



Corporate Taxprep®

Troubleshooting

Corporate Taxprep 2012 v.2.0

April 2013

The following problems have been detected in *Corporate Taxprep* 2012 v.2.0.

New Items - Week of April 14

Manitoba - Schedule 385, Manitoba Odour-Control Tax Credit (Jump Code: 385) - 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, *Taxprep* 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 program 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		0	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	0 E
Add: Credit transferred on an amalgamation or the wind-up of a subsidiary	110	0	0 F
Current-year credit earned (amount D from Part 1)	0 × 10 % =	120	0 c
Deduct: Credit renounced	150	0	d
Subtotal (amount c minus amount d)		0	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) (enter on line 623 of Schedule 5)	161	0	f
Credit carried back to previous tax years (complete Part 4)		0	g
Subtotal (total of amounts e to g)		0	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 *Corporate Taxprep* 2013 v.1.0.

Manitoba - MCT1, Corporation Capital Tax Return (Jump Code: MJ) - Increase in the capital tax rate for banks, trust and loan corporations with a taxation year ending after April 16, 2013

Problem:

In its 2013 Budget, the Manitoba government announced that the capital tax rate would be increased to 5% for banks, trust and loan corporations with a taxation year ending after April 16, 2013. However, *Taxprep* is currently using a rate of 4%.

Solution:

If the corporation is a bank, a trust or a loan corporation with a taxation year ending after April 16, 2013, and is subject to the Manitoba capital tax, please override to "5%" the line *Bank, loan or trust corporations rate - For fiscal years ending after April 17, 2012* in the "MCT 1 - Corporation capital tax return" section of the *Table of Rates and Values Used in the Provincial Returns* (Jump Code: RTS PROV).

Additional taxable capital rate for a corporation with a fiscal year that begins after January 1, 2010, and a taxable capital that exceeds \$10,000,000, but that does not exceed \$11,000,000	2.20 %
Bank, loan or trust corporations rate – For fiscal years ending before April 18, 2012	3.00 %
Bank, loan or trust corporations rate – For fiscal years ending after April 17, 2012	5.00 %
Crown corporations rate	0.50 %

This new measure will be integrated into *Corporate Taxprep* 2013 v.1.0.

Federal

T106 - T106 Slip (Jump Code: 106) - 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 (Jump Code: 106S) as well as each T106 slip. *Taxprep* 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 (Ctrl+ P) 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)	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			

To quickly identify which slips should be printed, you can consult Form T106L (Jump Code: **106L**). The amounts in box I of each slip are identified on this form.

Name of the non-resident	A	B	C	Amount Box I	Ending balance				
					Part IV Loans, advances, investments and similar amounts			Part V Current accounts	
					Amounts owed by	Amounts owed to	Investment in non-resident	Accounts payable	Accounts receivable
AAA				1,250,000	0	0	0	0	0
BBB				0	0	0	0	0	0
CCC				750,000	0	0	0	0	0
Totals				2,000,000	0	0	0	0	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 *Corporate Taxprep 2013 v.1.0*.

Identification, Corporate Identification and Other Information (Jump Code: ID) - Incorrect value in the "Province" field of line "Jurisdiction incorporated" as a result of a roll forward

(Published in February 2013)

Problem:

When a province of residence is indicated at line 2 in Part B of the selected preparer profile and the **Federal** box is selected at line *Jurisdiction incorporated* in the Identification form, the province of residence indicated in the profile is carried over to the "Province" field of line *Jurisdiction incorporated* during roll forward of client files, while it should not be.

Solution:

If such an error occurred during roll forward of your file, please remove the province entered in the "Province" field of line *Jurisdiction incorporated* in the Identification form.

Jurisdiction incorporated	
Federal	<input checked="" type="checkbox"/>
Province	<input type="text"/>
Other (please specify):	<input type="text"/>

This problem will be corrected in *Corporate Taxprep 2013 v.1.0*.

Schedule 4 - Corporation Loss Continuity and Application (Jump Code: 4) - Increase in the restricted farm losses deduction limit for corporations with a taxation year ending after March 20, 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 restricted farm losses rules 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, override to \$15,000 the line *Limit applicable to losses in excess of \$15,000* in Section “Schedule 4 - Corporation loss continuity and application” of the *Table of Rates and Values Used in the Return* (Jump Code: RTS).

Schedule 4 – Corporation loss continuity and application	
Restriction farm losses	
Basic amount	2,500
Limit applicable to losses in excess of \$15,000	15,000

In addition, to answer the question located above Section 4, “Restricted form losses,” when determining a restricted farm loss, you must take into account the budget measures provided to codify the chief source of income.

Restricted Farm Loss Determination:	
Is the corporation exempt from the restricted farm loss rules? (A reply of "No" triggers application of the restricted farm loss rules.)	
	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Part 4 – Restricted farm losses	
Current-year restricted farm loss	
Total losses for the year from farming business	485 45,000 A

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 *Corporate Taxprep 2013 v.1.0*.

Schedule 17, Credit Unions Deductions (Jump Code: 17) - Modification to the additional credit calculation

Problem:

In its 2013 budget, the federal government announced modifications to the additional credit deduction for credit unions. The budget proposes to phase out the additional deduction, and to eliminate it for taxation years after 2016. This modification applies to taxation years ending after March 20, 2013.

For taxation years prior to 2014, the rate that should be applied to determine the reduced amount for the additional credit for credit unions corresponds to the following sum:

- a) the proportion of 100% that the number of days in the year that are before March 21, 2013, is of the number of days in the taxation year, plus
- b) the proportion of 80% that the number of days that are after March 20, 2013, but before January 1, 2014, is of the number of days in the taxation year.

Solution:

If the corporation’s taxation year is ending after March 20, 2013, and an additional credit is calculated on line 650 in Section 3 of Schedule 17, enter the result of the following calculation on line G of Schedule 17 using an override:

Amount from line G calculated by *Corporate Taxprep X A*

where A represents the following sum:

100% X number of days in the taxation year before March 21, 2013 / number of days in the taxation year

+

80% X number of days in the taxation year after March 20, 2013, but before January 1, 2014 / number of days in the taxation year

Part 3 – Additional deduction						
Taxable income for the tax year (from line 360 of the T2 Corporation Income Tax Return)					500	B
4 / 3 x maximum cumulative reserve at the end of the tax year					600	0
Minus: Preferred-rate amount at the end of the previous tax year (amount H below)						0
Total (if negative, enter "0")						0 C
Amount B or C, whichever is less						0 D
Minus: Amount on line 400, 405, 410, or 425 of the T2 return, whichever is the least					625	0
Total (if negative, enter "0")						0 E
Amount E	0	x	Number of days in the tax year before January 1, 2008	0	x	16 % = 0 F
			Number of days in the tax year	365		
Amount E	0	x	Number of days in the tax year after December 31, 2007	365	x	17 % = 0 G
			Number of days in the tax year	365		
Additional deduction (amount F plus amount G)					650	0
Enter the amount from line 650 on line 628 of the T2 return.						

For further information on this new measure, 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 *Corporate Taxprep 2013 v.1.0*.

Schedule 72, Income Inclusion for Corporations that Are Members of Multi-Tier Partnerships (Jump Code: 72) - Transitional reserve calculation

(Published in January 2013)

Problem:

When the corporation is only a member of one or more multi-tier partnerships, (i.e., when it is not a member of any single-tier partnership) it underwent a loss in the taxation year and this is not the first time that it is claiming a transitional reserve, *Taxprep* incorrectly calculates the transitional reserve amount. In this situation, the corporation’s income amount calculated at line OO in the first copy of Schedule 72 is a negative amount, which causes the calculated transition reserve to be a negative amount as well.

Solution:

If the corporation is in this situation and a negative amount is calculated at line OO in the first copy of Schedule 72, please override line OO to “0.”

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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If an Alberta and/or a Québec copy has been created for Schedule 72, verify if a negative amount is calculated at line OO of these copies and make the same modifications as were made in the federal copy, if required.

This problem will be corrected in *Corporate Taxprep 2013 v.1.0*.

Schedule 71, Income Inclusion for Corporations that Are Members of Single-Tier Partnerships (Jump Code: 71), and Schedule 72, Income Inclusion for Corporations that Are Members of Multi-Tier Partnerships (Jump Code: 72) - 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 *Corporate Taxprep* 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 *Taxprep* 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			

After having made the required overrides, enter in Section 1 of Schedule 71 and/or Schedule 72, the partnership's fiscal period that starts in the corporation's taxation year and that ends after the corporation's taxation year.

If an Alberta and/or a Québec copy have been created for Schedule 71 and/or Schedule 72, you will have to make the same modifications in those copies as was made in the federal copy.

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 *Corporate Taxprep 2013 v.1.0*.

Schedule 71, Income Inclusion for Corporations that Are Members of Single-Tier Partnerships (Jump Code: 71), and Schedule 72, Income Inclusion for Corporations that Are Members of Multi-Tier Partnerships (Jump Code: 72) - 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, *Corporate Taxprep* 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 CC

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 OO

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". FF

Please note that if an Alberta and/or a Québec copy has been created for Schedule 71 or Schedule 72, you will have to make in these copies the same modifications than those made in the federal copy.

These problems will be corrected in *Corporate Taxprep 2013 v.1.0*.

Québec

CO-1029.8.36.MA, Tax Credit for the Diversification of Markets of Québec Manufacturing Companies (Jump Code: 1029836MA) - Incorrect credit limit when more than one copy of the form is applicable

(Published in March 2013)

Problem:

The maximum tax credit limit for the diversification of markets of Québec manufacturing companies for all the years for which the corporation is making a claim is \$45,000. *Taxprep* uses a limit of \$45,000 per copy of Form CO-1029.8.36.MA, but should instead use a limit of \$45,000 for all copies of the form.

Solution:

If you have created more than one copy of Form CO-1029.8.36.MA, override line 093 of Form QC L440P-Y (Jump Code: **L440P**) with the lesser of amount A and B, where:

A = the sum of the amounts on lines 115 of the copies of Form CO-1029.8.36.MA, and

B = 45 000 minus the sum of the amounts of lines 164 of the copies of Form CO-1029.8.36.MA.

Please note that amount B cannot be lower than “0.”

CO-1029.8.36.MA

4 Tax credit			
Eligible certification expenses (amount from line 63)		111	0
Assistance, benefit or advantage respecting expenses from a prior year and repaid (or deemed repaid) by the corporation in the year ⁵	+	112	0
Add lines 111 and 112.	=	113	0
Tax credit rate	×	114	30 %
Multiply line 113 by 30%	=	115	0
Tax credit before the application of the overall limit			
Maximum tax credit respecting the eligible certification expenses		161	45,000
Total of amounts V on the forms completed for previous years	-	162	0
Total amount of special tax paid for previous years	-	163	0
Subtract line 163 from line 162.	=	164	0
Subtract line 164 from line 161.	=	165	45,000
Balance of the overall limit			
Enter the amount from line 115 and line 165, whichever is less . Carry amount V (or the total of amounts V) to one of lines 440p to 440y of form CO-17, <i>Déclaration de revenus des sociétés</i> and enter code 93 in the appropriate box.		166	V 0
Tax credit			

QC L440P-Y

093	Tax credit for the diversification of markets of Québec manufacturing companies (CO-1029.8.36.MA)	0
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This problem will be corrected in *Corporate Taxprep 2013 v.1.0*.

MR-69, Power of Attorney, Authorization to Communicate Information, or Revocation (Jump Code: MR69) - MR-69 form prints in English instead of French

(Published in December 2012)

Problem:

When the return is printed in English, the Québec forms print in French, except for the MR-69 form, which prints in English.

Solution:

Revenu Québec indicated that MR-69 forms that were already filed in English will not be rejected, but should there be an audit, the government may ask you to file the MR-69 form again in French, if you filed the English version of this form.

For future printing, print the MR-69 form in French after the return and attach a signed copy of this form to the return.

This problem will be corrected in *Corporate Taxprep* 2013 v.1.0.

CO-17.A.1, Net Income for Income Tax Purposes (Jump Code: Q1) - Descriptions on lines 601, 602 and 702 and the amounts on lines 291, 292 and 392 of federal Schedule 1 are not automatically updated to Schedule CO-17.A.1

(Published in December 2012)

Problem:

In versions 2011 2.0 and 2012 1.1 of *Corporate Taxprep*, lines 601, 602, 702, 291, 292 and 392 of federal Schedule 1 (Jump Code: 1) were used to enter data with respect to the tax measure about the elimination of the deferral of corporate tax through a partnership whose fiscal period does not coincide with the corporation's taxation year.

In the most recent version of *Corporate Taxprep* (2012 2.0), these lines can no longer be used for this purpose: they revert to being lines that can be used to enter various additions or deductions. If you have entered data on these lines in federal Schedule 1, descriptions and amounts are not automatically updated to Schedule CO-17.A.1.

Miscellaneous other additions:			
600		290	0
601	Miscellaneous other addition on line 601	291	601
602	Miscellaneous other addition on line 602	292	602

Miscellaneous other deductions:			
700		390	0
701		391	0
702	Miscellaneous other deduction on line 702	392	702
703			0

Solution:

If there is data on lines 601, 602, 702, 291, 292 and/or 392 of federal Schedule 1 and the corporation has a permanent establishment in Québec, you must enter this data in Section 2.1 (additions) and/or Section 2.2 (deductions) of Schedule CO-17.A.1, on the first available lines, i.e.:

on lines 80b, 80c, 80h and following for the additions; and

Other ⁸ Specify:	+	80a	0
	+	80b	0
	+	80c	0
	+	80d	0
	+	80e	0
	+	80f	0
	+	80g	0
	+	80h	0
	+	80i	0
	+	80j	0
	+	80k	0

on lines 150c, 150f and following for the deductions.

Other ¹¹ Specify:	+	150a	0
	+	150b	0
	+	150c	0
	+	150d	0
	+	150e	0
	+	150f	0
	+	150g	0
	+	150h	0
	+	150i	0
	+	150j	0
	+	150k	0

To help you identify which of the tax returns could be affected by this problem, we made a client filter available to allow you to quickly access a list of those tax returns. To get this client filter, click [here](#).

This problem will be corrected in *Corporate Taxprep* 2013 v.1.0.

Client letter - Filing Instructions (Jump Code: CLF) - Incorrect reference with respect to the electronic service used to file Québec tax returns

(Published in December 2012)

Problem:

When a Québec tax return is filed electronically, the CLF letter indicates that the authorization to transmit is granted through the Clic Revenu service even if the NetFile service has been selected.

Solution:

If the Québec tax return is electronically filed through the NetFile service and you want the appropriate reference to be used in the CLF letter, please override the field **CO-1000.TE** in Part “CO-17 - Internet filing” of Form Client letter - *Worksheet* (Jump Code: **LW**).

CO-17 – Internet filing			
CO-17 EFILE		<input checked="" type="checkbox"/>	
Form(s) to be signed and retained		<input checked="" type="checkbox"/>	
CO-1000.TE	<input checked="" type="checkbox"/>	CO-1012	<input type="checkbox"/>
		CO-1029.8.36.DC	<input type="checkbox"/>

This problem will be corrected in *Corporate Taxprep 2013 v.1.0*.

British Columbia

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

(Published in March 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, *Taxprep* 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 **Higher rate** column for the 2011-01-01 taxation year in subsection “British Columbia - Schedule 427” of Section “Schedules 341, 346, 366, 383, 411, 427, 443 - Corporation tax calculation” in the *Table of Rates and Values Used in the Return* (Jump Code: **RTS**) with the following equation result:

10% X number of days in the taxation year before April 1, 2013 / number of days in the taxation year

+

11% X number of days in the taxation year after March 31, 2013 / number of days in the taxation year

British Columbia – Schedule 427				
Taxation year	Days in the taxation year	Amount	Higher rate	Lower rate
2002-04-01	0	300,000	13.5000 %	4.5000 %
2005-01-01	0	400,000	13.5000 %	4.5000 %
2005-07-01	0	400,000	12.0000 %	4.5000 %
2008-07-01	0	400,000	11.0000 %	3.5000 %
2008-12-01	0	400,000	11.0000 %	2.5000 %
2010-01-01	0	500,000	10.5000 %	2.5000 %
2011-01-01	366	500,000	10.0000 %	2.5000 %

This new measure will be integrated into *Corporate Taxprep 2013 v.1.0*.

Manitoba

Schedule 383, Manitoba Corporation Tax Calculation (Jump Code: 383) - 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 (Jump Code: 7) 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, *Taxprep* 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, add \$1 to the amount entered on this line using an override. The amount on line 450 will then be \$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) 200,001 Q

Add:

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

Subtotal (amount Q minus amount R) 200,001 S

Deduct:

Specified partnership income (from amount P in Part 3) 200,000 T

Partnership income (amount S minus amount T) 450 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	M	N	O
	Amounts from column E in Part 3 of Schedule 7	Amounts from column G in Part 3 of Schedule 7 multiplied by 400,000 500,000	Column L minus column M (if negative, enter "0")	Lesser of columns L and M (if column L is negative, enter "0")
1	200,000	158,401	41,599	158,401
2	0	0	0	0
Totals			41,599 P	158,401 Q

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 400,000 = 400,000 D

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

This problem will be corrected in *Corporate Taxprep 2013 v.1.0*.

Prince Edward Island

Schedule 5, Tax Calculation Supplementary - Corporations (Jump Code: 5) - 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, *Taxprep* 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 for the “2010-04-01” period in the **Lower rate** column of the “Schedule 5 - Tax calculation supplementary” section (subsection “Prince Edward Island”) of the *Table of Rates and Values Used in the Return* (Jump Code: RTS):

1% X number of days in the taxation years 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

	Days in the taxation year	Higher rate	Lower rate
Newfoundland and Labrador			
Taxation year			
2002-01-01	0	14.0000 %	5.0000 %
2010-04-01	365	14.0000 %	4.0000 %
Newfoundland and Labrador offshore			
Taxation year			
2002-01-01	0	14.0000 %	5.0000 %
2010-04-01	365	14.0000 %	4.0000 %
Prince Edward Island			
Taxation year			
2002-01-01	0	16.0000 %	7.5000 %
2005-04-01	0	16.0000 %	6.5000 %
2006-04-01	0	16.0000 %	5.4000 %
2007-04-01	0	16.0000 %	4.3000 %
2008-04-01	0	16.0000 %	3.2000 %
2009-04-01	0	16.0000 %	2.1000 %
2010-04-01	365	16.0000 %	4.5000 %

This new measure will be integrated into *Corporate Taxprep* 2013 v.1.0.

Nova Scotia

Schedule 346, Nova Scotia Corporation Tax Calculation (Jump Code: 346) - 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 (Jump Code: 7) 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, *Taxprep* 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, add \$1 to the amount entered on this line using an override. The amount on line 450 will then be \$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) 200,001 Q

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

Subtotal (amount Q minus amount R) 200,001 S

Deduct:
 Specified partnership income (from amount P in Part 3) 200,000 T

Partnership income (amount S minus amount T) 450 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 400,000 = 400,000 D
 500,000

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

This problem will be corrected in Corporate Taxprep 2013 v.1.0.