134

(Published in January 2013)

QUESTION

Does the new Form T1134 have to be filed with the CRA or can we still file the Forms T1134A and T1134B that are available in *Corporate Taxprep*?

ANSWER

Even though the new Form T1134, which is a combination of Forms T1134A and T1134B, has been published by the CRA, you can still file the Forms T1134A and/or T1134B that are available in *Corporate Taxprep*. You have the option to continue to file the Forms T1134A and/or T1134B until the new Form T1134 is available in *Corporate Taxprep*, i.e. until the release of version 2013 v.1.0, which should be in May 2013. However, note that after filing Forms T1134A and/or T1134B, the CRA could ask for additional information required in the new Form T1134.

In *Corporate Taxprep* 2013 v.1.0, when you open a client file prepared with a prior version, all of the information from Forms T1134A and T1134B that must also be provided in the new version of Form T1134 will be transferred to the new form.

Dividends Received from Foreign Non-Affiliated Corporations

(Published before 2010)

QUESTION

Where do I enter dividends received from foreign *non-affiliated* corporations (i.e. dividends subject to Part I tax) on Schedule 3?

ANSWER

Do not enter these types of dividends on Schedule 3. The CRA has not provided a column on this schedule for these types of dividends. The CRA has stated that since these types of dividends are already included in net income for accounting and tax purposes (entered at the top of Schedule 1) there is no need to enter them on Schedule 3.

We have explained to the CRA officials that an additional column in Schedule 3 to enter these types of dividends would be useful, as Schedule 7 would automatically be updated. They have acknowledged this and may make a change in the next review of their forms.

In the meantime, enter dividends received from foreign non-affiliated corporations on the line *Other Property Income* (much like interest income) in the **Foreign** column of Schedule 7.

Schedule 13, Continuity of reserves (Jump Code: 13) - Section "Financial statement reserves (not deductible) (federal)"

(Published before 2010)

QUESTION

How can I take into account my reserves from financial statements if they are negative?

ANSWER

The reserves from financial statements entered on Schedule 13 will be carried forward to Schedule 1 in order to make the necessary adjustments to the net income. However, the CRA specifications do not allow any negative amounts in Schedule 1. Thus, if your reserves from financial statements are negative in Schedule 13, none of the amounts from these reserves will be carried forward to Schedule 1.

If this is the case, you can use the lines in the “Miscellaneous other additions” and “Miscellaneous other deductions” sections from Schedule 1 to readjust your net income with the reserves from financial statements. However, since the lines in these sections do not allow you to enter negative amounts, you will have to proceed by addition.

| Financial statement reserves (not deductible) (federal) | | | | | |
|---|--------------------------------------|---|-----|--------|--------------------------------|
| Description | Balance at the beginning of the year | Transfer on amalgamation or wind-up of subsidiary | Add | Deduct | Balance at the end of the year |
| 1 | 0 | 0 | 0 | 0 | 0 |
| Reserves from Section 2 below | 0 | 0 | 0 | 0 | 0 |
| Totals | 0 | 0 | 0 | 0 | 0 |

The total of the amounts at lines “Totals” of the **Balance at the beginning of the year** and **Transfer on amalgamation or wind-up of subsidiary** columns will have to be entered as a positive amount in the “Miscellaneous other additions” section of Schedule 1. The same way, the negative amount calculated on the total line of the **Balance at the end of the year** column will have to be entered as a positive amount in the “Miscellaneous other deductions” section of Schedule 1.

Schedule 24, question 100, type of operation that applies to the corporation (Published before 2010)

QUESTION

For a new corporation, what “type of operation that applies to the corporation” code should I use when answering question 100 in Schedule 24?

ANSWER

The CRA has recently explained to us that an improper use is being made of the codes for the “type of operation that applies to a corporation” that are found in question 100 of Schedule 24, *First time filer after incorporation, amalgamation, or winding-up of a subsidiary into a parent*.

Many people have been using code 9, “Investment Corporation,” by error instead of using code 99, “Other - if none of the previous descriptions apply.” Code 9 applies to the definition given in subsection 130(3) concerning a corporation that must first of all be a public corporation and that also meets several other conditions.

The CRA has asked us to advise you to pay particular attention to the code that is used when answering this question. Note that most of these codes refer to specific requirements that are defined in the Canadian *Income Tax Act*.

Returns Filed Without a Business Number (BN)

(Published before 2010)

QUESTION

Is it necessary to have a business number to file a corporation income tax return with the Canada Revenue Agency (CRA)?

ANSWER

In order to meet the CRA requirements, *Corporate Taxprep* allows you to print returns only if a business number is entered in the ID form, *Corporate Identification and Other Information* (Jump Code: ID) of the corporations' returns. The purpose of this requirement is to diminish the processing delay of those returns.

For more information on how to obtain a business number, visit the CRA Web site at the following address: www.cra-arc.gc.ca/tx/bsnss/tpcs/bn-ne/menu-eng.html.

Québec

Internet filing of Québec tax return prepared by tax preparers

(Published in January 2013)

QUESTION

Do tax preparers have to electronically file Québec tax returns like they have to for federal tax returns?

ANSWER

The Québec government has specified, in its Information Bulletin 2012-6, that Québec's tax legislation will be amended to incorporate the federal measures relating to electronic filing of tax returns prepared by tax preparers.

The Québec definition of a "tax preparer" is the same as the federal definition. Therefore, it consists of a person or partnership that prepares, in a given calendar year and for consideration, more than 10 corporate tax returns or more than 10 income tax returns for individuals.

Like the federal amendments, the changes made in Québec will apply to income tax returns for the 2012 and subsequent taxation years that are filed after 2012.

For more information, please consult the Information Bulletin 2012-6 at the following address: http://www.finances.gouv.qc.ca/documents/bulletins/en/BULEN_2012-6-a-b.pdf.

Electronic Filing and balance payment

(Published in January 2011)

QUESTION

How can I pay the balance due when I electronically file a corporate tax return?

ANSWER

We invite you to consult the CRA Web site at the following address to become familiar with the different methods to pay a balance due when a return is electronically filed with the federal government: www.cra.gc.ca/tx/bsnss/tpcs/crprtns/pymnts/mthds/menu-eng.html.

If you electronically file a CO-17 return, we invite you to consult the *Revenu Québec* Web site at the following address to become familiar with the different methods to pay a balance due when a return is electronically filed with the Québec government:

http://www.revenuquebec.ca/en/entreprise/impot/societes/declaration/prod_ordi/trans_eletronique/paiement_remboursement.aspx.

Québec Returns Filed Without an Identification Number

(Published before 2010)

QUESTION

Is it necessary to have an identification number to file a Québec corporation income tax return with *Revenu Québec*?

ANSWER

In order to meet *Revenu Québec's* requirements, *Corporate Taxprep* allows you to print Québec returns only if an identification number (XXXXXXXXXX IC 0001) is entered in the ID form, *Corporate Identification and Other Information* (Jump Code: ID) of the corporations' returns. The purpose of this requirement is to diminish the processing delay of those returns.

For more information on how to obtain an identification number, visit *Revenu Québec's* Web site at the following address:

<http://www.revenuquebec.ca/fr/entreprise/demarrage/inscription/inscription-societe.aspx>.

CO-1136, Calculation of Paid-Up Capital (Jump Code: 1136) - Filing of the form

(Published in February 2012)

QUESTION

Should Form CO-1136 be filed when the corporation's taxation year begins after December 31, 2010, and the corporation does not have capital tax payable?

ANSWER

Form CO-1136 should be filed when the corporation's taxation year begins after December 31, 2010, even if the corporation does not have capital tax payable.

Form CO-1136 is used to determine the paid-up capital for the purpose of calculating capital tax, but it is also used to determine the paid-up capital for the purpose of establishing the eligibility and calculation of certain deductions, exemptions and credits, and to perform the calculation. Although in most cases, the paid-up capital to be used for those calculations corresponds to the paid-up capital for the preceding year, *Revenu Québec* requires that form CO-1136 be filed with the income tax return each year.

Please note that the same rule applies for corporations that have to complete Form CO-1140, *Calculation of the Paid-Up Capital of a Financial Institution* (Jump Code: 1140).

Ontario

Ontario loss carry back

(Published in June 2010)

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 (Jump Code: 4). 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.

Schedule 546, Corporations Information Act Annual Return for Ontario Corporations (Jump Code: 546) - Schedule filing

(Published before 2010)

QUESTION

Does Schedule 546 have to be filed annually?

ANSWER

For tax years ending after December 31, 2008, every corporation that is incorporated, continued, or amalgamated in Ontario and subject to the *Business Corporations Act* or the *Corporations Act*, except for registered charities under the federal *Income Tax Act*, must file Schedule 546 annually.

The form will be applicable when the answer to the question *Is the corporation incorporated in Ontario under the Business Corporations Act or the Corporations Act?*, located above Part 1 of Schedule 546, is “Yes.”

| | |
|--|---|
| Is the corporation incorporated in Ontario under the <i>Business Corporations Act</i> or the <i>Corporations Act</i> ? | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
|--|---|

By default, the answer to this question is “Yes” when it is indicated that the corporation is incorporated under the Ontario laws in Form *Corporate Identification and Other Information* (Jump Code: ID).

If you’ve never answered this question, the jurisdiction will default to “Federal” and Schedule 546 will not be applicable.

| | |
|----------------------------------|--|
| Jurisdiction incorporated | |
| Federal | <input type="checkbox"/> |
| Province | <input checked="" type="checkbox"/> ON Ontario |
| Other (please specify): | |

Please note that a corporation that is incorporated, continued, or amalgamated in a jurisdiction outside Canada with a licence under the *Extra-Provincial Corporations Act* to carry on a business in Ontario must file Schedule 548, *Corporations Information Act Annual Return for Foreign Business Corporations* (Jump Code: 548) and not Schedule 546.

General Index of Financial Information (GIFI)

GIFI - Non-resident Corporations

(Published before 2010)

QUESTION

Do non-resident corporations have to use the General Index of Financial Information (GIFI)?

ANSWER

Non-resident corporations can use the GIFI when they are reporting in unconsolidated Canadian funds. Exceptions to this are non-resident corporations that are filing under section 115 of the *Income Tax Act* only because of section 116, and treaty-based exempt corporations.

All corporations, with the exception of insurance companies, must submit their financial statements in GIFI format for taxation years ending in 2000 or later.

Schedule 125, Income Statement Information (Jump Code: G125) - Removal of codes 9543, 9574, 9575 and 9665

(Published in June 2012)

QUESTION

Why does the General Index of Financial Information (GIFI) no longer balance after opening a client file prepared with a previous version of *Corporate Taxprep*?

ANSWER

Four GIFI codes, related to AgriStability and AgrilInvest programs, have been removed from Schedule 125 by the Canada Revenue Agency. Therefore, these codes have been removed from *Corporate Taxprep* 2012 v.1.1. It consists of codes 9543, *NISA payments (AGRI)*, 9574, *Resales, rebates, GST for NISA eligible expenses (AGRI)* and 9575, *Rebates, GST for NISA non-eligible expenses (AGRI)*, which were in sub-Schedule 9659 (Jump Code: **G9659**) as well as code 9665, *Insurance premiums (crop) NISA ACS (AGRI)*, which was in sub-Schedule 9898 (Jump Code: **G9898**).

| | | | |
|---|------|---|---|
| NISA payments (AGRI) | 9543 | 0 | 0 |
| Resales, rebates, GST for NISA eligible expenses (AGRI) | 9574 | 0 | 0 |
| Rebates, GST for NISA non-eligible expenses (AGRI) | 9575 | 0 | 0 |
| Insurance premiums (crop) NISA ACS (AGRI) | 9665 | 0 | 0 |

When opening a client file prepared with a previous version of *Corporate Taxprep*, the amounts entered in those fields are **not retained**, which can cause a GIFI imbalance if amounts were entered with these codes. Please verify whether the amounts entered with these codes should be in the GIFI and, if this is the case, please choose another GIFI code to enter these amounts.

Here are some suggestions of GIFI codes that can be used to enter the amounts that were entered with the deleted codes.

The amount that was entered with code 9543 can be entered with code 9540, *Program payment revenues*.

The amounts that were entered with codes 9574 and 9575 can be entered with code 9570, *Rebates*.

The amount that was entered with code 9665 can be entered with code 9660, *Crop expenses*. It can also be entered with code 9797, *Crop insurance, Revenue Protection Program and stabilization premiums* or with code 9804, *Other insurance premiums*.

Where required, the same changes should be made to the amounts in the **Prior year** column of sub-Schedules 9659 and 9898.

Electronic Filing

Electronic Filing and Internet Explorer 8.0

(Published before 2010)

QUESTION

Are versions prior to *Corporate Taxprep 2009 v.1.0* compatible with Internet Explorer version 8.0?

ANSWER

Versions available prior to the *Corporate Taxprep 2009 v.1.0* release (May 2009) are not entirely compatible with this new version of Internet Explorer. Our test results indicate that electronic filing of returns (EFILE) does not work properly. The interaction with Web pages has changed in version IE8: both the name and path of the file are not automatically entered in the Web page by the application, which interrupts the transmission. If you wish to use a version prior to *Corporate Taxprep 2009 v.1.0* to electronically file your return, please wait before proceeding with the update to IE8. If IE8 is already installed, you will not be able to electronically file your return and will have to file it by other means.