

Cantax[®] T2

Troubleshooting

2015 Versions

Publication	Problem	Affected Version	Corrected Version
Week of April 17, 2016	Schedule 307, Newfoundland and Labrador Corporation Tax Calculation (S307) - Increase in the higher rate of tax for taxation years ending after December 31, 2015	Version 2015	Version 16.1.3.xx.100
Week of April 17, 2016	Schedule 300, Newfoundland and Labrador Manufacturing and Processing Profits Tax Credit (S300) - Elimination of the tax credit on January 1, 2016	Version 2015	Version 16.1.3.xx.100
Week of April 10, 2016	Schedule 8, Capital Cost Allowance (CCA) (S8) - Assets codes missing for classes 43.1 and 43.2	Version 2015	Version 16.1.3.xx.100
Week of April 3, 2016	Schedule 366, New Brunswick Corporation Tax Calculation (S366) - Decrease in the lower rate of tax for corporations with a taxation year ending after March 31, 2016	Version 2015	Version 16.1.3.xx.100
Week of March 28, 2016	Schedule 366, New Brunswick Corporation Tax Calculation (S366) - Increase in the higher rate of tax for corporations with a taxation year ending after March 31, 2016	Version 2015	Version 16.1.3.xx.100
Week of March 20, 2016	Calculation of the Small Business Deduction (SBD) - New measures announced in the 2016 Federal Budget	Version 15.2.3xx.135	Version 16.1.3xx.100

Publication	Problem	Affected Version	Corrected Version
Week of March 20, 2016	Schedule 200, T2 Corporation Income Tax Return (T2) - New tax on taxable income from a personal services business	Version 15.2.3xx.135	Version 16.1.3xx.100
Week of August 31, 2015	Schedule 384, Manitoba Co-op Education and Apprenticeship Tax credit (S384) - Diagnostic R3840005 and eligibility of the return for EFILE	Version 15.1.3xx.100	Version 15.2.3xx.126
Week of August 9, 2015	RC366, Direct Deposit Request for Businesses (RC366) and Schedule 200, T2 Corporation Income Tax Return (T2) - Incorrect validation in "account number" fields	Version 15.1.3xx.100	Version 15.2.3xx.126
Week of June 29, 2015	AT1, Alberta Corporate Income Tax Return (AT1) - Increase in the basic tax rate and increase in the small business deduction rate for taxation years ending after June 30, 2015	Version 15.1.3xx.100	Version 15.2.3xx.126

Federal

Schedule 8, Capital Cost Allowance (CCA) (S8) - Asset codes missing for classes 43.1 and 43.2

Problem:

As a result of the tabling of the Federal Budget on March 22, 2016, two new property types can now be included in classes 43.1 and 43.2, and therefore be subject to an accelerated CCA deduction. It consists of the following property:

- electric vehicle charging stations (classification depends on the number of kilowatts supplied by the stations)
- electrical energy storage equipment (classification depends on the energy source)

This measure applies in respect of property acquired for use on or after March 22, 2016, and that has not been used or acquired for use before that date.

Currently, in *Cantax T2*, no type of asset code that can be entered on line 301 of Schedule 8 corresponds to these new property types and, when line 301 is empty, the error message 0080300* prevents the electronic transmission of the return or the printing of the bar codes.

Classes 43.1 and 43.2 only
For each addition included on line 203 of a class 43.1 or 43.2, provide the additional information required by the CRA.
[To access Schedule S8\(OTHER\)](#) [To access Schedule S7-R](#)

Class number and description	CCA class row number from column 200	Type of asset code*	Province where the asset is located**	Percentage allocated to the asset (additions - line 203) (max 100.00)***
	300	301	302	303
1. 43.1 (row number 5)	5		3	100.000
2.	0	01 Cogeneration systems	3	0.000
3.	0	02 Waste-fuelled electrical generation equipment	3	0.000
		03 Thermal waste electrical generation equipment		
		04 Wind energy conversion systems		
		05 Small-scale hydro-electric installations		
		06 Fuel cell equipment		
		07 Photovoltaic equipment		

* For more information, press F1 to consult the Help.
** The province indicated by default on line 302 corresponds to the province indicated on the return. Validate and change that answer if applicable.
*** The percentage allocated to the asset must not exceed 100.00.

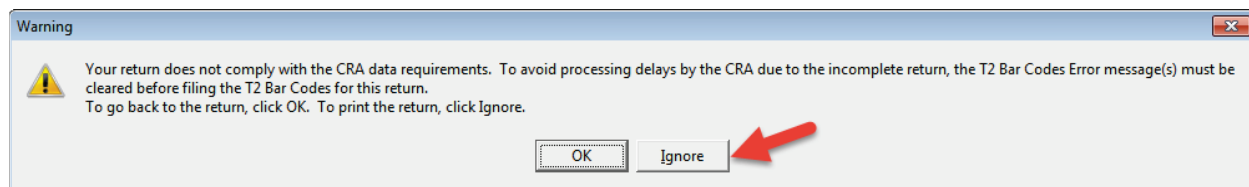
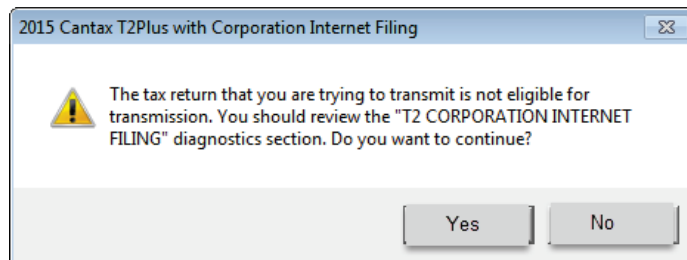
T2 BAR CODES ERRORS - (must be cleared before printing the T2 Bar Codes)

To avoid processing delays by the CRA, the following T2 Bar Codes Error message(s) must be cleared before filing the T2 Bar Codes for this return.

Error 0080300* - For the same row, there is no corresponding entry in one or more of columns [008301](#), [008302](#), or [008303](#).

Solution:

In this particular case, you will need to complete lines 302 and 303 and leave line 301 blank. Then, disregard error 0080300 and EFILE the return or print the bar codes as you would normally do. When prompted, make sure to answer "Yes" to the question *Do you want to continue?* just before EFILE or click the **Ignore** button in the **Warning** dialog box in order to print the bar codes and the return.



The codes of the new property types that can be included in classes 43.1 and 43.2 will be integrated in *Cantax T2 16.1.3xx.100*.

Calculation of the Small Business Deduction (SBD) - New measures announced in the 2016 Federal Budget

Problem:

As part of the Federal Budget tabled on March 22, 2016, measures have been introduced to "address concerns about partnership and corporate structures that multiply access to the small business deduction." Several items of the SBD calculation will be modified for taxation years **starting after March 21, 2016**.

For more details on the announced changes, consult the document *Tax Measures: Supplementary information*, available at the following address: <http://www.budget.gc.ca/2016/docs/tm-mf/tax-measures-mesures-fiscales-2016-en.pdf>.

Solution:

Because the announced changes should not affect returns prepared with versions 15.2.3xx.126 and 15.2.3xx.135 of *Cantax T2 2015*, no specific solution will be provided to you with respect to those changes. However, the above-mentioned measures will be integrated into *Cantax T2 16.1.3xx.100*.

Cantax T2 16.1.3xx.100 is scheduled to be released at the end of May 2016.

Schedule 200, T2 Corporation Income Tax Return (T2) - New tax on taxable income from a personal services business

Problem:

As a result of the tabling of the Federal Budget on March 22, 2016, the taxable income for the year from a personal services business is now taxable at an additional rate of 5% for taxation years ending after December 31, 2015. When the taxation year starts before January 1, 2016, and ends after December 31, 2015, this rate should be prorated based on the number of days in the taxation year that are after December 31, 2015.

Solution:

To calculate this new tax, proceed as follows:

1. Taxable income for the year from a personal services business X 5% X (Number of days in the taxation year that are after 2015 / Number of days in the taxation year)
2. Add the result obtained at step 1 to the amount on line 550, then enter the total on line 550, using an override.

Example:

Do the following calculation for a corporation that has a taxation year starting on April 1, 2015, and ending on March 31, 2016, and whose taxable income for the year from a personal services business is \$10,000.

$$\$10,000 \times (5\% \times (91 \text{ days} / 366 \text{ days})) = \$124$$

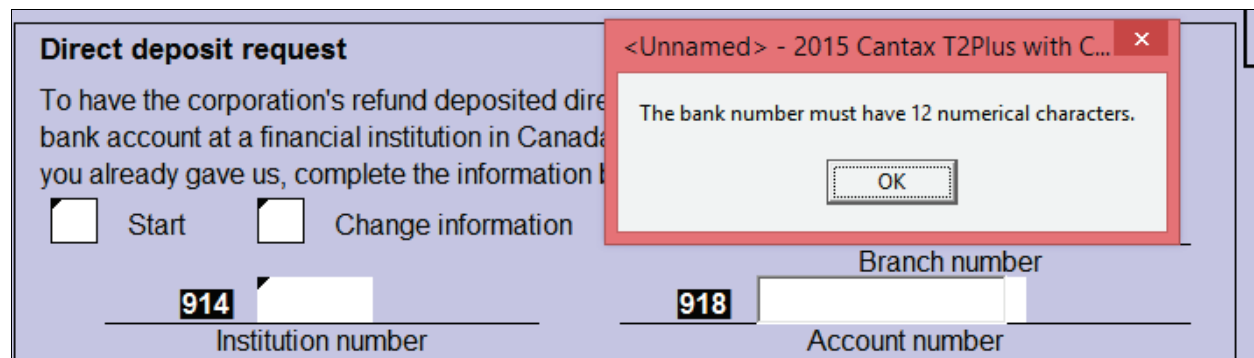
Part I tax	
Base amount Part I tax - Taxable income from page 3 (line 360 or amount Z, whichever applies)	
multiplied by 38%	550 3,924 A
Recapture of investment tax credit from Schedule 31	602 0 B

This problem will be corrected in *Cantax T2 16.1.3xx.100*.

RC366, Direct Deposit Request for Businesses (RC366) and Schedule 200, T2 Corporation Income Tax Return (T2) - Incorrect validation in “account number” fields

Problem:

A validation requires that preparers enter 12 numerical characters on line 918 of Schedule 200 and in the “Bank account No” fields of Schedule RC366. However, the account number might have less than 12 characters.



Solution:

Enter zeros before the account number. For example, if the account number is 12345, enter 00000012345.

This problem will be corrected in Cantax T2 15.2.3xx.126.

Alberta

AT1, Alberta Corporate Income Tax Return (AT1) - Increase in the basic tax rate and increase in the small business deduction rate for taxation years ending after June 30, 2015

Problem:

- Increase in the basic tax rate

In Bill 2, the Alberta government announced that the basic tax rate would be increased from 10% to 12% for taxation years that end after June 30, 2015. This affects all corporations that have an amount on line 068, *Basic Alberta Tax Payable* of the *Alberta Corporate Income Tax Return* and that have a taxation year that ends after June 30, 2015.

- Increase in the small business deduction rate

In addition, in Bill 2, the Alberta government also announced that the small business deduction rate would be increased from 7% to 9% for taxation years that end after June 30, 2015. This affects all corporations that have an amount on line 070, *Alberta Small Business Deduction Schedule 1, line 031* of the *Alberta Corporate Income Tax Return* and that have a taxation year that ends after June 30, 2015.

Presently, Cantax T2 does not take these changes into account.

For more information on these two changes, consult section 1 of Alberta's Bill 2 at the following address:

https://www.assembly.ab.ca/net/index.aspx?p=bills_status&selectbill=002&legl=29&session=1.

Solution:

- Increase in the basic tax rate

In order to use the correct tax rate to calculate line 068 of the *Alberta Corporate Income Tax Return*, override the rate cell on line 068 with the result of the following calculation:

Number of days in the taxation year before July 1, 2015	X 10% +	Number of days in the taxation year after June 30, 2015	X 12%
Number of days in the taxation year		Number of days in the taxation year	

Example:

The following calculation must be done for a corporation that has a taxation year from January 1, 2015, to December 31, 2015:

181 days	X 10% +	184 days	X 12%	= 11.008%
365 days		365 days		

Alberta taxable income or (loss)	
If both lines 060 and 061 are "No", then line 062 must equal federal T2, lines 360 - 370	
OR, if reporting a loss, enter the amount from federal Schedule 4 lines 110 + 310	
If either line 060 or 061 is "Yes", enter the amount from Schedule 12, lines 090 - 092	
<i>(If line 062 is negative, complete Schedule 10 to request a loss carry-back, if applicable)</i>	
Deduct: Royalty Tax Deduction (Schedule 5, line 021)	062 300,000
Alberta Allocation Factor (Schedule 2, column I)	064 0
Amount Taxable in Alberta (line 062 - line 064) X line 065 * (if negative, enter "0")	065 1.000000
(* if the corporation has permanent establishments only in Alberta, multiply by "1")	066 300,000
Basic Alberta Tax Payable:	
11.008 % of amount on Line 066	068 33,024

Please note that this change will also update the rate used in column D of Alberta's Schedule 4 (AT1-S4).

- Increase in small business deduction rate

In order to use the correct tax rate for the small business deduction, from the "Calculation of the Alberta Small Business Deduction" table in Alberta's Schedule 1 (AT1-S1), proceed as follows:

1. Calculate the rate in column F (SBD Rate) using the following formula:

Number of days in the taxation year before July 1, 2015	X 7% +	Number of days in the taxation year after June 30, 2015	X 9%
Number of days in the taxation year		Number of days in the taxation year	

2. Calculate the amount on line 031 using the rate resulting from the calculation at step 1.

3. Override the last line of column G of the Alberta's Schedule 1 with this amount.

Example:

The following calculation must be done for the rate in column F for a corporation that has a taxation year from January 1, 2015, to December 31, 2015:

$$\frac{181 \text{ days}}{365 \text{ days}} \times 7\% + \frac{184 \text{ days}}{365 \text{ days}} \times 9\% = 8.008\%$$

Then, carry the result of the following calculation to the last line of column G:

$$\$300,000 \times (365/365) \times 8.008\% = \$24,024$$

Calculation of the Alberta Small Business Deduction							
A	B	C	D	E	F	G	
Days in Taxation Year	Percentage	Alberta Small Business Threshold Line 015 X (B)	Least of amounts: 007, 013 and C	D X line 021 *	SBD Rate	Alberta Small Business Deduction E X (A/Total A) X F	
After March 31, 2006: & before April 1, 2007:	0	200%	400,000	300,000	300,000	.070	0
After March 31, 2007: & before April 1, 2008:	0	215%	430,000	300,000	300,000	.070	0
After March 31, 2008: & before April 1, 2009:	0	230%	460,000	300,000	300,000	.070	0
After March 31, 2009:	365	250%	500,000	300,000	300,000	.070	24,024
Total Days in the Taxation Year:	365	* If the corporation only has a permanent establishment in Alberta, use "1" as the value for line 021 in the calculation of column E.					

Alberta Small Business Deduction:
Total of column G 031 24,024
Enter this amount on AT1 page 2, line 070

The amount of \$24,024 is then carried to line 070 of the *Alberta Corporate Income Tax Return*.

Basic Alberta Tax Payable:		068	33,024
11.008 % of amount on Line 066	Alberta Small Business Deduction Schedule 1, line 031	070	24,024

These measures will be integrated into Cantax T2 15.2.3xx.126.

Manitoba

Schedule 384, Manitoba Co-op Education and Apprenticeship Tax credit (S384) - Diagnostic R3840005 and eligibility of the return for EFILE

Problem:

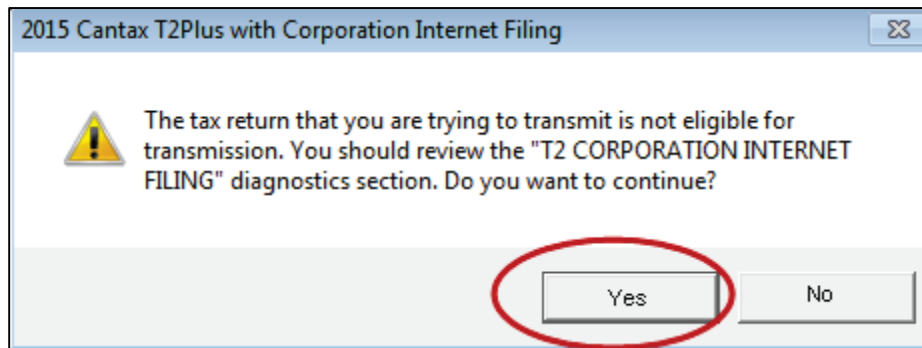
As a result of the tabling of the 2014 Manitoba Budget, the approval process relating to the Manitoba co-op education and apprenticeship tax credit (Schedule 384) has been simplified, and Manitoba Finance no longer requires or issues serial or certificate numbers to obtain the credit with regards to eligible expenditures incurred after December 31, 2014. You have to calculate the credit amount yourself based on the hiring type for each employee, and enter the result in column 203 of the form. To find out how to do the calculation, refer to the form on the CRA Web site at <http://www.cra-arc.gc.ca/E/pbg/tf/t2sch384>.

Presently, in Cantax T2, error R3840005 (see below) prevents the return from being EFILED as soon as there is an amount on line 203 and no serial or certificate number is indicated on line 100 of Schedule 384.

Error 3840005 - A refundable credit is entered in column 384203, but there is no corresponding entry in column 384100.

Solution:

To EFILE the return in this situation, select *Build and Send Federal CIF* from the **Internet Filing** menu, then in the **Diagnostic** dialog box, click **EFILE**. The following window will display:



Click **Yes**. The return will be EFILED normally.

The updated form will be included in Cantax T2 15.2.3xx.126.

New Brunswick

Schedule 366, New Brunswick Corporation Tax Calculation (S366) - Decrease in the lower rate of tax for corporations with a taxation year ending after March 31, 2016

Problem:

In Bill 32, the New Brunswick government proposed to decrease the lower rate of tax from 4% to 3.5% for corporations with a taxation year ending after March 31, 2016. Presently, *Cantax* does not take this change into account.

Solution:

If the corporation has a permanent establishment in New Brunswick, income subject to the lower rate of tax and a taxation year ending after March 31, 2016, override the percentage field on line I1 in Part 2, "Calculation of New Brunswick tax before credits" of Schedule 366 with the following equation result:

$$\frac{4\% \times \text{number of days in the taxation year before April 1, 2016}}{\text{number of days in the taxation year}} + \frac{3.5\% \times \text{number of days in the taxation year after March 31, 2016}}{\text{number of days in the taxation year}}$$

Example: For a taxation year ending on April 30, 2016, the result will be 3.95902%

Part 2 - Calculation of New Brunswick tax before credits						
New Brunswick tax at the lower rate:						
Amount F	X	Number of days in the tax year before January 1, 2012	0	X	5.00000	% = 0 H
100,000		Number of days in the tax year	366			
Amount F	X	Number of days in the tax year after December 31, 2011, and before January 1, 2015	0	X	4.50000	% = 0 I
100,000		Number of days in the tax year	366			
Amount F	X	Number of days in the tax year after December 31, 2014	366	X	3.95902	% = 3,959 I1
100,000		Number of days in the tax year	366			
Total New Brunswick tax at the lower rate (amount H plus amount I plus amount I1)			3,959			3,959 J

This new measure will be integrated into *Cantax T2 16.1.3xx.100*.

Schedule 366, New Brunswick Corporation Tax Calculation (S366) - Increase in the higher rate of tax for corporations with a taxation year ending after March 31, 2016.

Problem:

In Bill 18, the New Brunswick government proposed to increase the higher rate of tax to 14% for corporations with a taxation year ending after March 31, 2016. However, *Cantax* is currently using a 12% rate.

Solution:

If the corporation has a permanent establishment in New Brunswick, income subject to the higher rate of tax and a taxation year ending after March 31, 2016, override the percentage field of line L in Part 2, "Calculation of New Brunswick tax before credits" of Schedule 366 with the following equation result:

$$\frac{12\% \times \text{number of days in the taxation year before April 1, 2016}}{\text{number of days in the taxation year}} + \frac{14\% \times \text{number of days in the taxation year after March 31, 2016}}{\text{number of days in the taxation year}}$$

Example: For a taxation year ending on April 30, 2016, the result will be 12.16393%

New Brunswick tax at the higher rate:						
Amount G	X	Number of days in the tax year before July 1, 2013	0	X	10.00000	% = 0 K
100,000		Number of days in the tax year	366			
Amount G	X	Number of days in the tax year after June 30, 2013	366	X	12.16393	% = 12,164 L
100,000		Number of days in the tax year	366			
Total New Brunswick tax at the higher rate (amount K plus amount L)			12,164			12,164 M
New Brunswick tax before credits (amount J plus amount M)*						32,164 N

* If the corporation has a permanent establishment in more than one jurisdiction or is claiming a New Brunswick tax credit, enter amount N on line 225 of Schedule 5. Otherwise, enter it on line 760 of the T2 return.

This new measure will be integrated into *Cantax T2 16.1.3xx.100*.

Newfoundland and Labrador

Schedule 307, Newfoundland and Labrador Corporation Tax Calculation (S307) - Increase in the higher rate of tax for taxation years ending after December 31, 2015

Problem:

In its April 14, 2016 Budget, the Newfoundland and Labrador government announced that the corporation's higher rate of tax would be increased from 14% to 15% for corporations whose taxation year is ending after December 31, 2015. Currently, *Cantax T2* does not take this change into account.

Solution:

If a corporation has a taxation year ending after December 31, 2015, has a permanent establishment in Newfoundland and Labrador and/or in the Newfoundland and Labrador offshore area, and has income subject to the higher rate of tax for Newfoundland and Labrador and its offshore area, override the percentage field on line I in Part 2, "Calculation of Newfoundland and Labrador before tax credits and Newfoundland and Labrador offshore tax" with the result of the following calculation:

$$\frac{\text{Number of days in the taxation year before January 1, 2016}}{\text{Number of days in the taxation year}} \times 14\% + \frac{\text{Number of days in the taxation year after December 31, 2015}}{\text{Number of days in the taxation year}} \times 15\%$$

Example:

The following calculation must be done for a corporation whose taxation year begins on February 1, 2015, and ends on January 31, 2016:

$$\frac{334 \text{ days}}{365 \text{ days}} \times 14\% + \frac{31 \text{ days}}{365 \text{ days}} \times 15\% = 14.08493\%$$

Tax at the higher rate for Newfoundland and Labrador and its offshore area:			
Amount G			
100,000	X	14.08493	% = 14,085

This measure will be integrated into *Cantax T2* 16.1.3xx.100.

Schedule 300, Newfoundland and Labrador Manufacturing and Processing Profits Tax Credit (\$300) - Elimination of the tax credit on January 1, 2016

Problem:

In its April 14, 2016 Budget, the Newfoundland and Labrador government sets forth the elimination of the manufacturing and processing profits tax credit for corporations whose taxation year that starts after December 31, 2015. If the taxation year of a corporation starts before January 1, 2016, and ends after December 31, 2015, the tax credit rate must be prorated based on the number of days in the taxation year that are before January 1, 2016. Currently, *Cantax T2* does not take this change into account.

Solution:

To calculate the tax credit to which the corporation is entitled to, proceed as follows:

1. Do the following calculation:

$$9\% \times \text{Number of days in the taxation year that are before January 1, 2016} / \text{Number of days in the taxation year}$$

2. Multiply the amount from line E of Schedule 300 by the rate calculated at step 1 and carry the result to line F of Schedule 300 using an override.

Example:

The following calculation must be done for a corporation whose taxation year begins on May 1, 2015, and ends on April 30, 2016, and claims the Newfoundland and Labrador Manufacturing and Processing Profits Tax Credit and has an amount of \$250,000 on line E:

$$9\% \times (245 \text{ days} / 366 \text{ days}) = 6.02\%$$

$$250\,000 \times 6.02\% = 15\,050$$

Amount from line H9 in Part 9 of Schedule 27					<input type="text" value="500,000"/>	D
Amount C or D, whichever is less	<input type="text" value="250,000"/>	X	$\frac{\text{Taxable income earned in Newfoundland and Labrador}}{\text{Taxable income earned in all provinces}^*}$	=	<input type="text" value="250,000"/>	E
Newfoundland and Labrador manufacturing and processing profits tax credit (9% of amount E)					<input type="text" value="15,050"/>	F
Enter amount F on line 503 of Schedule 5.						
* Includes the territories and the offshore areas of Nova Scotia and Newfoundland and Labrador.						

This new measure will be integrated into *Cantax T2* 16.1.3xx.100.