

Frequently Asked Questions

Versions 14.2.3xx.126

November 2014

Federal

Schedule 88 – Internet Business Activities (S88) – Filing the form

(Published in June 2014)

QUESTION

When does a corporation that earned income on the Internet have to file Schedule 88 with its T2 return?

ANSWER

The Canada Revenue Agency (CRA) has extended the filing date for Schedule 88.

According to the CRA's latest guidelines, if the corporation earns income from one or more Web pages or Web sites, you are required to file the new Schedule 88, *Internet Business Activities* along with your corporation income tax return (T2) for tax years where your filing due date is **after December 31, 2014**.

When Schedule 88 is applicable, data it contains will be included in the *T2 – Bar Codes* return and in the transmission file.

For more information on Schedule 88, please visit the Web page "Reporting Internet business activities" of the CRA Web site at: <http://www.cra-arc.gc.ca/tx/bsnss/tpcs/cmm/ncm/wbncm-eng.html>.

Tracking the transitional relief for joint ventures that made the election to benefit from this relief as result of the elimination of the separate fiscal period.

(Published in June 2013)

QUESTION

How do I keep track of the transitional relief for joint ventures that made the election to benefit from this relief?

ANSWER

The Canada Revenue Agency (CRA) indicated that the reserve claimed has to be reported on line *Other tax reserves* in Schedule 13, *Continuity of Reserves (S13)*. For more details, consult the CRA Web site at: <http://www.cra-arc.gc.ca/tx/bsnss/tpcs/crprtns/dfrrl/jntvntr-eng.html>.

Part 2 - Other reserves					
Description	Balance at the beginning of the year \$	Decreases during the year \$	Increases during the year \$	Transfer on amalgamation or wind-up of subsidiary \$	Balance at the end of the year \$
Other tax reserves	230 0	0	0	235 0	240 0

In addition, to calculate this transitional reserve, you must make your calculations on a separate worksheet. Under no circumstances should you file Schedules 71 (**S71#01**), 72 (**S72#01**) or 73 (**S73**) for joint ventures. These schedules are for the sole use of partnerships.

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 June 2013)

QUESTION

In the calculation of the Adjusted Stub Period Accrual in Part 3 of Schedule 71 and/or Schedule 72, why is the number of days in the stub period calculated by *Cantax* greater than the number of days in the fiscal period(s) of the partnership that end in the corporation's taxation year?

ANSWER

As noted in the *Troubleshooting Memo* of *Cantax T2/T2Plus* version 12.2.3xx.126 issued in January 2013, the CRA has indicated that the current fiscal period of the partnership 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. The calculations in Schedules 71 and 72 of *Cantax T2/T2Plus* version 13.1.3xx.100 were adjusted to reflect this requirement.

Part 1 - Partnership information

Partnership's name [REDACTED]

Partnership's account number 1 [REDACTED] RZ [REDACTED]

1. Partnership's account number must include letters RZ.
If the partnership does not have an account number, enter "NR" to indicate that the partnership is not registered.

Did the partnership elect to change its fiscal period-end? 1 Yes 2 No

If **yes**, give the dates of both the old and current fiscal periods of the partnership. Old fiscal period Fiscal period-start Fiscal period-end
YYYY/MM/DD YYYY/MM/DD

If **no**, give the start and end dates of the current fiscal period of the partnership. Current fiscal period Fiscal period-start Fiscal period-end
YYYY/MM/DD YYYY/MM/DD

Select the box that corresponds to the first year for which the filing corporation was eligible for transitional relief (transitional reserve). 2011 2012 2013

If the current fiscal period of the partnership shown in Part 1 is the fiscal period that ends in the corporation's taxation year, instead of the fiscal period that starts in the corporation's taxation year and that ends after the end of that same taxation year, the number of days in the stub period will be calculated incorrectly. Ensure that the appropriate current fiscal period is entered in Part 1 in order for the correct calculation to be performed in Part 3, which relates to the Adjusted Stub Period Accrual.

Schedule 32, Scientific Research and Experimental Development (SR&ED) Expenditures Claim (S32) – Calculations of line 429

(Published in July 2009)

QUESTION

How can I ensure to correctly calculate the amount at line 429 of Schedule 32 if the corporation is eligible for the Ontario innovation tax credit and the Ontario research and development tax credit?

ANSWER

Here are the steps to follow to ensure to correctly calculate the amount at line 429 of Schedule 32:

Step 1: Complete Schedule 32.

Step 2: Complete Schedule 508, *Ontario Research and Development Tax Credit (S508)*, but don't enter any amount at line 105 of the schedule.

Step 3: Complete Schedule 566, *Ontario Innovation Tax Credit (S566)*, 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 for the Ontario Research and Development Tax Credit which are considered government assistance.

Step 5: Enter, at line 513 of Schedule 32, the government assistance attributable to the current expenditures and, at line 514, the government assistance attributable to the capital expenditures. For more details on the calculation that has to be done, please consult 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/clmng/ssstncndcntrctpymnts-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 for the Ontario Innovation Tax Credit, the Ontario Research and Development Tax Credit and the Ontario Business-Research Institute Tax Credit.

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 (S32) – Part 2 – Project information (S60P2#01)

(Published before 2009)

QUESTION

Why doesn't *Cantax* respect the maximum word limitation for the fields 242, 244 and 246 as mentioned on the CRA Form T661, *Scientific Research and Experimental Development (SR&ED) Expenditures Claim*?

ANSWER

A limited number of words for fields 242, 244 and 246 is specified on the CRA Form T661; however, the CRA requires that software developers meet the following requirements instead:

fields 242 and 246 must contain a maximum of 50 lines and field 244 must contain a maximum of 100 lines. Note that the CRA also requires that each line contain a maximum of 78 characters.

GIFI Notes Checklist – Parts 1 and 4 (GIFI 141)

(Published before 2009)

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).

Ontario

Schedules 546-547, Corporations Information Act Annual Return for Ontario Corporations (S546 and S547) – Diagnostics Error 5460003 and Error 5470002

(Published in February 2010)

QUESTION

How can I remove diagnostics Error 5460003 and Error 5470002?

ANSWER

The CRA requires that software developers issue diagnostics when certain lines that should contain information are not completed. The diagnostics Error 5460003 and Error 5470002 are part of these diagnostics.

To remove the diagnostic Error 5460003, complete lines 220, 250 and 270 in Part 2 of Schedule 546 and if the country name on line 270 is Canada or United States of America, complete lines 260 and 280.

To remove the diagnostic Error 5470002, complete lines 700, 705, 730, 760 and 780 in Part 7 of Schedule 547 and if the country name on line 780 is Canada or United States of America, complete lines 770 and 790. Furthermore, if they are applicable, complete lines 795 and 796; otherwise complete one of lines 801 to 912.

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