Corporate Taxprep

Troubleshooting

Corporate Taxprep 2016

Client filter and customized diagnostic templates offered with the Troubleshooting Memos

To assist you in identifying clients that could be affected by the described problems, a downloadable client filter and customized diagnostic template is associated with most *Troubleshooting Memos*. These templates allow you to display a diagnostic in the returns that have tax situations that were the subject of a *Troubleshooting Memo* and provide access to a list of clients affected by the described problems.

Installing the client filter and diagnostic template

To find the predefined folder for customized client filters or diagnostics, proceed as follows:

1- Launch *Taxprep*.

2- On the **Tools** menu, click **Options and Settings**.

3- Under **Options**, click **File Locations**.

4- Verify the predefined location for the filters and diagnostics. After the installation, the default location is usually the following: **My Documents\CCH\T2 Taxprep 2016-x\Filter and Diagnostics\.**

5- Copy the downloaded file to this location.
The client filter will be available in the Client Manager, while the diagnostic will display in the relevant returns.

Note: The table below lists all of the client filter templates and diagnostics, which allows you to download them separately, depending on the troubleshooting memos and FAQs that relate to you. To download all templates in a single operation, click the **Download all templates** button, then copy all zipped files into the folder **My Documents\CCH\T2 Taxprep 2016-x\Filter and Diagnostics**.

Download all templates

Publication	Problem	Affected Version	Corrected Version	Identifier (to download the client filter and diagnostic, if applicable)
Week of April 30, 2017	Schedule 346, Nova Scotia Corporation Tax Calculation (Jump Code: 346) – Increase in the small business threshold effective January 1, 2017	Version 2016 2.0	Version 2017 1.0	T22016-039
Week of April 16, 2017	Schedule 411, Saskatchewan Corporation Tax Calculation (Jump Code: 411) – Phasing out of the credit unions deduction for taxation years ending after 2016	Version 2016 2.0	Version 2017 1.0	T22016-038
Week of April 16, 2017	MCT1, Corporation Capital Tax Return (Jump Code: MJ) and Manitoba Tax Instalments (Jump Code: IMB) – Elimination of the capital tax deduction and the obligation to pay instalments when the amount of capital tax payable for the year is less than $5,000 for taxation years ending after April 30, 2017	Version 2016 2.0	Version 2017 1.0	T22016-037
Week of April 16, 2017	Schedule 381, Manitoba Manufacturing Investment Tax Credit (Jump Code: 381) – Reduction of the rate used to calculate the non-refundable part of the tax credit for qualified property acquired after April 11, 2017	Version 2016 2.0	Version 2017 1.0	T22016-036
Week of April 16, 2017	Schedule 380, Manitoba Research and Development Tax Credit (Jump Code: 380) – Decrease in the tax credit rate to 15% for the eligible expenditures incurred after April 11, 2017	Version 2016 2.0	Version 2017 1.0	T22016-035
Week of April 2, 2017	Identification, Corporate Identification and Other Information (Jump Code: ID) - Incorrect display of diagnostic R2001007 in the case of a professional corporation associated with a partnership and whose taxation year ends on December 31, 2016	Version 2016 2.0	Version 2017 1.0	T22016-034

Publication	Problem	Affected Version	Corrected Version	Identifier (to download the client filter and diagnostic, if applicable)
Week of April 2, 2017	Schedule 8 WORKCHART ADD, Additions and Dispositions Workchart - Incorrect UCC adjustment calculation resulting from a disposal to which subsection 13(39) ITA applies in the case of a partial disposition of a property in a class 14.1 that was acquired before January 1, 2017	Version 2016 2.0	Version 2017 1.0	T22016-033
Week of April 2, 2017	CO-1159.2, Compensation Tax for Financial Institutions (Jump Code: 11592) - Extension of the compensation tax for financial institutions and maintenance of rates for an additional five-year period	Version 2016 2.0	Version 2017 1.0	T22016-032
Week of April 2, 2017	CO-1029.8.35, Tax Credit for Québec Film Productions (Jump Code: 1029835) - Higher increases respecting the tax credit for Québec film or television production	Version 2016 2.0	Version 2017 1.0	T22016-031
Week of April 2, 2017	CO-17.A.1, Net Income for Income Tax Purposes (Jump Code: Q1) - Québec Budget 2017 - Introduction of an additional capital cost allowance (CCA) for qualified property included in CCA classes 50 and 53 acquired after March 28, 2017	Version 2016 2.0	Version 2017 1.0	T22016-030
Week of April 2, 2017	CO-156.TR, Additional Deduction for Transportation Costs of Small and Medium-Sized Manufacturing Businesses (Jump Code: 156TR) - Increase in the rate of the additional deduction to 10% for transportation costs of a manufacturing SMB that carries out its activities in the "special remote area"	Version 2016 2.0	Version 2017 1.0	T22016-029
Week of April 2, 2017	CO-771, Calculation of the Income Tax of a Corporation (Jump Code: 771) - Adjustment to the refocusing of the SBD - Replacement of the hours worked criterion	Version 2016 2.0	Version 2017 1.0	T22016-028

Publication	Problem	Affected Version	Corrected Version	Identifier (to download the client filter and diagnostic, if applicable)
Week of March 26, 2017	Schedule 46, Part II – Tobacco Manufacturers' Surtax (Jump Code: 46) – Elimination of the tobacco manufacturers' surtax as of March 23, 2017	Version 2016 2.0	Version 2017 1.0	T22016-027
Week of March 26, 2017	Schedule 402, Saskatchewan manufacturing and processing investment tax credit (Jump Code: 402) - Increase in the tax credit rate for qualified property acquired after March 22, 2017.	Version 2016 2.0	Version 2017 1.0	T22016-026
Week of March 26, 2017	Schedule 403, Saskatchewan Research and Development Tax Credit (Jump Code: 403) – Modifications to the tax credit for eligible expenditures incurred after March 31, 2017	Version 2016 2.0	Version 2017 1.0	T22016-025
Week of March 26, 2017	SCT B1, Corporation Capital Tax Return – Financial Institution (Jump Code: SCTB1) and Saskatchewan Tax Instalments (Jump Code: ISK) – Increase in the capital tax rate for large financial institutions for taxation years ending after March 31, 2017	Version 2016 2.0	Version 2017 1.0	T22016-024
Week of March 26, 2017	Schedule 427, British Columbia Corporation Tax Calculation (Jump Code: 427) – Reduction in the lower rate of tax for taxation years ending after March 31, 2017	Version 2016 2.0	Version 2017 1.0	T22016-023
Week of March 26, 2017	Schedule 366, New Brunswick Corporation Tax Calculation (Jump Code: 366) – Reduction in the lower rate of tax for taxation years ending after March 31, 2017	Version 2016 2.0	Version 2017 1.0	T22016-022
Week of March 19, 2017	Schedule 89, Request for Capital Dividend Account Balance Verification (Jump Code: 89), T2054, Election for a Capital Dividend Under Subsection 83(2) (Jump Code: 2054) and CO-502, Election in Respect of a Dividend Paid Out of a Capital Dividend Account (Jump Code: CO502) – The "Do Not Submit"	Version 2016 2.0	Version 2017 1.0	T22016-021

Publication	Problem	Affected Version	Corrected Version	Identifier (to download the client filter and diagnostic, if applicable)
	watermark is printed on Form T2054, Schedule 89 and Form CO-502 when the taxation year end date of the corporation is not covered by the current version of the program			
Week of February 26, 2017	Schedule 429, British Columbia Interactive Digital Media Tax Credit (Jump Code: 429) - Incorrect calculation of the tax credit when the corporation is an eligible business corporation registered under Part 2 of the Small Business Venture Capital Act and its taxation year ends after February 21, 2017	Version 2016 2.0	Version 2017 1.0	T22016-020
Week of February 26, 2017	Schedule 427, British Columbia Corporation Tax Calculation (Jump Code: 427) - The percentage of reduction for credit unions deduction used in the calculation of the income eligible for lower tax rate maintained at 80% for taxation years ending after 2016	Version 2016 2.0	Version 2017 1.0	T22016-019
Week of February 19, 2017	COR-17.W, Keying Summary for the Corporation Income Tax Return (Jump Code: QKS) - Incorrect authorization number when Form COR-17.W is printed to be sent to Revenu Québec and the data in the client file has been locked in the previous version of Corporate Taxprep	Version 2016 2.0	Version 2017 1.0	T22016-018
Week of January 22, 2017	Schedule 8 WORKCHART, Capital Cost Allowance (CCA) Workchart (Jump Code: 8 WORKCHART) - Incorrect display of diagnostics E1582 and M30A for class 14.1 when the corporation has a taxation year straddling January 1, 2017, it is the first taxation year of the corporation and an eligible capital property has been acquired before January 1, 2017	Version 2016 2.0	Version 2017 1.0	T22016-017

Publication	Problem	Affected Version	Corrected Version	Identifier (to download the client filter and diagnostic, if applicable)
Week of January 22, 2017	Schedule 8 WORKCHART, Capital Cost Allowance (CCA) Workchart (Jump Code: 8 WORKCHART) - Incorrect roll forward of the amounts on line C of the "Information relating to class 14.1" section when the taxation year end date indicated in the client file before roll forward is December 31, 2016	Version 2016 2.0	Version 2017 1.0	T22016-016
Week of January 22, 2017	Schedule 8, Capital Cost Allowance (CCA) (Jump Code: 8) - Incorrect display of diagnostic R0080008 for class 14.1 when the corporation has a taxation year that straddles January 1, 2017, it disposed of eligible capital property in the taxation year, before January 1, 2017, and an amount is shown on line T of Schedule 10 (Jump Code: 10)	Version 2016 2.0	Version 2017 1.0	T22016-015
Week of January 22, 2017	Schedule 8 WORKCHART, Capital Cost Allowance (CCA) Workchart (Jump Code: 8 WORKCHART) - Incorrect display of diagnostic E49A for class 14.1 when a disposition is entered in a copy of Schedule 8 WORKCHART ADD (Jump Code: 8 WORKCHART ADD) for the current taxation year	Version 2016 2.0	Version 2017 1.0	T22016-014
Week of January 22, 2017	Schedule 8 WORKCHART, Capital Cost Allowance (CCA) Workchart (Jump Code: 8 WORKCHART) - Incorrect calculation on lines D, E and 205 for class 14.1 when, in a taxation year straddling January 1, 2017, the corporation disposed of eligible capital property before January 1, 2017, the amount on line T of Schedule 10 (Jump Code: 10) is greater than 0 and amount S in Schedule 10 is equal to 0	Version 2016 2.0	Version 2017 1.0	T22016-013

Publication	Problem	Affected Version	Corrected Version	Identifier (to download the client filter and diagnostic, if applicable)
Week of January 22, 2017	Schedule 8 WORKCHART, Capital Cost Allowance (CCA) Workchart (Jump Code: 8 WORKCHART) - Incorrect calculation on lines D, E and 205 when several copies are created with respect to class 14.1 for a taxation year that straddles January 1, 2017, and an amount is calculated on line Q of Schedule 10 (Jump Code: 10)	Version 2016 2.0	Version 2017 1.0	T22016-008
Week of January 8, 2017	Schedule 9 WORKCHART, Related and Associated Corporations Workchart (Jump Code: 9 WORKCHART) — The reduced business limit of the filing corporation is not rolled forward to the field "Reduced business limit of prior taxation year"	Version 2016 2.0	Version 2017 1.0	T22016-012
Week of January 8, 2017	Identification, Corporate Identification and Other Information (Jump Code: ID) - Problem relating to the relevant spot rate that should be entered for the functional currency	Version 2016 2.0	Version 2017 1.0	T22016-011
Week of January 8, 2017	Schedule 7, Aggregate Investment Income and Active Business Income (Jump Code: 7) - Incorrect display of diagnostic R0070001	Version 2016 2.0	Version 2017 1.0	T22016-010
Week of December 11, 2016	CO-771, Calculation of the Income Tax of a Corporation (Jump Code: 771) - Incorrect calculation on line 76 when the filing corporation makes the election under subsection 256(2) ITA not to be associated for the small business deduction (SBD)	Version 2016 2.0	Version 2017 1.0	T22016-009
Week of September 11, 2016	Schedule 3, Dividends Received, Taxable Dividends Paid and Part IV Tax Calculation (Jump Code: 3) - Part IV tax payable calculation incorrect when a Part IV tax amount is payable on dividends received before January 1, 2016, and	Version 2016 1.0	Version 2016 2.0	T22016-007

Publication	Problem	Affected Version	Corrected Version	Identifier (to download the client filter and diagnostic, if applicable)
	dividends received after December 31, 2015, an amount is entered on line 360 of Schedule 43 and losses deducted from Part IV tax are greater than the difference between Part IV tax on dividends received after December 31, 2015, and the amount on line 320.1 divided by 38 1/3%			
Week of July 10, 2016	CO-1029.8.36.PM, Tax Credit for Corporations Specialized in the Production of Multimedia Titles (Jump Code: 1029836PM) - New measure relating to the qualified labour expenditure limit for the purposes of the refundable tax credits for the production of multimedia titles	Version 2016 1.0	Version 2016 2.0	T22016-006
Week of July 10, 2016	CO-1029.8.36.TM, Tax Credit for Multimedia Titles (Jump Code: 1029836TM) - New measure relating to the qualified labour expenditure limit for the purposes of the refundable tax credits for the production of multimedia titles	Version 2016 1.0	Version 2016 2.0	T22016-005
Week of June 5, 2016	RD-1029.7, Tax Credit for Salaries and Wages (R&D) (Jump Code: 10297) - Incorrect calculation on lines 152a and 158 when the corporation's taxation year or the partnership's fiscal period starts after December 2, 2014, and qualified R&D expenditures have been incurred under a research contract entered into before December 3, 2014	Version 2016 1.0	Version 2016 2.0	T22016-004
Week of June 5, 2016	RD-1029.8.6, Tax Credit for University Research or Research Carried Out by a Public Research Centre or a Research Consortium (Jump Code: 102986) - Incorrect calculation on lines	Version 2016 1.0	Version 2016 2.0	T22016-003

Publication	Problem	Affected Version	Corrected Version	Identifier (to download the client filter and diagnostic, if applicable)
	203, 230a, 230d and 230g when the corporation's taxation year or the partnership's fiscal period starts after December 2, 2014, and qualified R&D expenditures have been incurred both under a research contract entered into after December 2, 2014, and under a research contract entered into before December 3, 2014			
Week of June 5, 2016	RD-1029.8.16.1, Tax Credit for Private Partnership Pre-Competitive Research (Jump Code: 10298161) - Incorrect calculation on lines 181 and 198 when the corporation's taxation year or the partnership's fiscal period starts after December 2, 2014, and qualified R&D expenditures have been incurred under a partnership agreement entered into before December 3, 2014	Version 2016 1.0	Version 2016 2.0	T22016-002
Week of June 5, 2016	Schedule 89, Request for Capital Dividend Account Balance Verification (Jump Code: 89) — The amount of dividends paid in the year from the capital dividend account (CDA) is not rolled forward to column 7	Version 2016 1.0	Version 2016 2.0	T22016-001

Federal

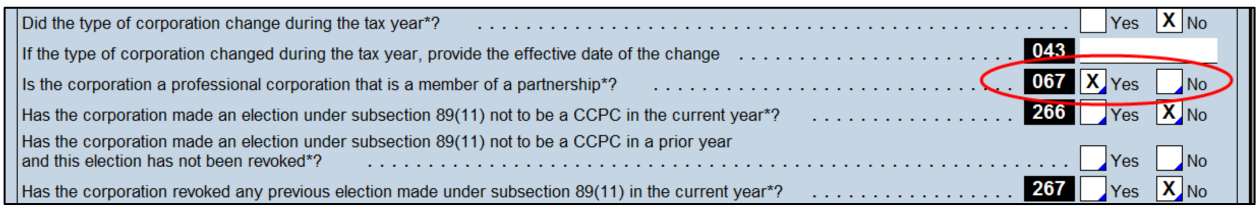
Troubleshooting T22016-034

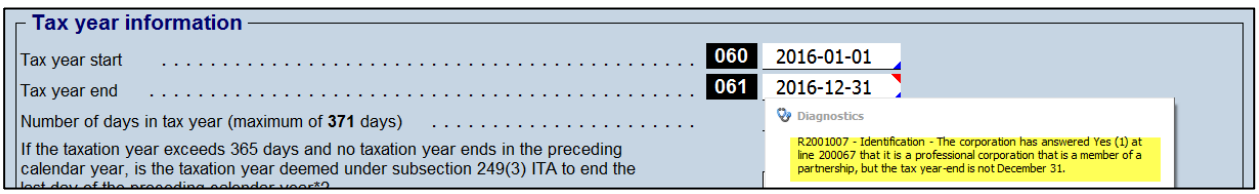
Identification, Corporate Identification and Other Information (Jump Code: ID) - Incorrect display of diagnostic R2001007 in the case of a professional corporation associated with a partnership and whose taxation year ends on December 31, 2016

Download the client filter and diagnostic template

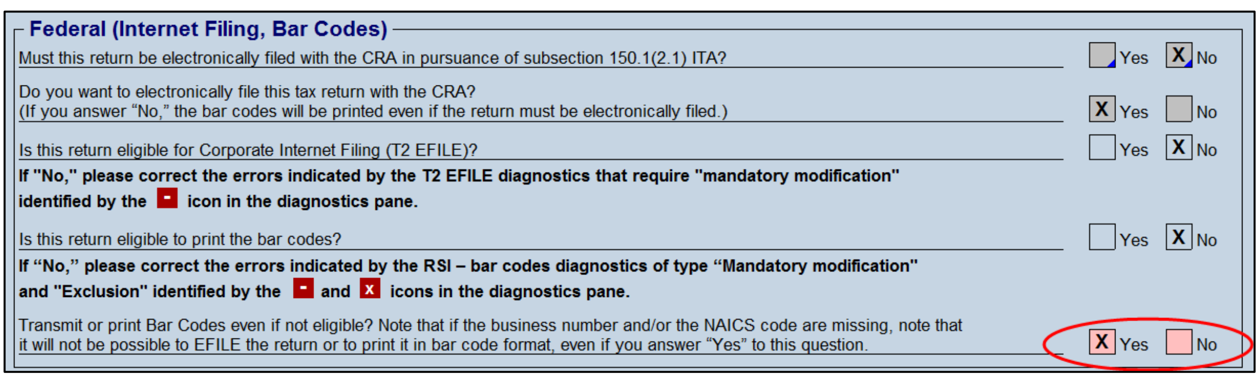
Problem:

When the taxation year of a professional corporation ends on December 31, 2016, and the answer to the question on line 067, *Is the corporation a professional corporation that is a member of a partnership?* is "Yes," in the "General information" section of Form Identification, diagnostic R2001007 displays and makes the return not eligible for purposes of printing the bar codes and for electronic filing. However, this diagnostic should not display in that situation.





Solution:
If the return is not eligible because of the presence of diagnostic R2001007, answer "Yes" to the question *Transmit or print Bar Codes even if not eligible?,* using an override, in Form RSI, *Electronic Filing and Bar Codes Control Workchart* (Jump Code: **RSI-EFILE-BAR CODES**).



This problem will be corrected in *Corporate Taxprep* 2017 v.1.0.

Troubleshooting T22016-033

Schedule 8 WORKCHART ADD, Additions and Dispositions Workchart – Incorrect UCC adjustment calculation resulting from a disposal to which subsection 13(39) ITA applies in the case of a partial disposition of property in class 14.1 that was acquired before January 1, 2017

Download the client filter and diagnostic template

Problem:

Subsection 13(39) provides that, where certain property that was eligible capital property before January 1, 2017, is subject to a disposition on or after January 1, 2017, an adjustment equal to one-quarter of the lesser of the following amounts must be added to the class 14.1 UCC: the adjusted capital cost or the net proceeds of disposition of the property. When the property is subject to a partial disposition, only the adjusted capital cost relating to the portion of the property being disposed of should be taken into account.

Currently, *Corporate Taxprep* always takes into account the total adjusted capital cost when calculating line *UCC adjustment resulting from a disposal to which subsection 13(39) ITA applies* in the “Information relating to class 14.1” section of Schedule 8 WORKCHART ADD.

Solution:

Where a class 14.1 property acquired before January 1, 2017, is subject to a partial disposition (i.e. when the line *Type of disposition* indicates “Partial”), multiply by one-quarter the amount on line *Lesser of adjusted cost base or net proceeds* in the “Disposition” section. Then, enter the result on line *UCC adjustment resulting from a disposal to which subsection 13(39) ITA applies,* in the “Information relating to class 14.1” section, using an override.

When the corporation is resident of Québec or Alberta (or has a permanent establishment in either one of these provinces), you will need to follow the same steps for line *UCC adjustment resulting from a disposal to which subsection 13(39) ITA applies* relating to Québec or Alberta.

Disposition

Disposal date		2017-04-01
Proceeds of disposition		50,000
Outlays and expenses	–	0
Net proceeds	=	50,000
Québec		50,000
Alberta		50,000
Type of disposition		Partial
If it is a partial disposition, enter the adjusted cost base amount for this disposition		20,000
Québec		20,000
Alberta		20,000
Lesser of adjusted cost base or net proceeds		20,000
Québec		20,000
Alberta		20,000

Information relating to class 14.1

Business name		
Type of eligible property	Customer lists	
The corporation makes the election under subparagraph 13(38)(d)(iv) ITA for this property.	Yes	X No
Québec	Yes	X No
Alberta	Yes	X No
UCC adjustment resulting from a disposal to which subsection 13(39) ITA applies (See Note)		5,000
Québec		10,000
Alberta		5,000

This problem will be corrected in *Corporate Taxprep* 2017 v.1.0.

Troubleshooting T22016-027

Schedule 46, Part II - Tobacco Manufacturers' Surtax (Jump Code: 46) - Elimination of the tobacco manufacturers' surtax as of March 23, 2017

Download the client filter and diagnostic template

Problem:

As announced in the federal budget tabled on March 22, 2017, the tobacco manufacturers' surtax has been eliminated as of March 23, 2017. Currently, *Corporate Taxprep* does not take this change into account.

Solution:

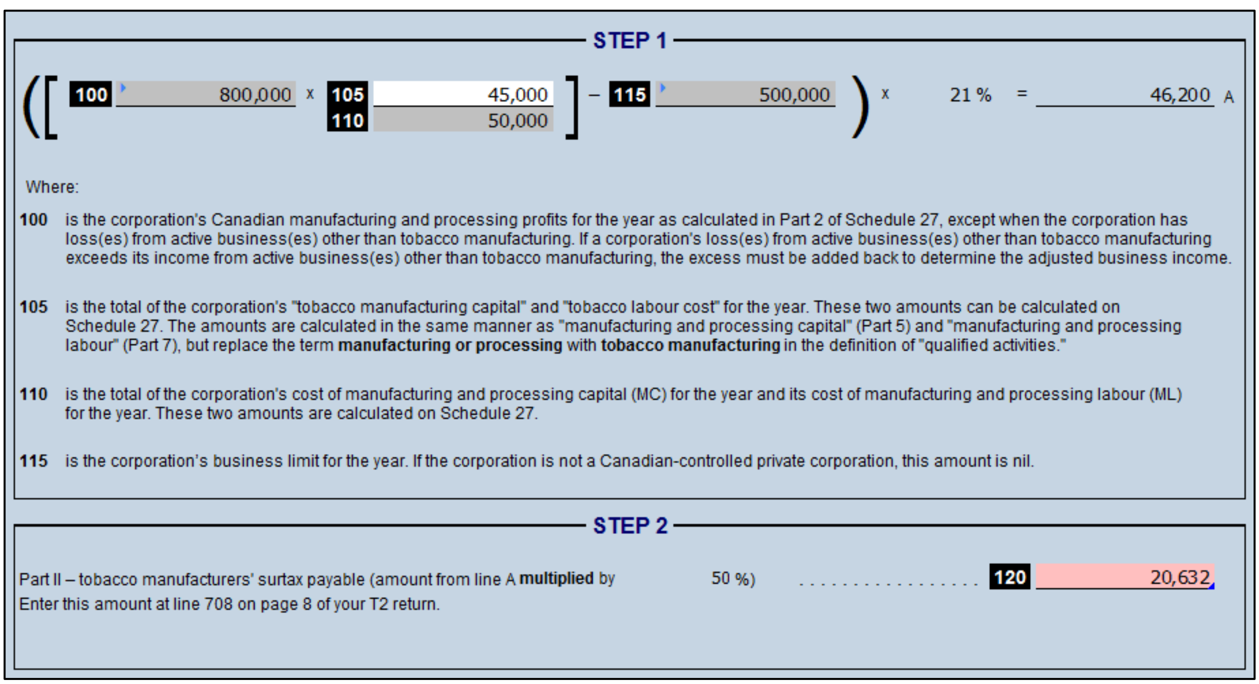
If the corporation's taxation year ends after March 22, 2017, and surtax has been calculated on line 120, enter the result of the following calculation on line 120 using an override:

$$\text{Amount from line A} \quad \times \quad 50\% \quad \times \quad \frac{\text{Number of days in the taxation year before March 23, 2017}}{\text{Number of days in the taxation year}}$$

<u>Example:</u>

The following calculation would be made for a corporation whose taxation year began on May 1, 2016, and ends on April 30, 2017, and where the amount on line A is $46,200:

$$\$46{,}200 \quad \times \quad 50\% \quad \times \quad \frac{326 \text{ days}}{365 \text{ days}} \quad = \quad \$20{,}632$$



STEP 1

([100 800,000 x 105 45,000 / 110 50,000] – 115 500,000) x 21 % = 46,200 A

Where:

100 is the corporation's Canadian manufacturing and processing profits for the year as calculated in Part 2 of Schedule 27, except when the corporation has loss(es) from active business(es) other than tobacco manufacturing. If a corporation's loss(es) from active business(es) other than tobacco manufacturing exceeds its income from active business(es) other than tobacco manufacturing, the excess must be added back to determine the adjusted business income.

105 is the total of the corporation's "tobacco manufacturing capital" and "tobacco labour cost" for the year. These two amounts can be calculated on Schedule 27. The amounts are calculated in the same manner as "manufacturing and processing capital" (Part 5) and "manufacturing and processing labour" (Part 7), but replace the term **manufacturing or processing** with **tobacco manufacturing** in the definition of "qualified activities."

110 is the total of the corporation's cost of manufacturing and processing capital (MC) for the year and its cost of manufacturing and processing labour (ML) for the year. These two amounts are calculated on Schedule 27.

115 is the corporation's business limit for the year. If the corporation is not a Canadian-controlled private corporation, this amount is nil.

STEP 2

Part II – tobacco manufacturers' surtax payable (amount from line A **multiplied** by 50 %) 120 20,632

Enter this amount at line 708 on page 8 of your T2 return.

This measure will be integrated into *Corporate Taxprep* 2017 v.1.0.

Troubleshooting T22016-021

Schedule 89, Request for Capital Dividend Account Balance Verification (Jump Code: 89), T2054, Election for a Capital Dividend Under Subsection 83(2) (Jump Code: 2054) and CO-502, Election in Respect of a Dividend Paid Out of a Capital Dividend Account (Jump Code: CO502) - The “Do Not Submit” watermark is printed on Form T2054, Schedule 89 and Form CO-502 when the taxation year end date of the corporation is not covered by the current version of the program

Download the client filter and diagnostic template

Problem:

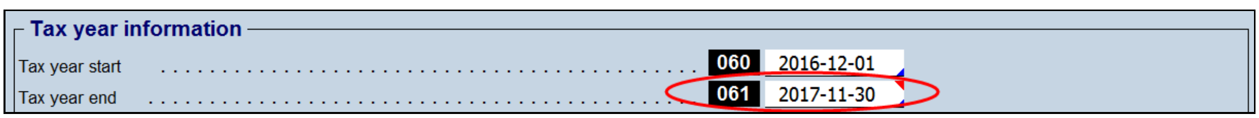
Because Forms T2054 and CO-502 must be completed in the client file for the taxation year containing the day on which the dividend was paid or became payable, the taxation year of the client file may not be covered by the current version of Corporate Taxprep. In that case, the “Do Not Submit” watermark is printed on Form T2054, on Form CO-502 (when the corporation has a Québec permanent establishment) as well as on Schedule 89.

Solution:

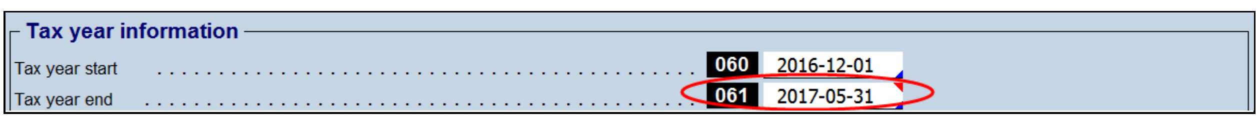
When the taxation year end date of the client file is not covered by version 2016 2.0 of *Corporate Taxprep*, enter “2017-05-31” on line 061 of Form Identification (Jump Code: **ID**) (since taxation years beginning on or after January 1, 2014, and ending on or before May 31, 2017, are covered by this version). Then, print Form T2054, Schedule 89 and, when the corporation has a Québec permanent establishment, Form CO-502 by using the **Print Form** command (Ctrl+P). Finally, re-enter the actual taxation year end date of the corporation on line 061 of Form Identification, and save the client file.

<u>Example:</u>

After the roll forward of a client file, the corporation taxation year starts on December 1, 2016, and ends on November 30, 2017.



Since this taxation year end date is not covered by version 2016 2.0 of *Corporate Taxprep*, you must enter “2017-05-31” on line 061 of Form Identification and print Forms T2054 and CO-502 as well as Schedule 89 by using the **Print Form** command (Ctrl+P).



This problem will be corrected in *Corporate Taxprep* 2017 v.1.0.

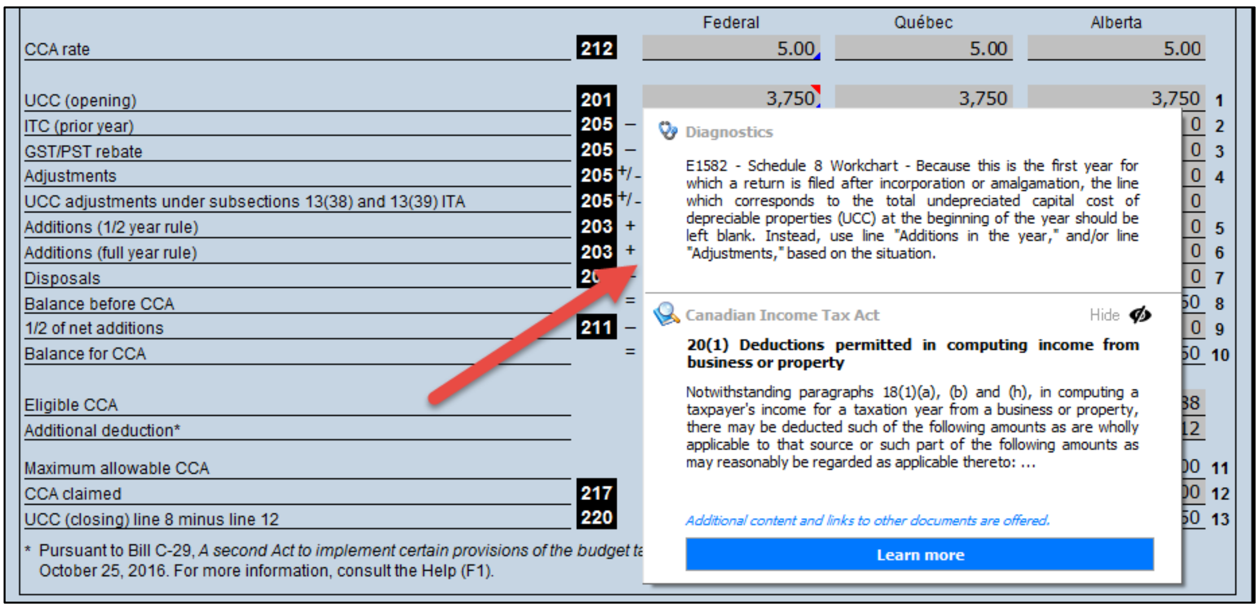
Troubleshooting T22016-017

Schedule 8 WORKCHART, Capital Cost Allowance (CCA) Workchart (Jump Code: 8 WORKCHART) – Incorrect display of diagnostics E1582 and M30A for class 14.1 when the corporation has a taxation year straddling January 1, 2017, it is the first taxation year of the corporation and an eligible capital property has been acquired before January 1, 2017

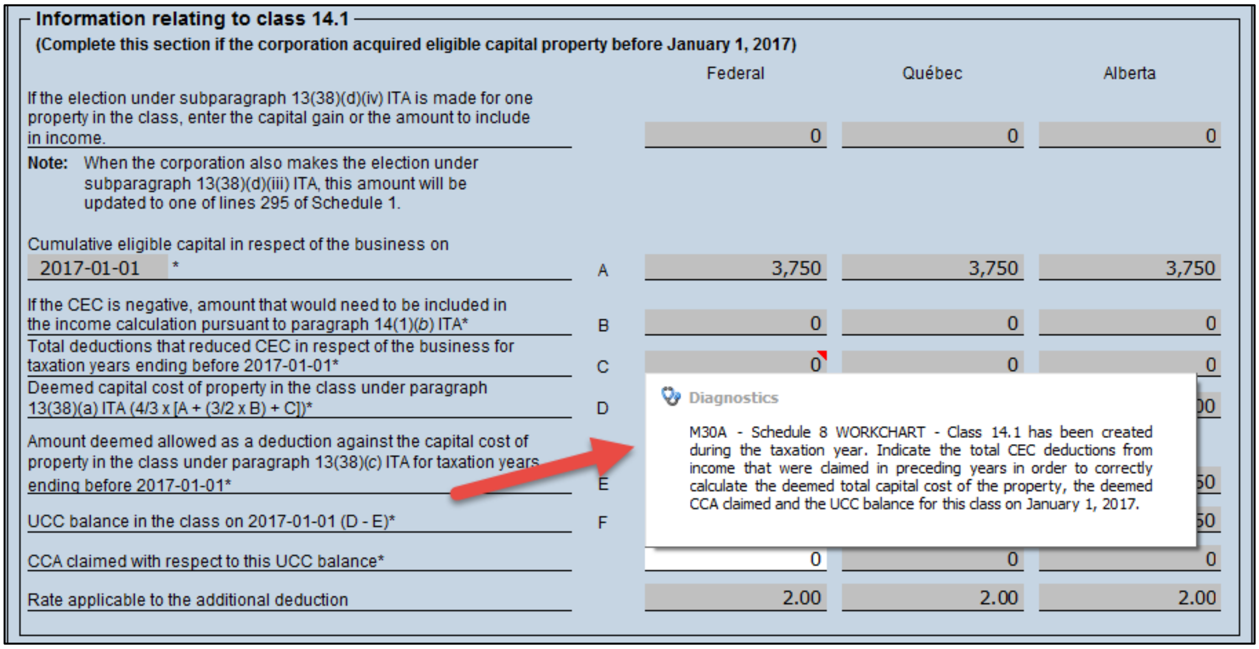
Download the client filter and diagnostic template

Problem:

When it is the first year for which an income tax return is filed after incorporation or amalgamation, the taxation year straddles January 1, 2017, and the corporation acquired eligible capital property before January 1, 2017, diagnostic E1582 displays for class 14.1. This diagnostic should not display, because the UCC at the start of the year is determined under the transitional rules relating to the new class 14.1, as set out in subsection 13(38) of the ITA.



In the above-described situation, diagnostic M30A displays as well. However, this diagnostic should not be present, because no CEC income deduction is claimed with respect to prior years.


Information relating to class 14.1

(Complete this section if the corporation acquired eligible capital property before January 1, 2017)

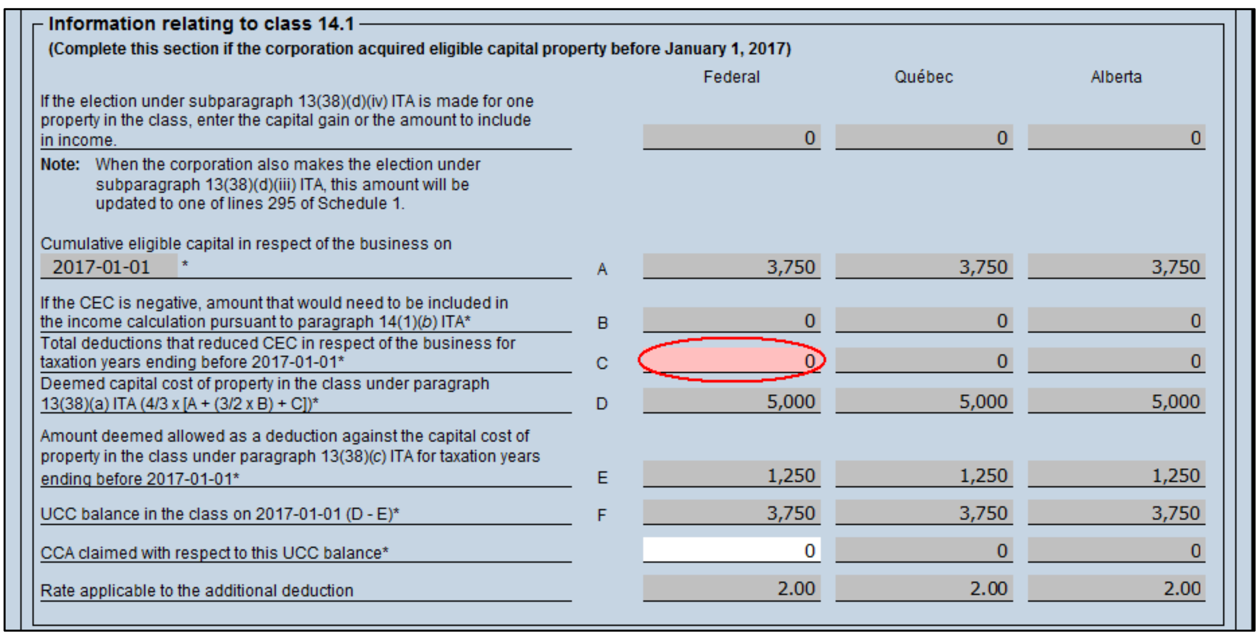
		Federal	Québec	Alberta
If the election under subparagraph 13(38)(d)(iv) ITA is made for one property in the class, enter the capital gain or the amount to include in income.		0	0	0
Note: When the corporation also makes the election under subparagraph 13(38)(d)(iii) ITA, this amount will be updated to one of lines 295 of Schedule 1.				
Cumulative eligible capital in respect of the business on 2017-01-01 *	A	3,750	3,750	3,750
If the CEC is negative, amount that would need to be included in the income calculation pursuant to paragraph 14(1)(*b*) ITA*	B	0	0	0
Total deductions that reduced CEC in respect of the business for taxation years ending before 2017-01-01*	C	0	0	0
Deemed capital cost of property in the class under paragraph 13(38)(a) ITA (4/3 x [A + (3/2 x B) + C])*	D			00
Amount deemed allowed as a deduction against the capital cost of property in the class under paragraph 13(38)(c) ITA for taxation years ending before 2017-01-01*	E			50
UCC balance in the class on 2017-01-01 (D - E)*	F			50
CCA claimed with respect to this UCC balance*		0	0	0
Rate applicable to the additional deduction		2.00	2.00	2.00

Diagnostics

M30A - Schedule 8 WORKCHART - Class 14.1 has been created during the taxation year. Indicate the total CEC deductions from income that were claimed in preceding years in order to correctly calculate the deemed total capital cost of the property, the deemed CCA claimed and the UCC balance for this class on January 1, 2017.

Solution:

Do not take diagnostics E1582 and M30A into account in the above-described situation. In addition, you can enter “0” using an override on line C to make diagnostic M30A disappear.


Information relating to class 14.1

(Complete this section if the corporation acquired eligible capital property before January 1, 2017)

		Federal	Québec	Alberta
If the election under subparagraph 13(38)(d)(iv) ITA is made for one property in the class, enter the capital gain or the amount to include in income.		0	0	0
Note: When the corporation also makes the election under subparagraph 13(38)(d)(iii) ITA, this amount will be updated to one of lines 295 of Schedule 1.				
Cumulative eligible capital in respect of the business on 2017-01-01 *	A	3,750	3,750	3,750
If the CEC is negative, amount that would need to be included in the income calculation pursuant to paragraph 14(1)(*b*) ITA*	B	0	0	0
Total deductions that reduced CEC in respect of the business for taxation years ending before 2017-01-01*	C	0	0	0
Deemed capital cost of property in the class under paragraph 13(38)(a) ITA (4/3 x [A + (3/2 x B) + C])*	D	5,000	5,000	5,000
Amount deemed allowed as a deduction against the capital cost of property in the class under paragraph 13(38)(c) ITA for taxation years ending before 2017-01-01*	E	1,250	1,250	1,250
UCC balance in the class on 2017-01-01 (D - E)*	F	3,750	3,750	3,750
CCA claimed with respect to this UCC balance*		0	0	0
Rate applicable to the additional deduction		2.00	2.00	2.00

These problems will be corrected in *Corporate Taxprep* 2017 v.1.0.

Troubleshooting T22016-016

Schedule 8 WORKCHART, Capital Cost Allowance (CCA) Workchart (Jump Code: 8 WORKCHART) – Incorrect roll forward of the amounts on line C of the "Information relating to class 14.1" section when the taxation year end date indicated in the client file before roll forward is December 31, 2016

Download the client filter and diagnostic template

Problem:

When rolling forward a client file for which a class 14.1 is created in Schedule 8 WORKCHART using the information contained in Schedule 10 (Jump Code: **10**), if the taxation year end date indicated in the client file before roll forward is December 31, 2016, the amounts rolled forward to columns **Federal**, **Québec** and **Alberta** of line C are incorrect in the "Information relating to class 14.1" section of the first copy of Schedule 8 WORKCHART relating to class 14.1. This problem occurs, because the amounts rolled forward are from the corresponding totals of the *Table of CEC deductions from income of previous years* located at the bottom of Schedule 10, and these totals do not take into account the deduction for cumulative eligible capital (CEC) used for the taxation year that ended on December 31, 2016.

Information relating to class 14.1
(Complete this section if the corporation acquired eligible capital property before January 1, 2017)

		Federal	Québec	Alberta
If the election under subparagraph 13(38)(d)(iv) ITA is made for one property in the class, enter the capital gain or the amount to include in income.		0	0	0
Note: When the corporation also makes the election under subparagraph 13(38)(d)(iii) ITA, this amount will be updated to one of lines 295 of Schedule 1.				
Cumulative eligible capital in respect of the business on 2017-01-01 *	A	6,033	6,033	6,033
If the CEC is negative, amount that would need to be included in the income calculation pursuant to paragraph 14(1)(*b*) ITA*	B	0	0	0
Total deductions that reduced CEC in respect of the business for taxation years ending before 2017-01-01*	C	1,013	1,013	1,013
Deemed capital cost of property in the class under paragraph 13(38)(a) ITA (4/3 x [A + (3/2 x B) + C])*	D	9,395	9,395	9,395
Amount deemed allowed as a deduction against the capital cost of property in the class under paragraph 13(38)(c) ITA for taxation years ending before 2017-01-01*	E	3,362	3,362	3,362
UCC balance in the class on 2017-01-01 (D - E)*	F	6,033	6,033	6,033
CCA claimed with respect to this UCC balance*		0	0	0
Rate applicable to the additional deduction		2.00	2.00	2.00

Solution:

After having rolled forward the client file,

- for the **Federal** column, add the amount rolled forward to line C and the amount on line 405 of Schedule 1 (Jump Code: **1**) of the previous taxation year's client file, and enter the result on line C;
- for the **Québec** column, add the amount rolled forward to line C and the amount on line 110 of Form CO-17.A.1 (Jump Code: **Q1**) of the previous taxation year's client file, and enter the result on line C using an override. Note that this correction is only required if the corporation has a permanent establishment in Québec and:
  - the total of the column **Deduction with respect to incorporeal capital property (line 36 of Form CO-130.B)** and the total of the column **CEC deduction from income (line 250)** differ in the *Table of CEC deductions from income of previous years* of Schedule 10 of the previous year's client file; or
  - the amount on line 110 of Form CO-17.A.1 and the amount on line 405 of Schedule 1 calculated in the previous taxation year's client file differ;

- for the **Alberta** column, if the corporation has a permanent establishment in Alberta and:
  - the deduction for cumulative eligible capital is different at the federal level and in Alberta in the previous year's client file, add the amount rolled forward on line C and the amount on line 010 of the AT1 Schedule 12 (Jump Code: **A12**) of the previous taxation year's client file, and enter the result on line C using an override;
  - the deduction for cumulative eligible capital is the same at the federal level and in Alberta in the previous year's client file, add the amount rolled forward on line C and the amount on line 405 of Schedule 1 of the previous taxation year's client file, and enter the result on line C using an override. Note that this correction is required only if the total of the column **CEC deduction from income (line 24 of the AT1 Schedule 14)** and the total of the column **CEC deduction from income (line 250)** differ in the *Table of CEC deductions from income of previous years* of Schedule 10 in the previous taxation year's client file.

This problem will be corrected in *Corporate Taxprep* 2017 v.1.0.

Troubleshooting T22016-015

Schedule 8, Capital Cost Allowance (CCA) (Jump Code: 8) - Incorrect display of diagnostic R0080008 for class 14.1 when the corporation has a taxation year that straddles January 1, 2017, it disposed of eligible capital property in the taxation year, before January 1, 2017, and an amount is shown on line T of Schedule 10 (Jump Code: 10)

Download the client filter and diagnostic template

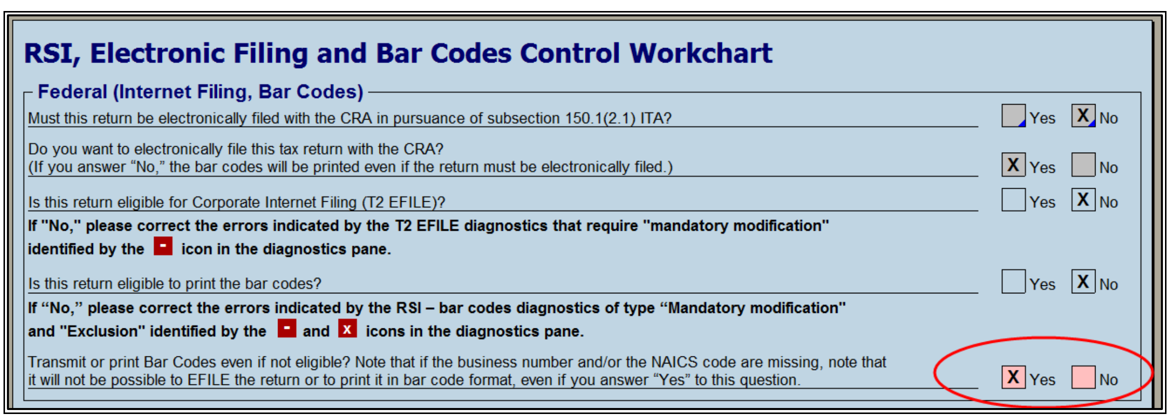
Problem:

When the taxation year of the corporation straddles January 1, 2017, the corporation disposed of eligible capital property (ECP) before January 1, 2017, and there is an amount on line T of Schedule 10 (Jump Code: **10**), an amount is transferred as a negative adjustment to line 205, *UCC adjustments under subsections 13(38) and 13(39) ITA* of Schedule 8 WORKCHART (Jump Code: **8 WORKCHART**) for the corresponding class 14.1 on January 1, 2017, in order to include the ECP-related recapture in income.

In this specific case, diagnostic R0080008 displays and makes the return not eligible for purposes of printing the bar codes and electronic filing.

Solution:

If the return is not eligible because of the presence of diagnostic R0080008, answer "Yes" to the question *Transmit or print Bar Codes even if not eligible?* using an override in Form RSI, *Electronic Filing and Bar Codes Control Workchart* (Jump Code: **RSI-EFILE-BAR CODES**)



This problem will be corrected in *Corporate Taxprep* 2017 v.1.0.

Troubleshooting T22016-014

Schedule 8 WORKCHART, Capital Cost Allowance (CCA) Workchart (Jump Code: 8 WORKCHART) – Incorrect display of diagnostic E49A for class 14.1 when a disposition is entered in a copy of Schedule 8 WORKCHART ADD (Jump Code: 8 WORKCHART ADD) for the current taxation year

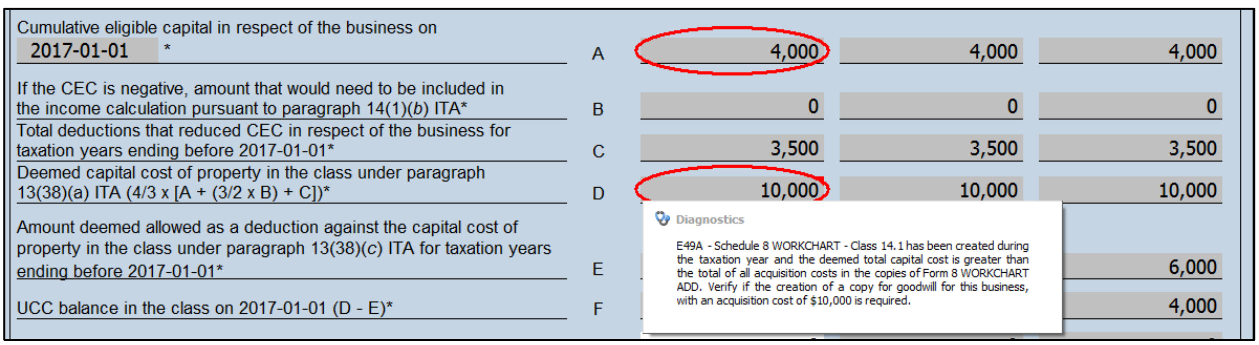
Download the client filter and diagnostic template

Problem:

Diagnostic E49A, which relates to the possible creation of a copy of Schedule 8 WORKCHART ADD for goodwill, incorrectly displays when the following conditions are met:

- the taxation year of the corporation ends after December 31, 2016;
- in a class 14.1, the amount on line A, *Cumulative eligible capital in respect of the business on 2017-01*-01, of the "Information relating to class 14.1" section is greater than 0;
- the amount on line D, *Deemed capital cost of property in the class under paragraph 13(38)(a) ITA*, of the "Information relating to class 14.1" section is equal to the total of the amounts on line *Adjusted cost base* of the copies of Schedule 8 WORKCHART ADD relating to class 14.1;
- information relating to the disposition of one or more eligible capital property during the taxation year, after December 31, 2016, is entered for this class 14.1 in a copy of Schedule 8 WORKCHART ADD.

Schedule 8 WORKCHART

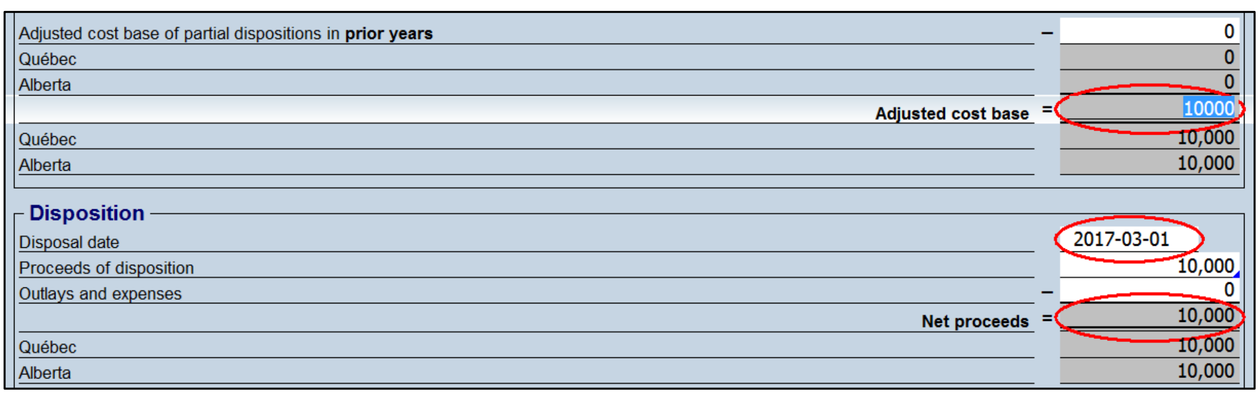


Cumulative eligible capital in respect of the business on 2017-01-01 *	A	4,000	4,000	4,000
If the CEC is negative, amount that would need to be included in the income calculation pursuant to paragraph 14(1)(*b*) ITA*	B	0	0	0
Total deductions that reduced CEC in respect of the business for taxation years ending before 2017-01-01*	C	3,500	3,500	3,500
Deemed capital cost of property in the class under paragraph 13(38)(a) ITA (4/3 x [A + (3/2 x B) + C])*	D	10,000	10,000	10,000
Amount deemed allowed as a deduction against the capital cost of property in the class under paragraph 13(38)(*c*) ITA for taxation years ending before 2017-01-01*	E			6,000
UCC balance in the class on 2017-01-01 (D - E)*	F			4,000

Diagnostics

E49A - Schedule 8 WORKCHART - Class 14.1 has been created during the taxation year and the deemed total capital cost is greater than the total of all acquisition costs in the copies of Form 8 WORKCHART ADD. Verify if the creation of a copy for goodwill for this business, with an acquisition cost of $10,000 is required.

Schedule 8 WORKCHART ADD



Adjusted cost base of partial dispositions in **prior years**	–	0
Québec		0
Alberta		0
Adjusted cost base	=	10000
Québec		10,000
Alberta		10,000
Disposition		
Disposal date		2017-03-01
Proceeds of disposition		10,000
Outlays and expenses	–	0
Net proceeds	=	10,000
Québec		10,000
Alberta		10,000

Solution:

In this particular case, do not take diagnostic E49A into account.

This problem will be corrected in *Corporate Taxprep* 2017 v.1.0.

Troubleshooting T22016-013

Schedule 8 WORKCHART, Capital Cost Allowance (CCA) Workchart (Jump Code: 8 WORKCHART) – Incorrect calculation on lines D, E and 205 for class 14.1 when, in a taxation year straddling January 1, 2017, the corporation disposed of eligible capital property before January 1, 2017, the amount on line T of Schedule 10 (Jump Code: 10) is greater than 0 and amount S in Schedule 10 is equal to 0

Download the client filter and diagnostic template

Problem:

The calculations on line D, *Deemed capital cost of property in the class under paragraph 13(38)(a) ITA*, line E, *Amount deemed allowed as a deduction against the capital cost of property in the class under paragraph 13(38(c) ITA for taxation years ending before January 1, 2017*, and line 205, *UCC adjustments under subsections 13(38) and 13(39) ITA*, which have been added for class 14.1, are incorrect when the following conditions are met:

- the taxation year straddles January 1, 2017;
- an eligible capital property (ECP) has been disposed of in the taxation year, before January 1, 2017;
- the amount on line K of Schedule 10 is negative;
- the amount on line S of Schedule 10, which represents the amount to include in income under the rules relating to ECP, is equal to 0; and
- the amount on line T of Schedule 10, which represents the recapture of prior years' CEC deductions, is greater than 0;

When all these conditions are met, the amount on line D should always be equal to 0, and the amount shown on lines E and 205 should be equal to the amount on line T of Schedule 10, which is currently not the case.

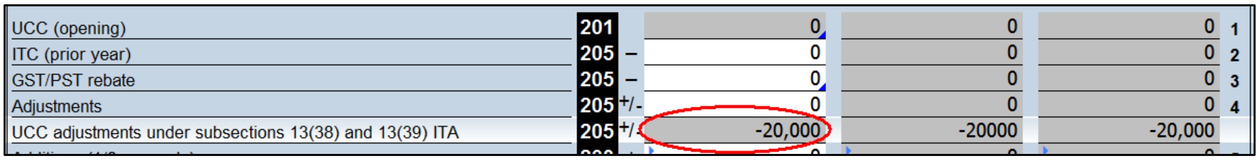
Schedule 10

Deduct: Proceeds of sale (less outlays and expenses not otherwise deductible) from the disposition of all eligible capital property during the taxation year	242	30,000 G		
The gross amount of a reduction in respect of a forgiven debt obligation as provided for in subsection 80(7)	244	0 H		
Other adjustments	246	0 I		
(add amounts G,H, and I)		30,000	x 3 / 4 = 248	22,500 J
Cumulative eligible capital balance (amount F minus amount J) (if amount K is negative, enter "0" at line M and proceed to Part 2)				-18,500 K

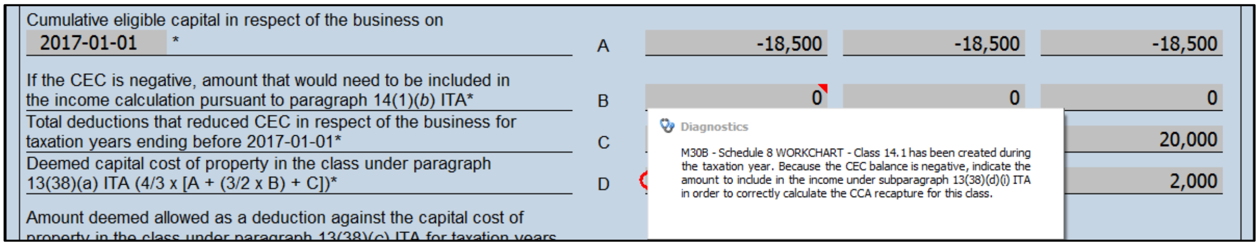
Line 6 minus line 9 (if negative, enter "0")	20,000 ▶		20,000 O
Line N minus line O (if negative, enter "0")			0 P
	Line 5	0 x 1 / 2 =	0 Q
Line P minus line Q (if negative, enter "0")			0 R
	Amount R	0 x 2 / 3 =	0 S
Amount N or amount O, whichever is less			18,500 T
Amount to be included in income (amount S plus amount T) (enter this amount on line 108 of Schedule 1)		410	18,500

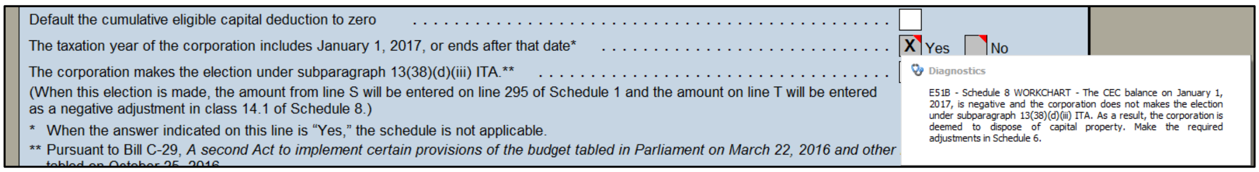
Schedule 8 WORKCHART

Cumulative eligible capital in respect of the business on 2017-01-01 *	A	-18,500	-18,500	-18,500
If the CEC is negative, amount that would need to be included in the income calculation pursuant to paragraph 14(1)(*b*) ITA*	B	0	0	0
Total deductions that reduced CEC in respect of the business for taxation years ending before 2017-01-01*	C	20,000	20,000	20,000
Deemed capital cost of property in the class under paragraph 13(38)(a) ITA (4/3 x [A + (3/2 x B) + C])*	D	2,000	2,000	2,000
Amount deemed allowed as a deduction against the capital cost of property in the class under paragraph 13(38)(*c*) ITA for taxation years ending before 2017-01-01*	E	20,000	20,000	20,000



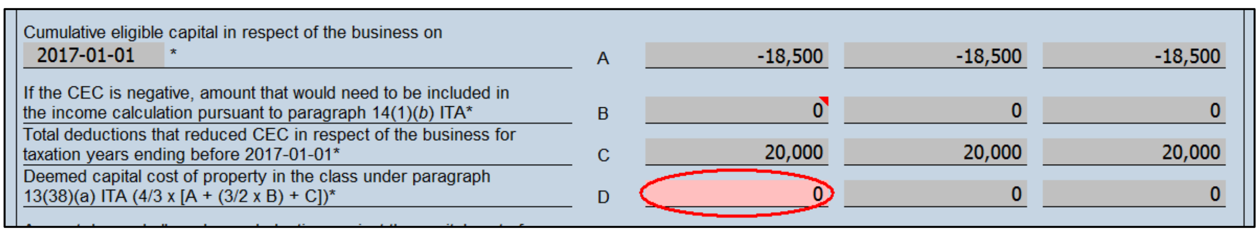
In addition when the amount on line S of Schedule 10 is equal to 0, diagnostics M30B and E51B display, which is incorrect.



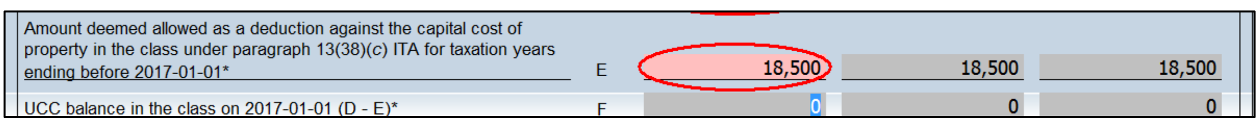


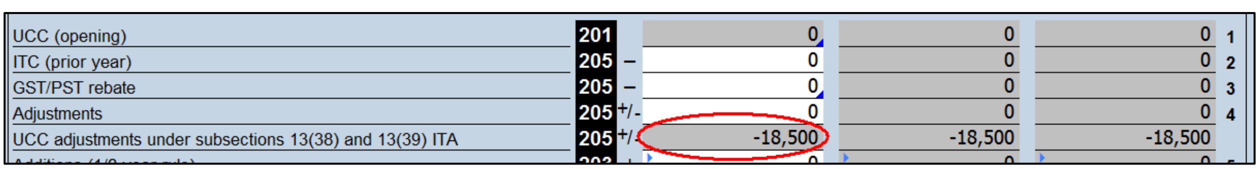
Solution:

In cases where the amount on line D is positive, enter “0,” on that line using an override.

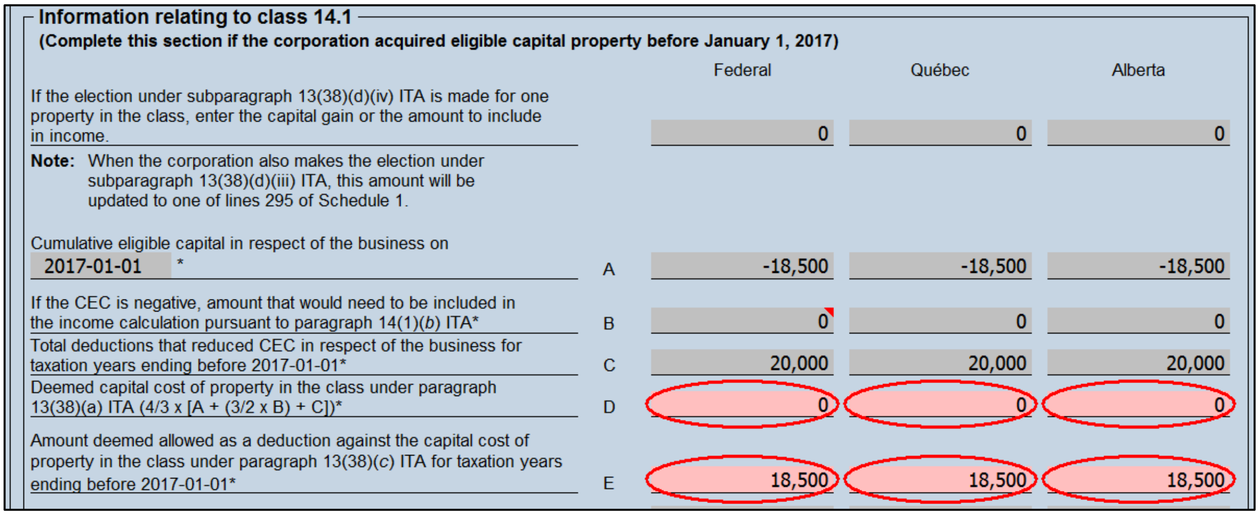


In cases where the amount on line E is greater than the amount on line T of Schedule 10, enter the amount from line T on line E, using an override. The amount on line 205 will automatically be updated.





When the corporation has a permanent establishment in Québec and/or Alberta, follow the same procedure for lines D, E and 205 of the **Québec** and **Alberta** columns in Schedule 8 WORKCHART. If the amounts specific to each jurisdiction differ from the amounts in the **Federal** column, make sure to make the adjustments by taking the provincial amounts into account.



Information relating to class 14.1
(Complete this section if the corporation acquired eligible capital property before January 1, 2017)

		Federal	Québec	Alberta
If the election under subparagraph 13(38)(d)(iv) ITA is made for one property in the class, enter the capital gain or the amount to include in income.		0	0	0
Note: When the corporation also makes the election under subparagraph 13(38)(d)(iii) ITA, this amount will be updated to one of lines 295 of Schedule 1.				
Cumulative eligible capital in respect of the business on 2017-01-01 *	A	-18,500	-18,500	-18,500
If the CEC is negative, amount that would need to be included in the income calculation pursuant to paragraph 14(1)(*b*) ITA*	B	0	0	0
Total deductions that reduced CEC in respect of the business for taxation years ending before 2017-01-01*	C	20,000	20,000	20,000
Deemed capital cost of property in the class under paragraph 13(38)(a) ITA (4/3 x [A + (3/2 x B) + C])*	D	0	0	0
Amount deemed allowed as a deduction against the capital cost of property in the class under paragraph 13(38)(*c*) ITA for taxation years ending before 2017-01-01*	E	18,500	18,500	18,500

Finally, if the amount on line S of Schedule 10 is equal to 0, do not take diagnostics M30B and E51B into account.

These problems will be corrected in *Corporate Taxprep* 2017 v.1.0.

Troubleshooting T22016-008

Schedule 8 WORKCHART, Capital Cost Allowance (CCA) Workchart (Jump Code: 8 WORKCHART) - Incorrect calculation on lines D, E and 205 when several copies are created with respect to class 14.1 for a taxation year that straddles January 1, 2017, and an amount is calculated on line Q of Schedule 10 (Jump Code: 10)

Download the client filter and diagnostic template

Problem:

The calculations on line D, *Deemed capital cost of property in the class under paragraph 13(38)(a) ITA*, line E, *Amount deemed allowed as a deduction against the capital cost of property in the class under paragraph 13(38(c) ITA for taxation years ending before January 1, 2017*, and line 205, *UCC adjustments under subsections 13(38) and 13(39) ITA*, which have been added for class 14.1, are incorrect when the following conditions are met:

- multiple copies relating to class 14.1 have been created in Schedule 8 WORKCHART (either by calculation,* from the information in Schedule 10 WORKCHART, *Cumulative Eligible Capital Deduction Workchart* (Jump Code: **10 WORKCHART**), or directly in Schedule 8 WORKCHART);
- the taxation year of the corporation straddles January 1, 2017;
- the amount on line K of Schedule 10 is negative; and
- an amount is calculated on line Q of Schedule 10 (meaning that an amount is entered on line 402 of Schedule 10 with respect to CEC deduction claimed for taxation years beginning before July 1, 1988) and this amount is less than or equal to the amount on line P of Schedule 10.

* *Corporate Taxprep* automatically creates a separate CCA class 14.1 per business name entered on the line *Business name* of the copies of Schedule 10 WORKCHART.

When all these conditions are met, an amount corresponding to the four thirds of the amount on line Q of Schedule 10 is automatically added to the amount entered on line D of Schedule 8 WORKCHART in all copies relating to class 14.1, which is incorrect. This problem also affects the calculations on lines E and 205.

Solution:

Situation No. 1

When the business relating to class 14.1 existed on January 1, 2017, and an amount is calculated or should be entered on lines A, B and/or C of the “Information relating to class 14.1” section, perform the following calculation and enter the result on line D using an override:

$$4/3 \times [A + (3/2 \times B) + C + Z]$$

where:

A = CEC in respect of the business on January 1, 2017;

B = if this CEC amount is negative, the amount that would need to be included pursuant to paragraph 14(1)(b) ITA, as that paragraph applied immediately before January 1, 2017;

C = amount of item F of the definition of “cumulative eligible capital” set forth in subsection 14(5) ITA, as that subsection applied immediately before January 1, 2017;

Z = item D.1 from the definition of “Cumulative eligible capital” set forth in subsection 14(5) ITA (as that subsection applied immediately before January 1, 2017).

Cumulative eligible capital in respect of the business on 2017-01-01 *	A	1,000	1,000	1,000
If the CEC is negative, amount that would need to be included in the income calculation pursuant to paragraph 14(1)(*b*) ITA*	B	0	0	0
Total deductions that reduced CEC in respect of the business for taxation years ending before 2017-01-01*	C	500	500	500
Deemed capital cost of property in the class under paragraph 13(38)(a) ITA (4/3 x [A + (3/2 x B) + C])*	D	2,000	2,667	2,000

Situation No. 2

In cases where eligible capital property for which class 14.1 has been created have been acquired after December 31, 2016, and where there is no amount to enter on lines A, B and C, enter “0” on line D, using an override.

Cumulative eligible capital in respect of the business on 2017-01-01 *	A	0	0	0
If the CEC is negative, amount that would need to be included in the income calculation pursuant to paragraph 14(1)(*b*) ITA*	B	0	0	0
Total deductions that reduced CEC in respect of the business for taxation years ending before 2017-01-01*	C	0	0	0
Deemed capital cost of property in the class under paragraph 13(38)(a) ITA (4/3 x [A + (3/2 x B) + C])*	D	0	0	0

When the corporation has a permanent establishment in Québec and/or Alberta, follow the same procedure to perform the calculation on line D in the **Québec** and/or **Alberta** columns of Schedule 8 WORKCHART, as applicable.

Situation No. 1

Cumulative eligible capital in respect of the business on 2017-01-01 *	A	1,000	1,000	1,000
If the CEC is negative, amount that would need to be included in the income calculation pursuant to paragraph 14(1)(*b*) ITA*	B	0	0	0
Total deductions that reduced CEC in respect of the business for taxation years ending before 2017-01-01*	C	500	500	500
Deemed capital cost of property in the class under paragraph 13(38)(a) ITA (4/3 x [A + (3/2 x B) + C])*	D	2,000	2,000	2,000

Situation No. 2

Cumulative eligible capital in respect of the business on 2017-01-01 *	A	0	0	0
If the CEC is negative, amount that would need to be included in the income calculation pursuant to paragraph 14(1)(*b*) ITA*	B	0	0	0
Total deductions that reduced CEC in respect of the business for taxation years ending before 2017-01-01*	C	0	0	0
Deemed capital cost of property in the class under paragraph 13(38)(a) ITA (4/3 x [A + (3/2 x B) + C])*	D	0	0	0

Once the amount on line D is overridden, the amounts on line E and 205 will be calculated by *Corporate Taxprep*.

This problem will be corrected in *Corporate Taxprep* 2017 v.1.0.

Troubleshooting T22016-012

Schedule 9 WORKCHART, Related and Associated Corporations Workchart (Jump Code: 9 WORKCHART) — The reduced business limit of the filing corporation is not rolled forward to the field "Reduced business limit of prior taxation year"

Download the client filter and diagnostic template

Problem:

Currently, *Corporate Taxprep* does not roll forward, to the field "Reduced business limit of prior taxation year" of Schedule 9 WORKCHART, the amount of reduced business limit that was entered on line 425 of Schedule 200 (Jump Code: **J**), if applicable, for the client files created with a version prior to *Corporate Taxprep* 2016 v.2.0. This amount is used to determine if the corporation is eligible for the additional one-month period to pay its income tax balance due.

This problem arises from the fact that a field (amount H) has been added to the "Small business deduction" section of Schedule 200 and the amount rolled forward to the field "Reduced business limit of prior taxation year" of Schedule 9 WORKCHART is now the amount shown in this new field.

Small business deduction

Canadian-controlled private corporations (CCPCs) throughout the tax year

Income from active business carried on in Canada from Schedule 7	400	150,000	A
Taxable income from line 360 on page 3, **minus** 100/28 3.57143 of the amount on line 632* on page 8, **minus** 4 times the amount on line 636** on page 8, and **minus** any amount that, because of federal law, is exempt from Part I tax	405	150,000	B
Business limit (see notes 1 and 2 below)	410	500,000	C

Notes:

1. For CCPCs that are not associated, enter $ 500,000 on line 410. However, if the corporation's tax year is less than 51 weeks, prorate this amount by the number of days in the tax year divided by 365, and enter the result on line 410.
2. For associated CCPCs, use Schedule 23 to calculate the amount to be entered on line 410.

Business limit reduction:

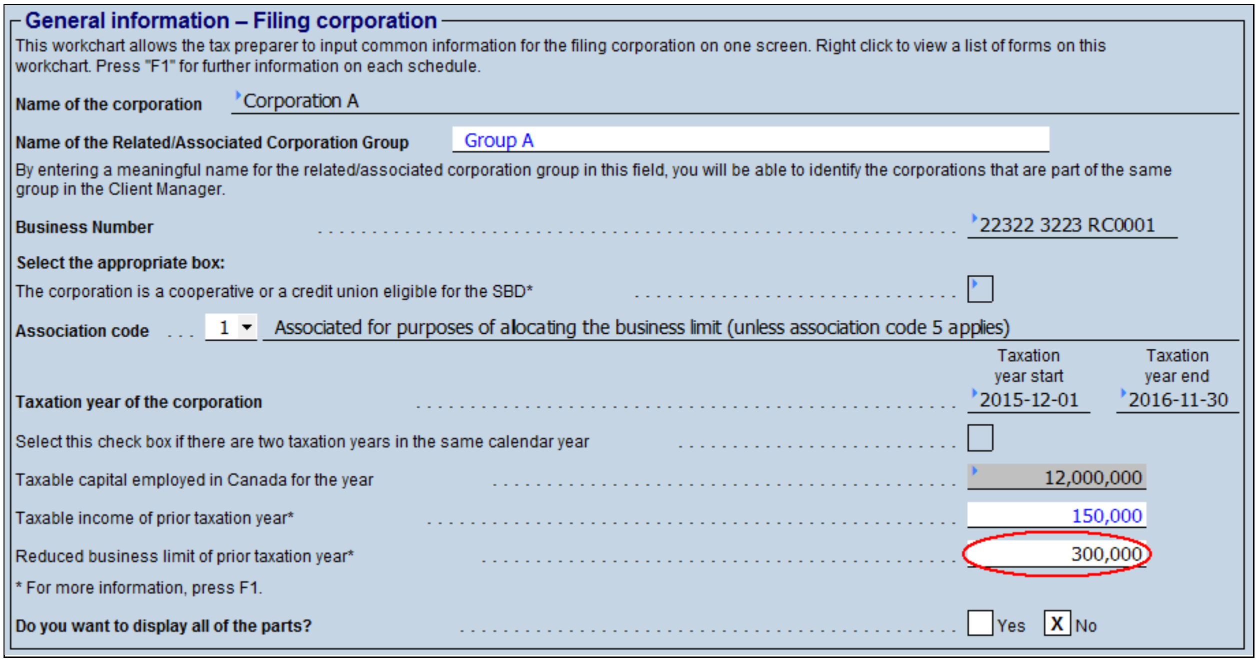
Amount C 500,000 x 415 *** 4,500 D / 11,250 =		200,000	E
Reduced business limit (amount C **minus** amount E) (if negative, enter "0")	425	300,000	F
Business limit the CCPC assigns under subsection 125(3.2) (amount O below)		0	G
Amount F **minus** amount G		300,000	H

Solution:

You can either:

- open the client file created with a version prior to *Corporate Taxprep* 2016 v.2.0 in version 2016 2.0, then save and roll forward the file with this version; or
- in the file already rolled forward with version 2016 v.2.0, enter the amount of the reduced business limit (line 425 of Schedule 200) indicated in the client file of the prior taxation year in the field "Reduced business limit of prior taxation year" of Schedule 9 WORKCHART. Note that if the prior

taxation year is less than 357 days, the amount that should be entered in the field “Reduced business limit of prior taxation year” is the amount of the reduced business limit (line 425 of Schedule 200) indicated in the client file of the prior taxation year multiplied by 365 and divided by the number of days in the prior taxation year.



General information – Filing corporation

This workchart allows the tax preparer to input common information for the filing corporation on one screen. Right click to view a list of forms on this workchart. Press "F1" for further information on each schedule.

Name of the corporation Corporation A

Name of the Related/Associated Corporation Group Group A

By entering a meaningful name for the related/associated corporation group in this field, you will be able to identify the corporations that are part of the same group in the Client Manager.

Business Number 22322 3223 RC0001

Select the appropriate box:

The corporation is a cooperative or a credit union eligible for the SBD*

Association code 1 Associated for purposes of allocating the business limit (unless association code 5 applies)

	Taxation year start	Taxation year end
Taxation year of the corporation	2015-12-01	2016-11-30

Select this check box if there are two taxation years in the same calendar year

Taxable capital employed in Canada for the year 12,000,000

Taxable income of prior taxation year* 150,000

Reduced business limit of prior taxation year* 300,000

* For more information, press F1.

Do you want to display all of the parts? Yes X No

This problem will be corrected in *Corporate Taxprep* 2017 v.1.0.

Troubleshooting T22016-011

Identification, Corporate Identification and Other Information (Jump Code: ID) - Problem relating to the relevant spot rate that should be entered for the functional currency

Download the client filter and diagnostic template

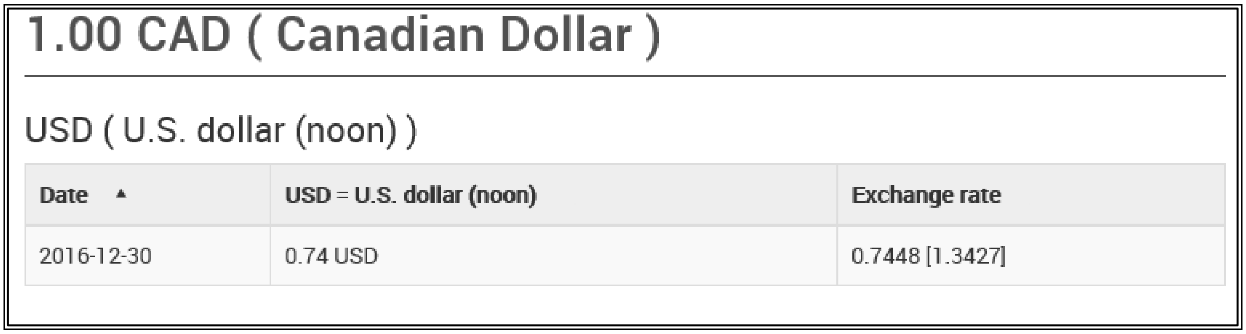
Problem:

If you elect to file the tax return in a functional currency, you should enter the relevant spot rate under line 079 of the Identification form. This rate is used to translate the amounts used for purposes of *Taxprep* calculations into functional currency. The calculations performed by the program require that the exchange rate entered be the rate used to translate the functional currency into Canadian dollars, but, as per the “relevant spot rate” definition set out in subsection 261(1) ITA, the rate to enter should rather be the rate used to translate from the Canadian dollar into the functional currency. However, if the exchange rate is entered in the format prescribed by law, the *Taxprep* calculations are incorrect.

Solution:

Make sure that you enter the exchange rate to use to translate the selected functional currency into Canadian dollars.

Example: The corporation elected to use a functional currency, i.e. the U.S. dollar, for its fiscal year beginning on December 30, 2016. In *Taxprep*, the rate to indicate under line 079 must be 1.3427 and not 0.7448.


1.00 CAD (Canadian Dollar)

USD (U.S. dollar (noon))

Date	USD = U.S. dollar (noon)	Exchange rate
2016-12-30	0.74 USD	0.7448 [1.3427]

This problem will be corrected in *Corporate* 2017 v.1.0.

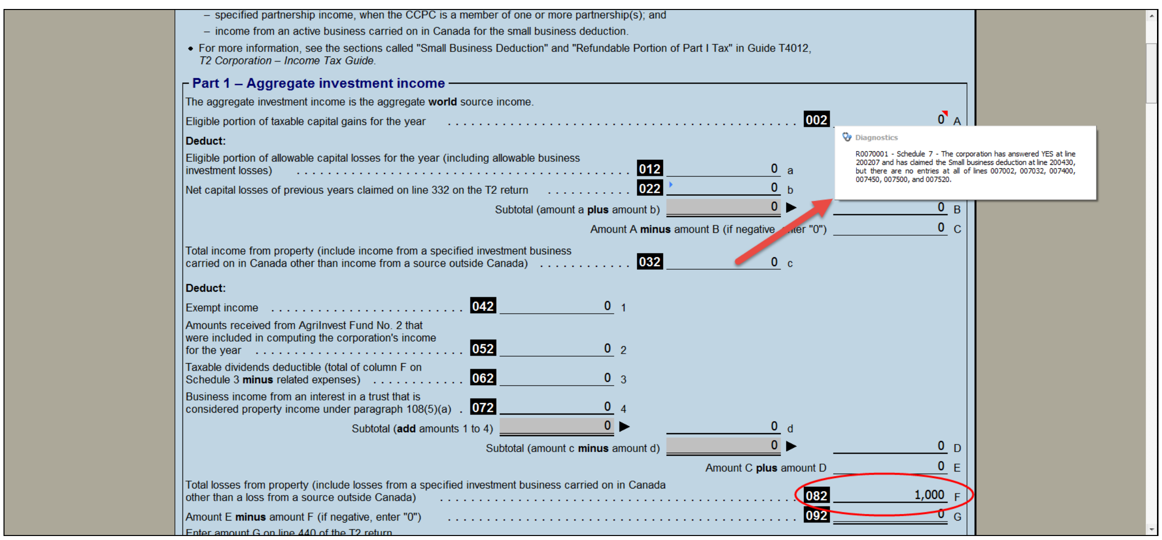
Troubleshooting T22016-010

Schedule 7, Aggregate Investment Income and Active Business Income (Jump Code: 7) - Incorrect display of diagnostic R0070001

Download the client filter and diagnostic template

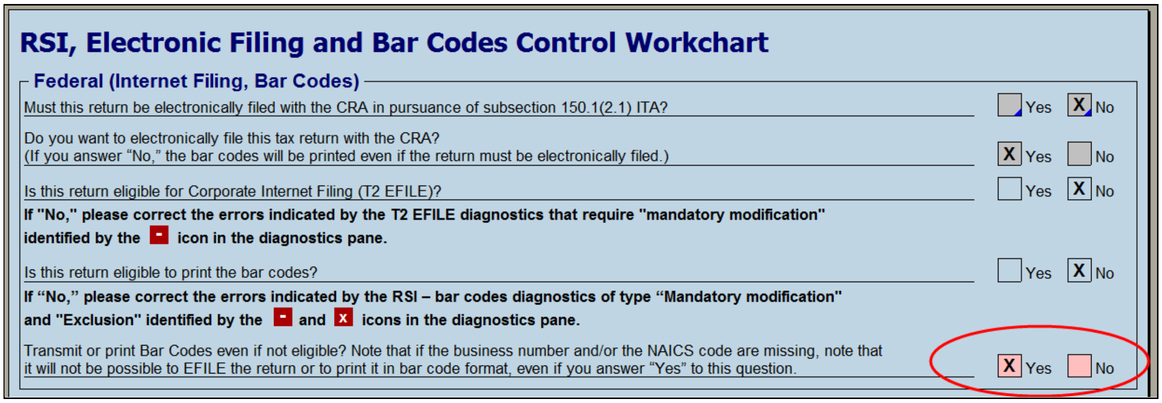
Problem:

When the corporation only has a loss from property (line 82) in Schedule 7, diagnostic R0070001 displays. This diagnostic makes the return not eligible for printing and electronic filing purposes.



Solution:

If the return is not eligible because of the presence of diagnostic R0070001, answer “Yes” to the question *Transmit or print Bar Codes even if not eligible?* using an override in Form RSI, *Electronic Filing and Bar Codes Control Workchart* (Jump Code: **RSI-EFILE-BAR CODES**)



RSI, Electronic Filing and Bar Codes Control Workchart

Federal (Internet Filing, Bar Codes)

Must this return be electronically filed with the CRA in pursuance of subsection 150.1(2.1) ITA? ☐ Yes ☒ No

Do you want to electronically file this tax return with the CRA?
(If you answer "No," the bar codes will be printed even if the return must be electronically filed.) ☒ Yes ☐ No

Is this return eligible for Corporate Internet Filing (T2 EFILE)? ☐ Yes ☒ No

If "No," please correct the errors indicated by the T2 EFILE diagnostics that require "mandatory modification" identified by the icon in the diagnostics pane.

Is this return eligible to print the bar codes? ☐ Yes ☒ No

If "No," please correct the errors indicated by the RSI – bar codes diagnostics of type "Mandatory modification" and "Exclusion" identified by the and icons in the diagnostics pane.

Transmit or print Bar Codes even if not eligible? Note that if the business number and/or the NAICS code are missing, note that it will not be possible to EFILE the return or to print it in bar code format, even if you answer "Yes" to this question. ☒ Yes ☐ No

This problem will be corrected in *Corporate Taxprep* 2017 v.1.0.

Troubleshooting memo T22016-007

Schedule 3, Dividends Received, Taxable Dividends Paid and Part IV Tax Calculation (Jump Code: 3) - Part IV tax payable calculation incorrect when a Part IV tax amount is payable on dividends received before January 1, 2016, and dividends received after December 31, 2015, an amount is entered on line 360 of Schedule 43 and losses deducted from Part IV tax are greater than the difference between Part IV tax on dividends received after December 31, 2015, and the amount on line 320.1 divided by 38 1/3%

Download the client filter and diagnostic template

Problem:

When the corporation has Part IV tax payable because of dividends received before January 1, 2016, and dividends received after December 31, 2015, an amount of Part IV.1 tax payable on dividends subject to Part IV tax is indicated on line 360 of Schedule 43 (Jump Code: **43**), *Corporate Taxprep* enters the amount from line 360 of Schedule 43 on line 320.1 of Schedule 3. However, when losses are deducted from Part IV tax and the amount of the losses deducted is greater than the difference between Part IV tax on dividends received after December 31, 2015, and the amount on line 320.1 divided by 38 1/3%, the amount from Schedule 43, or part of this amount, should be entered on line 320.2 instead.

Part 2 – Calculation of Part IV tax payable

Period after December 31, 2015

Part IV tax before deductions (amount J in Part 1)				15,333
Deduct:				
Part IV.I tax payable on dividends subject to Part IV tax			320.1	2,000
			Subtotal	13,333
Deduct:				
Current-year non-capital loss claimed to reduce Part IV tax	330.1	34,782		
Non-capital losses from previous years claimed to reduce Part IV tax	335.1	0		
Current-year farm loss claimed to reduce Part IV tax	340.1	0		
Farm losses from previous years claimed to reduce Part IV tax	345.1	0		
Total losses applied against Part IV tax		34,782	x 38 1 / 3 % =	13,333
Part IV tax payable (enter amount on line 712 of the T2 return)			360.1	0

Period before January 1, 2016

Part IV tax before deductions (amount J in Part 1)				16,667
Deduct:				
Part IV.I tax payable on dividends subject to Part IV tax			320.2	0
			Subtotal	16,667
Deduct:				
Current-year non-capital loss claimed to reduce Part IV tax	330.2	25,218		
Non-capital losses from previous years claimed to reduce Part IV tax	335.2	0		
Current-year farm loss claimed to reduce Part IV tax	340.2	0		
Farm losses from previous years claimed to reduce Part IV tax	345.2	0		
Total losses applied against Part IV tax		25,218	x 1 / 3 =	8,406
Part IV tax payable (enter amount on line 712 of the T2 return)			360.2	8,261

Solution:

Do not take diagnostic E2050 into account, and enter on line 320.2 of Schedule 3 the amount from line 360 of Schedule 43. If the amount on line 360 of Schedule 43 is greater than the amount of Part IV tax payable on dividends received before January 1, 2016, enter on line 320.2 the amount of Part IV tax payable on dividends received before January 1, 2016.

Part 2 – Calculation of Part IV tax payable

Period after December 31, 2015

Part IV tax before deductions (amount J in Part 1)				15,333
Deduct:				
Part IV.I tax payable on dividends subject to Part IV tax			320.1	0
			Subtotal	15,333
Deduct:				
Current-year non-capital loss claimed to reduce Part IV tax	330.1	39,999		
Non-capital losses from previous years claimed to reduce Part IV tax	335.1	0		
Current-year farm loss claimed to reduce Part IV tax	340.1	0		
Farm losses from previous years claimed to reduce Part IV tax	345.1	0		
Total losses applied against Part IV tax		39,999	x 38 1 / 3 % =	15,333
Part IV tax payable (enter amount on line 712 of the T2 return)			360.1	0

Period before January 1, 2016

Part IV tax before deductions (amount J in Part 1)				16,667
Deduct:				
Part IV.I tax payable on dividends subject to Part IV tax			320.2	2,000
			Subtotal	14,667
Deduct:				
Current-year non-capital loss claimed to reduce Part IV tax	330.2	20,001		
Non-capital losses from previous years claimed to reduce Part IV tax	335.2	0		
Current-year farm loss claimed to reduce Part IV tax	340.2	0		
Farm losses from previous years claimed to reduce Part IV tax	345.2	0		
Total losses applied against Part IV tax		20,001	x 1 / 3 =	6,667
Part IV tax payable (enter amount on line 712 of the T2 return)			360.2	8,000

This problem will be corrected in *Corporate Taxprep* 2016 v.2.0.

Troubleshooting memo T22016-001

Schedule 89, Request for Capital Dividend Account Balance Verification (Jump Code: 89) — The amount of dividends paid in the year from the capital dividend account (CDA) is not rolled forward to column 7 in certain situations

Download the client filter and diagnostic template

Problem:

Currently, *Corporate Taxprep* does not roll forward, to column 7 of Schedule 89, the amount of dividends paid in the year from the CDA that was entered on line 510 of Schedule 3 (Jump Code: **3**) for client files prepared with a version prior to *Corporate Taxprep* 2015 v.2.0 and that are rolled forward directly to version 2016 v.1.0. This error occurs because the field allowing you to enter this amount has been added in version 2015 v.2.0.

Solution:

You can either:

- open the client file prepared with a version prior to *Corporate Taxprep* 2015 v.2.0 in version 2016 v.1.0, save the file, and roll forward this file to version 2016 v.1.0; or
- in the client file already rolled forward with version 2016 v.1.0, enter the amount of dividends paid in the year from the CDA (line 510 of Schedule 3) indicated in the initial client file in column 7 of Schedule 89 for the previous year.

Part 1 – CDA components (except for eligible capital property) (Note 1 and Note 2)

If you click the **Sort** button, the capital dividend account components will be listed in chronological order according to the taxation year-end dates or the relevant dates, on screen and when printing.

Sort

Add Delete

	1 Tax year-end or relevant date (YYYY/MM/DD) (Note 3)	2 Non-taxable portion of capital gains and non-deductible capital losses per paragraph 89(1)(a)	3 Capital dividends received per paragraph 89(1)(b) (Note 4)	4 Net proceeds of a life insurance policy per paragraph 89(1)(d)	5 Non-taxable portion of capital gains from a trust per paragraph 89(1)(f)	6 Capital dividends from a trust per paragraph 89(1)(g)	7 Capital dividends payable per subsection 83(2)
1.	2011-12-31	5,000	0	0	0	0	0
2.	2012-12-31	5,000	0	0	0	0	0
3.	2013-12-31	10,000	0	0	0	0	0
4.	2014-12-31	15,000	0	0	0	0	0
	YYYY-MM-DD	0	0	0	0	0	0
	Totals	35,000	0	0	0	0	0

This problem will be corrected in *Corporate Taxprep* 2016 v.2.0.

For information purposes, if you have to allocate the amount of capital dividends paid between several years in column 7 and you have access to the client file of the corporation prepared with *Corporate Taxprep* 2014 v.2.0, you can refer to the CDA calculation workchart in Form *Continuity of Capital Dividend Account* (Jump Code: **CDA**) of this client file.

Québec

Troubleshooting T22016-032

CO-1159.2, Compensation Tax for Financial Institutions (Jump Code: 11592) - Extension of the compensation tax for financial institutions and maintenance of rates for an additional five-year period

Download the client filter and diagnostic template

Problem:

In its March 28, 2017 Budget, the Québec government announced the extension of the compensation tax for financial institutions and the maintenance of rates for an additional five-year period. Therefore, the application period of the compensation tax is extended until March 31, 2024.

Here are the rates of the compensation tax for financial institutions according to the period covered:

- for salaries and wages paid:
  - where the corporation is a bank, a loan corporation, a trust corporation, or a corporation trading in securities, the rate is 4.48% for the period from December 3, 2014 to March 31, 2022, and 2.80% for the period from April 1, 2022, to March 31, 2024;
  - where the corporation is a savings and credit union, the rate is 3.52% for the period from December 3, 2014, to March 31, 2022, and 2.20% for the period from April 1, 2022, to March 31, 2024;
  - where the corporation is a financial institution, but is neither a savings and credit union, a bank, a loan corporation, a trust corporation or a corporation trading in securities, nor an insurance corporation, the rate is 1.44% for the period from December 3, 2014, to March 31, 2022, and 0.90% for the period from April 1, 2022, to March 31, 2024.
- for insurance premiums and amounts established in respect of insurance funds, the rate is 0.48% for the period from December 3, 2014, to March 31, 2022, and 0.30% for the period from April 1, 2022, to March 31, 2024.

We invite you to consult point 3.1 in Section A of the 2017-2018 Québec Budget at the following address for more information on these changes:

http://www.budget.finances.gouv.qc.ca/budget/2017-2018/en/documents/Budget1718_AdditionalInfo.pdf#page=5

Currently, *Corporate Taxprep* does not take these measures into account.

Solution:

<u>The corporation is a bank, a loan corporation, a trust corporation, or a corporation trading in securities (Section 2.2)</u>

If the taxation year of the corporation ends after March 31, 2017, enter on line 23 of column C, the salaries and wages paid before April 1, 2022, then, remove the value entered on line 23 of column D.

2.2 Compensation tax applicable to salaries and wages paid

			A Salaries and wages paid before January 1, 2013	B Salaries and wages paid after December 31, 2012, and before December 3, 2014	C Salaries and wages paid after December 2, 2014, and before April 1, 2017	D Salaries and wages paid after March 31, 2017, and before April 1, 2019
Salaries and wages paid[2] by the corporation during the period(s) of the year in which it was deemed to be a financial institution		23	0	0	0	0
Rate applicable to the salaries and wages paid	x	24	**3.9 %**	**2.8 %**	**4.48 %**	**2.8 %**
Multiply line 23 by line 24.	=	25	0	0	0	0
Add the amounts on line 25. **Compensation tax applicable to salaries and wages paid**	=	25a				0

The corporation is a savings and credit union (Part 4)

If the taxation year of the corporation ends after March 31, 2017, enter on line 46 of column C, the salaries and wages paid before April 1, 2022, then, remove the value entered on line 46 of column D.

4 Savings and credit union

			A Salaries and wages paid before January 1, 2013	B Salaries and wages paid after December 31, 2012, and before December 3, 2014	C Salaries and wages paid after December 2, 2014, and before April 1, 2017	D Salaries and wages paid after March 31, 2017, and before April 1, 2019
Salaries and wages paid[6] by the corporation during the period(s) of the year in which it was deemed to be a financial institution		46	0	0	0	0
Rate applicable to the salaries and wages paid	x	47	3.8 %	2.2 %	3.52 %	2.2 %
Multiply line 46 by line 47.	=	47a	0	0	0	0
Add the amounts on line 47a.	=	48				0

The corporation is a financial institution, but is neither a savings and credit union, a bank, a loan corporation, a trust corporation or a corporation trading in securities, nor an insurance corporation (Part 7)

If the taxation year of the corporation ends after March 31, 2017, enter on line 67 of column C, the salaries and wages paid before April 1, 2022, then, remove the value entered on line 67 of column D.

7 Other corporation that is a financial institution

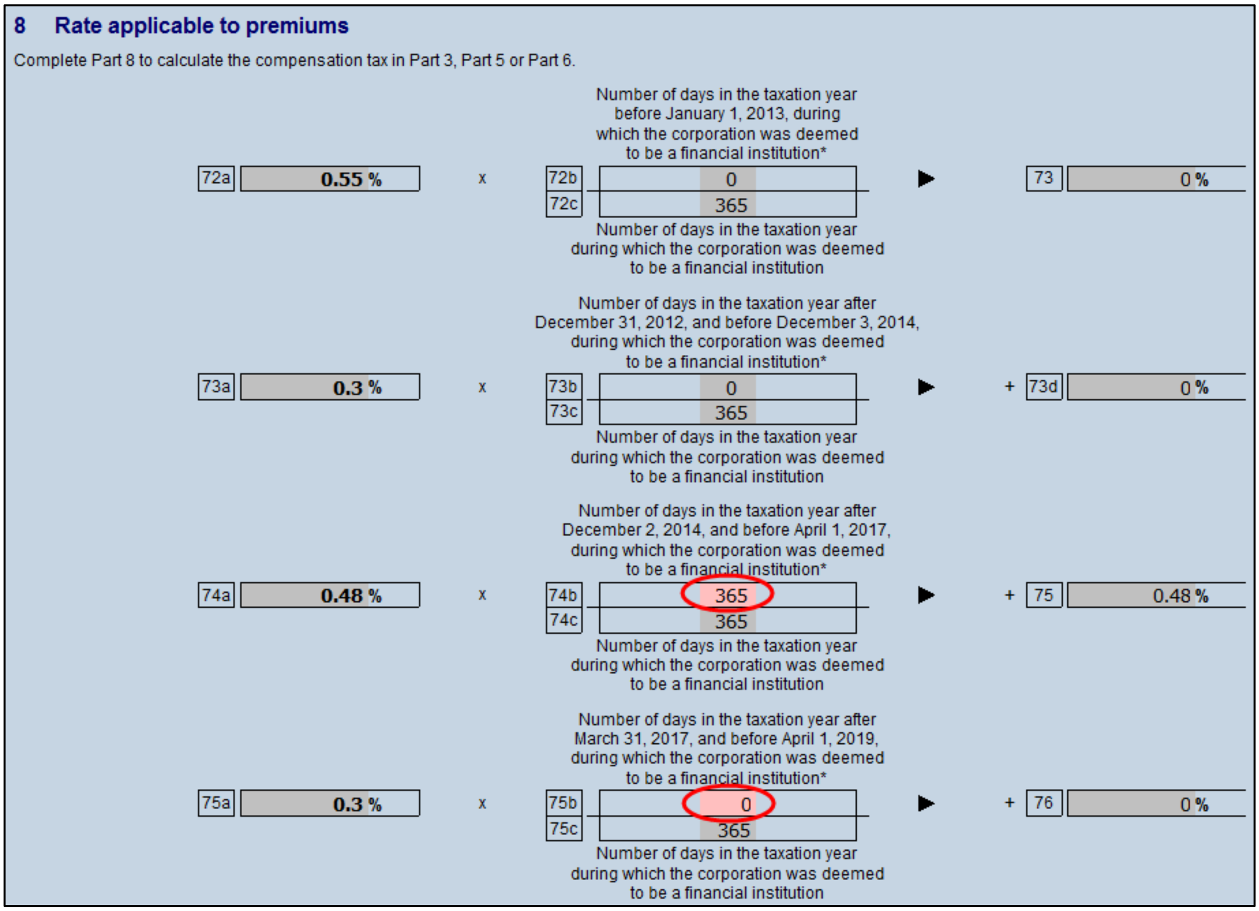
Complete Part 7 for any other corporation, including a legal person that is deemed to be a financial institution further to an election it made or is deemed to have made jointly with a bank, loan corporation, trust corporation, corporation trading in securities, savings and credit union, insurance corporation, or professional order.

Has the corporation made an election under subsection 150(1) of the *Excise Tax Act* to be deemed a financial institution? ☐ Yes ☐ No

			A Salaries and wages paid before January 1, 2013	B Salaries and wages paid after December 31, 2012, and before December 3, 2014	C Salaries and wages paid after December 2, 2014, and before April 1, 2017	D Salaries and wages paid after March 31, 2017, and before April 1, 2019
Salaries and wages paid[8] by the corporation during the period(s) of the year in which it was deemed to be a financial institution		67	0	0	0	0
Rate applicable to the salaries and wages paid before January 1, 2013		68	1.5 %	N/A	N/A	N/A
Rate applicable to the salaries and wages paid after December 31, 2012. If the corporation has elected to be deemed a financial institution under subsection 150(1) of the *Excise Tax Act*, enter • **0.9%** for salaries and wages paid after December 31, 2012, and before December 3, 2014, or after March 31, 2017, and before April 1, 2019; • **1.44%** for salaries and wages paid after December 2, 2014, and before April 1, 2017. Otherwise, enter **0%**.	x	68a	N/A	0 %	0 %	0 %
Multiply line 67 by line 68 or line 68a, as applicable.	=	68b	0	0	0	0
Add the amounts on line 68b.	=	69				0

The corporation is solely an insurance corporation (Part 3) or a professional order (Part 5), or the corporation is a bank, a loan corporation, a trust corporation, or a corporation trading in securities or a saving and credit union that is also an insurance corporation (Part 6)

If the taxation year of the corporation ends after March 31, 2017, enter the number of days in the taxation year prior to April 1, 2022, on line 74b of Part 8, using an override. Then, enter “0” on line 75b of Part 8, using an override.



8 Rate applicable to premiums

Complete Part 8 to calculate the compensation tax in Part 3, Part 5 or Part 6.

72a 0.55 %	x	72b 0 (Number of days in the taxation year before January 1, 2013, during which the corporation was deemed to be a financial institution*) / 72c 365 (Number of days in the taxation year during which the corporation was deemed to be a financial institution)	▶		73 0 %
73a 0.3 %	x	73b 0 (Number of days in the taxation year after December 31, 2012, and before December 3, 2014, during which the corporation was deemed to be a financial institution*) / 73c 365 (Number of days in the taxation year during which the corporation was deemed to be a financial institution)	▶	+	73d 0 %
74a 0.48 %	x	74b 365 (Number of days in the taxation year after December 2, 2014, and before April 1, 2017, during which the corporation was deemed to be a financial institution*) / 74c 365 (Number of days in the taxation year during which the corporation was deemed to be a financial institution)	▶	+	75 0.48 %
75a 0.3 %	x	75b 0 (Number of days in the taxation year after March 31, 2017, and before April 1, 2019, during which the corporation was deemed to be a financial institution*) / 75c 365 (Number of days in the taxation year during which the corporation was deemed to be a financial institution)	▶	+	76 0 %

These measures will be integrated into *Corporate Taxprep* 2017 v.1.0.

Troubleshooting T22016-031

CO-1029.8.35, Tax Credit for Québec Film Productions (Jump Code: 1029835) - Higher increases respecting the tax credit for Québec film or television production

Download the client filter and diagnostic template

Problem:

In its budget tabled on March 28, 2017, the Québec government announced a raise in the rates of the three increases respecting the refundable tax credit for Québec film or television production. This raise in the rates applies to any production for which an application for an advance ruling, or an application for a certificate, if no application for an advance ruling was previously filed, is submitted to SODEC after March 28, 2017.

<u>Increase for no public financial assistance</u>

For productions that are eligible for the increase for productions that never received financial assistance granted by certain public bodies, the rate of the increase is raised from 8% to 16%.

In addition, this increase is now available for productions receiving financial assistance granted by a public body. The rate is then reduced linearly according to the amount of financial assistance granted by such a public body to the eligible production. To reflect this change, the increase has been renamed “increase determined by public financial assistance.”

Regional increase

For giant-screen films and French-language productions, the rate of the increase that can be claimed on the qualified labour expenditure attributable to services provided in Québec, outside the Montréal region, is raised from 8% to 10%.

For the other categories of eligible productions, the rate of the increase is raised from 16% to 20%.

Increase for special effects and computer animation

The rate of the increase for special effects and computer animation, which applies to the qualified labour expenditure related to computer-aided special effects and animation for a production that is not a giant-screen film or a French-language production, is raised from 8% to 10%.

Maximum rate of the tax credit

Because of the raise in the rates of the increases, the maximum rate of the tax credit for a production that is not adapted from a foreign format is 66%, whereas the maximum rate of the tax credit for a production that is adapted from a foreign format is 62%.

Currently, *Corporate Taxprep* does not take these modifications into account.

Solution:

In the case where the application for an advance ruling, or the application for a certificate, if no application for an advance ruling was previously filed for the production, is submitted to SODEC after March 28, 2017, make the following modifications in Part 7 of the form in order to use the correct rates when calculating the increases relating to the production.

Increase determined by public financial assistance

If the production is eligible for the increase determined by public financial assistance (i.e. if an amount is indicated on line 322a) and the production receives no financial assistance from public bodies, enter “16%” on line 322b, using an override.

If the production is eligible for the increase determined by public financial assistance and the production receives financial assistance from a public body, enter the result of the following calculation on line 322b, using an override:

$$16\% \quad X \quad \frac{(32\% - A)}{32\%}$$

$$A \quad = \quad \frac{\text{Total amount of financial assistance granted by a public body in respect of the eligible production}}{\text{Total amount of the production costs attributable to the production}}$$

Where

Regional increase

If the production is eligible for the regional increase (i.e. if an amount is indicated on line 323) and box 10a is selected, enter “10%” on line 324, using an override. If the production is eligible for this increase, but box 10a is not selected, enter “20%” on line 324, using an override.

Increase for special effects and computer animation

If the production is eligible for the increase for special effects and computer animation (i.e. if an amount is indicated on line 326), enter “10%” on line 327, using an override.

Maximum rate of the tax credit

If the production is not adapted from a foreign format (i.e. if box 10g is selected), enter “66%” on line 340, using an override. If the production is adapted from a foreign format (i.e. if box 10g is not selected), enter “62%” on line 340, using an override.

7 Tax credit for Québec film productions

7.1 Tax credit before application of the limit based on the qualified labour expenditures

Qualified labour expenditures (amount C) or increased amount of qualified labour expenditures (amount on line 94), as applicable				320	1,020,000
Basic tax credit rate[27]			x	320a	32.0000 %
Multiply line 320 by line 320a. **Basic tax credit**			=	322	326,400
If you checked box 10d, do the required calculations on lines 322a through 322c. Otherwise, enter 0 on line 322c.					
Qualified labour expenditures (amount C)	322a	1,000,000			
Rate of the increase applicable to certain film productions in respect of which no amount of financial assistance granted by certain public bodies has ever been received.[28] If you checked box: • 10e, enter 10%; or • 10f, enter 8%.	x 322b	16.0000 %			
Multiply line 322a by line 322b **Increase applicable to certain film productions that have never received financial assistance granted by certain public bodies**	=	160,000	+	322c	160,000
Qualified expenditures for services rendered outside the Montréal area (amount F)	323	900,000			
Rate of the increase applicable to a regional production. If you checked: • boxes 10a and 10e, enter 10%; • boxes 10a and 10f, enter 8%; • box 10e but not box 10a, enter 20%; or • box 10f but not box 10a, enter 16%.	x 324	20.0000 %			
Multiply line 323 by line 324. **Increase applicable to a regional production**	=	180,000	+	325	180,000
Qualified computer-aided special effects and animation expenditures (amount I)	326	50,000			
Rate of the increase applicable to computer-aided special effects and animation. If you checked box 10e, enter 10%. Otherwise, enter 8%.	x 327	10.0000 %			
Multiply line 326 by line 327. **Increase applicable to computer-aided special effects and animation**	=	5,000	+	328	5,000
Add lines 322, 322c, 325 and 328. **Tax credit before application of the limit based on the qualified labour expenditures**			=	329	671,400

7.2 Limit based on the qualified labour expenditures

Qualified labour expenditures (amount C). If amounts F and I are nil, enter on line 341 the amount on line 339.		339	1,000,000
Maximum rate of the tax credit. If you checked: • box 10e, enter 65%; • box 10f but not box 10g, enter 52%; or • boxes 10f and 10g, enter 56%.	x	340	66.0000 %

These measures will be integrated into *Corporate Taxprep* 2017 v.1.0.

Troubleshooting T22016-030

CO-17.A.1, Net Income for Income Tax Purposes (Jump Code: Q1) - Québec Budget 2017 - Introduction of an additional capital cost allowance (CCA) for qualified property included in CCA classes 50 and 53 acquired after March 28, 2017

Download the client filter and diagnostic template

Problem:

In its March 28, 2017 Budget, the Québec government announced that taxpayers could now deduct, when calculating their income, an additional capital cost allowance (CCA) in respect of qualified property included in CCA classes 50 and 53 acquired after March 28, 2017. This additional deduction, claimable for the taxation year during which the property has been put to use or for the next year, is equal to 35% of the CCA claimed by the corporation in respect of this qualified property. Note that a special tax is also provided for in cases where the qualified property is not used mainly in Québec for 730 consecutive days.

Currently, *Corporate Taxprep* does not take this additional deduction into account when calculating net income for income tax purposes.

Solution:

When a corporation acquired qualified property after March 28, 2017, during a taxation year ending after March 28, 2017, proceed as follows:

1. Perform the following calculation:

$$\text{Additional deduction amount} = 35\% \times \text{CCA claimed in the year for eligible classes} \times \frac{\text{Capital cost of qualified property*}}{\text{UCC** used in calculating the CCA for the year}}$$

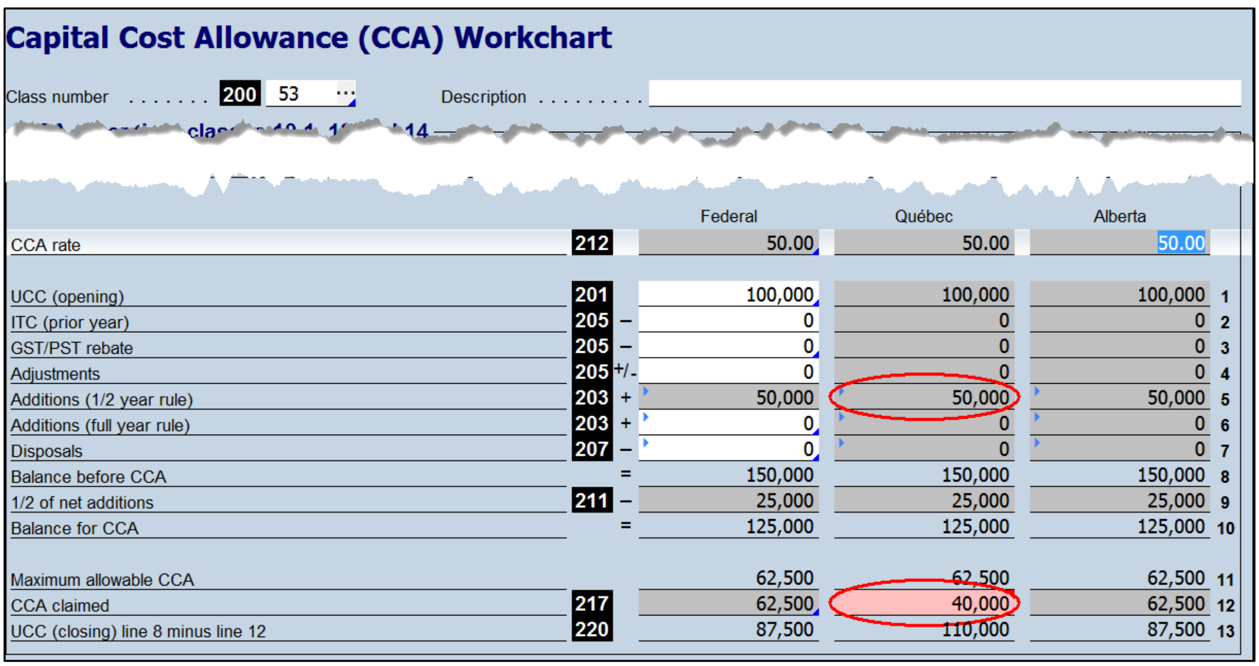
* The capital cost of qualified property must take into account the half-year rule for the taxation year in which the qualified property is first put to use.

** Undepreciated capital cost.

2. Enter the result of the above calculation on one of lines 150g to 150k of Form CO-17.A.1 and include the following description: “Additional deduction for CCA – Budget 2017-2018.”

<u>Example:</u>

The corporation acquires qualified property in class 53 on April 1, 2017, and its taxation year ends on April 30, 2017.



Capital Cost Allowance (CCA) Workchart

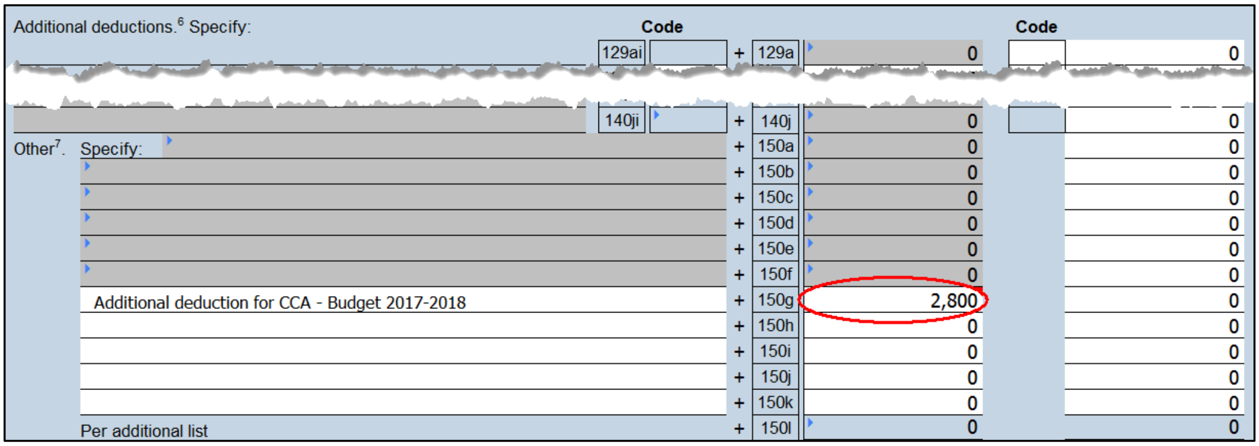
Class number . . . . 200 53 Description . . . .

			Federal	Québec	Alberta	
CCA rate	212		50.00	50.00	50.00	
UCC (opening)	201		100,000	100,000	100,000	1
ITC (prior year)	205	–	0	0	0	2
GST/PST rebate	205	–	0	0	0	3
Adjustments	205	+/-	0	0	0	4
Additions (1/2 year rule)	203	+	50,000	50,000	50,000	5
Additions (full year rule)	203	+	0	0	0	6
Disposals	207	–	0	0	0	7
Balance before CCA		=	150,000	150,000	150,000	8
1/2 of net additions	211	–	25,000	25,000	25,000	9
Balance for CCA		=	125,000	125,000	125,000	10
Maximum allowable CCA			62,500	62,500	62,500	11
CCA claimed	217		62,500	40,000	62,500	12
UCC (closing) line 8 minus line 12	220		87,500	110,000	87,500	13

The calculation for step 1 is the following:

$$\text{Additional deduction amount} = 35\% \times \$40{,}000 \times \frac{(\$50{,}000 \times 50\%)}{\$125{,}000} = \$2{,}800$$

In this example, an amount of $2,800 should be entered on one of lines 150g to 150k of Form CO-17.A.1.



	Code			Code	
Additional deductions.[6] Specify:	129ai	+ 129a	0		0
	140ji	+ 140j	0		0
Other[7]. Specify:		+ 150a	0		0
		+ 150b	0		0
		+ 150c	0		0
		+ 150d	0		0
		+ 150e	0		0
		+ 150f	0		0
Additional deduction for CCA - Budget 2017-2018		+ 150g	2,800		0
		+ 150h	0		0
		+ 150i	0		0
		+ 150j	0		0
		+ 150k	0		0
Per additional list		+ 150l	0		0

This measure will be integrated *Corporate Taxprep* 2017 v.1.0.

Troubleshooting T22016-029

CO-156.TR, Additional Deduction for Transportation Costs of Small and Medium-Sized Manufacturing Businesses (Jump Code: 156TR) - Increase in the rate of the additional deduction to 10% for transportation costs of a manufacturing SMB that carries out its activities in the “special remote area”

Download the client filter and diagnostic template

Problem:

The Québec budget, which was tabled on March 28, 2017, proposes to increase to 10% the rate of the additional deduction for manufacturing SMBs that carry out their activities in the “special remote area,” for taxation years starting after March 28, 2017. Currently, when the corporation’s taxation year starts after March 28, 2017, and box 35, **Special remote area**, is selected, *Corporate Taxprep* uses a 7% rate instead of a 10% rate.

Solution:

When the corporation’s taxation year starts after March 28, 2017, and box 35, **Special remote area**, is selected, enter “10%” on line 45, using an override.

This measure will be integrated into *Corporate Taxprep* 2017 v.1.0.

Troubleshooting T22016-028

CO-771, Calculation of the Income Tax of a Corporation (Jump Code: 771) - Adjustment to the refocusing of the SBD - Replacement of the hours worked criterion

Download the client filter and diagnostic template

Problem:

In its budget tabled on March 28, 2017, the Québec government announced modifications to the eligibility criteria for the small business deduction (SBD). The criterion dealing with the minimum number of hours worked is replaced by a criterion relating to the number of hours paid. This change applies to taxation years starting after December 31, 2016.

Currently, *Corporate Taxprep* includes three forms in which the number of hours worked are referred to, i.e. the following forms:

- CO-771, *Calculation of the Income Tax of a Corporation* (Jump Code: **771**) (lines a, b, c, 07a and 07b)

Provide the information requested below if the corporation is a CPCC throughout its taxation year and that year starts after December 31, 2016.

Number of hours worked by the employees of the corporation during the taxation year[3] 0 a

If the taxation year of the corporation is shortened, do the following calculation.

Line a 0 x 0 / 0 (Number of days in the taxation year) = 0 b

Number of hours worked by the employees of the partnership during its fiscal year ending in the taxation year of the corporation[3] 0 c

Number of hours worked by the employees of the corporation during the taxation year (the greater number between line a or b, as applicable, and line c) 07a 0

Number of hours worked by the employees of the corporation and employees of the corporations with which it associated during the previous taxation year[4] 07b 0

- Schedule 9 WORKCHART, *Related and Associated Corporations Workchart* (Jump Code: **9 WORKCHART**) (Section “Québec CO-771 – Calculation of the income tax of a corporation”)

Filing corporation

Québec CO-771 – Calculation of the income tax of a corporation

Number of hours worked by the employees of the corporation during the taxation year* 0

Number of hours worked by the employees of the corporation during the previous taxation year** 0

* To determine the number of hours worked by the employees of the corporation, you must take the following rules into account:

- a maximum of 40 hours per week per worker may be considered;
- the hours worked must have been paid at the time the SBD is claimed;
- the hours worked by a person participating in the corporation's body of shareholders, either directly or indirectly, can be counted for the corporation, without regard to whether or not they are remunerated.

** The corporation must take into account the taxation years ended during the calendar year that precedes the calendar year during which ends its taxation year.

Related or associated corporation

Québec CO-771– Calculation of the income tax of a corporation

Number of hours worked by the employees of the corporation during the previous taxation year* 0

* To determine the number of hours worked by the employees of the corporation, you must take the following rules into account:

- a maximum of 40 hours per week per worker may be considered;
- the hours worked must have been paid at the time the SBD is claimed;
- the hours worked by a person participating in the corporation's body of shareholders, either directly or indirectly, can be counted for the corporation, without regard to whether or not they are remunerated.
- The corporation must take into account the taxation years ended during the calendar year that precedes the calendar year during which ends its taxation year.

- CO-771.2.1.2, *Income from an Eligible Business Carried On in Canada* (Jump Code: **771212**) (Section 3.2, “Business limit”)

3.2 Business limit

If the corporation is a **member** of the partnership, its taxation year starts after December 31, 2016, the number of hours worked by the employees of the partnership during the fiscal year ending in that taxation year is equal to or less than 5,000 and the partnership does not carry out activities in the primary sector or the manufacturing sector,[4] go directly to section 3.3 and enter 0 on line 30.

Otherwise, complete section 3.2.1 if the corporation is a **member** of the partnership or section 3.2.2 if it is a **designated member** of the partnership.

3.2.1 Business limit of the specified partnership

Is the number of hours worked by the employees of the partnership in the fiscal period ending in the taxation year of the corporation greater than 5,000 hours? ☐ Yes ☐ No

Does the partnership carry on its activities in the primary sector or in the manufacturing sector? ☐ Yes ☐ No

Solution:

If the corporation has a permanent establishment in Québec, is a CCPC throughout its taxation year and its taxation year starts after December 31, 2016, you should verify that, in the three previously mentioned forms, the number of hours indicated is the number of hours paid rather than the number of hours worked.

To determine the number of hours paid during the taxation year or the fiscal year, as applicable, you should take the following rules into account:

- A maximum of 40 hours per week per employee may be considered.
- The expenditure relating to hours paid for an employee must have been incurred for the taxation year covered by the application for the SDB.
- The number of hours paid must be established based on a full taxation year or fiscal year and must be increased proportionally if the corporation has a shorter taxation year or if the partnership has a shorter fiscal year (for the filing corporation, the calculation will be performed automatically on line b of the form, but for partnerships, you have to manually calculate the increase, and enter it on line C). However, note that this increase does not apply to the number of hours paid for the previous taxation year of the filing corporation and those of corporations with which it is associated.
- With respect to the employees' number of hours paid, the filing corporation and the corporations with which it is associated must refer to the taxation years ended in the calendar year preceding the one during which the taxation year of the filing corporation ends.
- Each corporation in a group of associated corporations must count its employees' hours paid. As a result, the hours paid for a subcontractor that is acting on behalf of a corporation must not be counted by this corporation; it should rather be counted by the subcontractor.

Furthermore, in certain cases, a person that is a shareholder of a corporation may be actively engaged in the corporation's activities for a taxation year without drawing any remuneration in the form of wages, although the person may receive, for example, amounts in the form of a dividend, or while receiving remuneration that is less than the value of the person's active engagement.

In these circumstances, a person who holds, directly or indirectly, most of the shares with full voting rights of the capital stock of a corporation is deemed to have received, from the corporation for a taxation year of the corporation, subject to the conditions listed previously, remuneration corresponding to a conversion factor of 1.1 for each hour the person worked as an active participant in the corporation's activities for the year.

The corporation must document the hours worked by a person in these circumstances.

This measure will be integrated into *Corporate Taxprep* 2017 v.1.0.

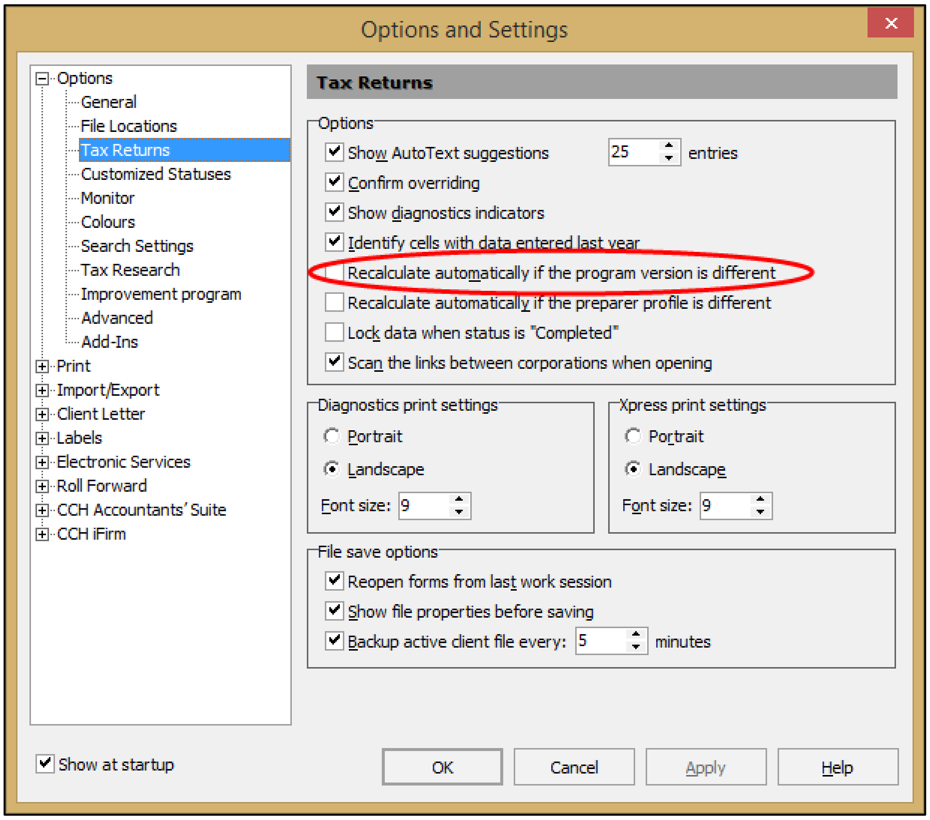
Troubleshooting T22016-018

COR-17.W, Keying Summary for the Corporation Income Tax Return (Jump Code: QKS) - Incorrect authorization number when Form COR-17.W is printed to be sent to Revenu Québec and the data in the client file has been locked in the previous version of Corporate Taxprep

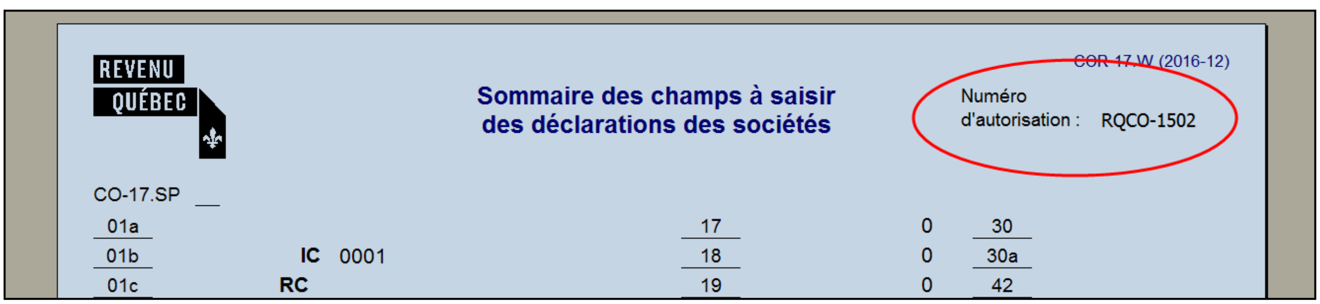
Download the client filter and diagnostic template

Problem:

Currently, when a client file has been locked in the previous version of *Corporate Taxprep*, when opening the file in the current version, it is not updated with the latest version of the calculations even if the option **Recalculate automatically if the program version is different** has been selected.

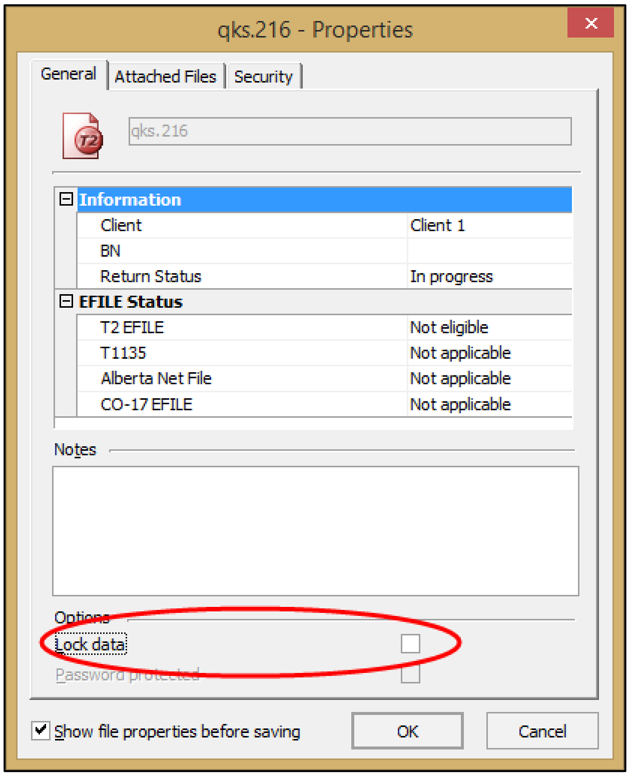


As a result, Form COR-17.W, *Keying Summary for the Corporation Income Tax Return* (which must be filed in French), is not completed correctly for return filing purposes and the authorization number indicated on this form is incorrect.



Solution:

Before printing or transmitting electronically a return prepared with a prior version of *Corporate Taxprep*, make sure that the client file is not locked. The option **Lock data** must be disabled in the client file properties (**File/Properties**).



You can use the client file and diagnostics template provided to identify the client files affected by this problem.

Then, proceed in one of the following manners depending on whether you want to correct the problem for a batch of client files or for a specific client file:

<u>Correct the problem for a batch of client files</u>

1. In the **Client Manager**, select all client files affected by the problem.
2. Select the **File/Client File Properties** command.
3. In the displayed dialog box, clear the **Lock data** check box.
4. Select all client files concerned at step 1.
5. Force the recalculation for the batch of client files (**Tools/Recalculate Selected Tax Returns**).

<u>Correct the problem for a specific client file</u>

1. Open a client file affected by the problem (accept to open it in read only mode).
2. Clear the **Lock data** check box in the client file properties (**File/Properties**).
3. Save the client file.

This problem will be corrected in *Corporate Taxprep* 2017 v.1.0.

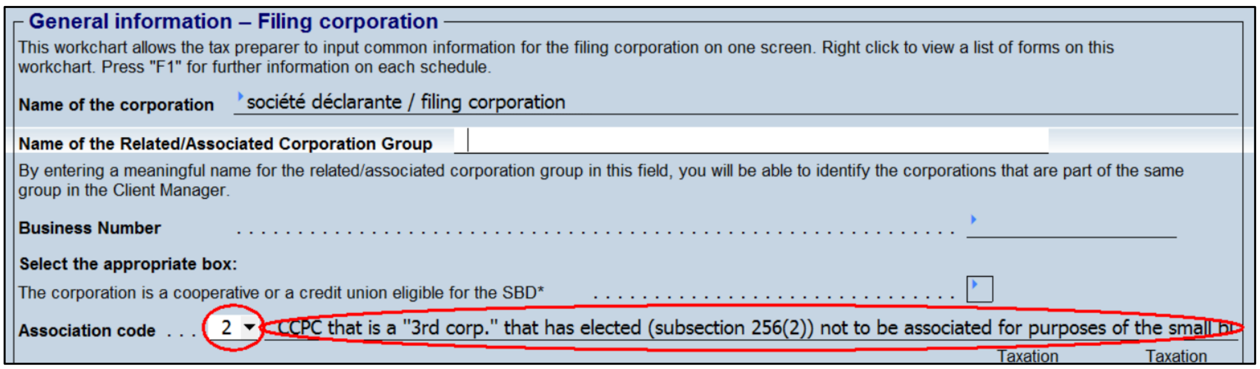
Troubleshooting T22016-009

CO-771, Calculation of the Income Tax of a Corporation (Jump Code: 771) - Incorrect calculation on line 76 when the filing corporation makes the election under subsection 256(2) ITA not to be associated for the small business deduction (SBD)

Download the client filter and diagnostic template

Problem:

The business limit is calculated on line 76 of Form CO-771 when code 2, *CCPC is a "3rd corp." that has elected (subsection 256(2)) not to be associated for purposes of the small business deduction*, is indicated in the association code field of Schedule 9 WORKCHART (Jump Code: **9 WORKCHART)** for the filing corporation.



General information – Filing corporation

This workchart allows the tax preparer to input common information for the filing corporation on one screen. Right click to view a list of forms on this workchart. Press "F1" for further information on each schedule.

Name of the corporation société déclarante / filing corporation

Name of the Related/Associated Corporation Group

By entering a meaningful name for the related/associated corporation group in this field, you will be able to identify the corporations that are part of the same group in the Client Manager.

Business Number . . . .

Select the appropriate box:

The corporation is a cooperative or a credit union eligible for the SBD* . . . .

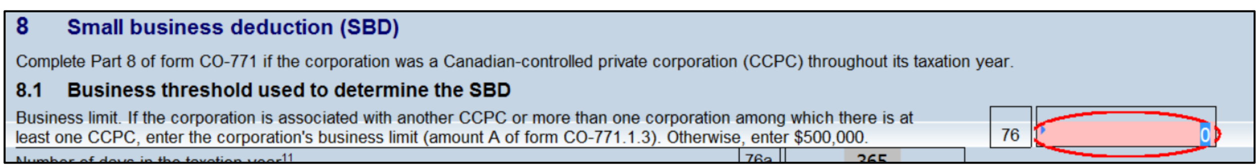
Association code . . . 2 CCPC that is a "3rd corp." that has elected (subsection 256(2)) not to be associated for purposes of the small bu

Taxation Taxation

This can ensure that an amount qualifying for the small business deduction (SBD) is indicated on line 96 of Form CO-771. If the filing corporation make the election under subsection 256(2), the business limit indicated on line 76 should be $0 and the corporation should not have an amount qualifying for the SBD.

Solution:

In the above-described situation, enter "0" on line 76 of Form CO-771 using an override.



8 Small business deduction (SBD)

Complete Part 8 of form CO-771 if the corporation was a Canadian-controlled private corporation (CCPC) throughout its taxation year.

8.1 Business threshold used to determine the SBD

Business limit. If the corporation is associated with another CCPC or more than one corporation among which there is at least one CCPC, enter the corporation's business limit (amount A of form CO-771.1.3). Otherwise, enter $500,000. 76 0

This problem will be corrected in *Corporate Taxprep* 2017 v.1.0.

Troubleshooting T22016-006

CO-1029.8.36.PM, Tax Credit for Corporations Specialized in the Production of Multimedia Titles (Jump Code: 1029836PM) - New measure relating to the qualified labour expenditure limit for the purposes of the refundable tax credits for the production of multimedia titles

Download the client filter and diagnostic template

Problem:

In its *Information Bulletin 2016-7*, published on June 30, 2016, *Finances Québec* announced modifications to the qualified labour expenditures limit for the purposes of the refundable tax credits for the production of multimedia titles. Previously, if a corporation incurred a qualified labour expenditure after March 26, 2015, or under a contract entered into after that date, the qualified labour expenditures limit did not apply to the

20% of the corporation's employees and/or a subcontractor with which the corporation was not dealing at arm's length for which the labour expenditure was the highest.

This rule has been modified. As a result, the corporation can now make an election with regards to which employees will be part of the 20% of employees to which the limit will not be applicable. This election must be made with a prescribed form, but the form in question was not yet available at the time this troubleshooting memo was published (July 2016). This new measure applies to a qualified labour expenditure incurred after March 26, 2015, or to a qualified labour expenditure incurred under a contract entered into after March 26, 2015, as the case may be. Failing an election by the corporation, the qualified labour expenditure limit will not be applied to the 20% of employees and/or a subcontractor with which the corporation is not dealing at arm's length for which the labour expenditure is the highest.

Currently, *Corporate Taxprep* does not take this new measure into account.

For more information on the announced changes, consult point 2 of the *Information Bulletin 2016-7*, available at the following address:

http://www.finances.gouv.qc.ca/documents/bulletins/en/BULEN_2016-7-a-b.pdf

Example:

A corporation specialized in the production of multimedia titles incurred salary or wages after March 26, 2015, for three eligible employees (Dominique, André and Mathieu). Because of the first 20% exclusion rule, only one of these employees will not be subject to the qualified labour expenditures limit (3 employees X 20% = 0.6; this should be rounded up, and therefore, the result is 1).

Dominique, André and Mathieu earned qualified salary or wages of $75,000, $200,000 and $190,000 respectively. At the moment, the information displayed in Part 2 of Form CO-1029.8.36.PM would be the following:

2.1 Information about the employee

Name of employee	09a Dominique Tougas	Social insurance number	09b 123 456 782

Qualification certificate issued by Investissement Québec for the employee

Date of issue	09c 2015 07 01	Number of certificate	09d 1122bb

2.2 Salary or wages incurred for the employee

Qualified salary or wages[4] incurred for and paid to the eligible employee[5]		10	75,000
Assistance,[6] benefit or advantage[7] related to the amount on line 10	–	15	0
Subtract line 15 from line 10. **Salary or wages incurred for the employee**	=	18	75,000

2.3 Annual limit

Complete section 2.3 of form CO-1029.8.36.PM if you checked box 09. Otherwise, carry the amount on line 18 to line 41.

2.3.1 Number of employees to whom the annual limit does not apply

Number of employees of the corporation or of a subcontractor not dealing at arm's length with the corporation for whom the corporation is claiming the tax credit		21	3
Applicable percentage	x	22	**20 %**
Multiply line 21 by line 22. If the result is not a whole number, round it up to the nearest whole number if the first decimal place is 5 or more, or round it down to the nearest whole number if the first decimal place is 4 or less. **Number of employees to whom the annual limit does not apply**	=	23	1

2.3.2 Annual limit

The annual limit does not apply to employees for whom the salary or wages incurred (the amount on line 18) are the highest. The number of employees to whom the limit does not apply corresponds to the number on line 23.

If the employee is part of a group of employees to whom the annual limit does not apply, carry the amount on line 18 to line 41. Otherwise, complete lines 36 through 40.

Annual limit					36	**100,000**
Enter the number of days that are included in the corporation's taxation year after March 26, 2015, during which the employee is an eligible employee of the corporation or of a subcontractor.		37	365			
	÷	38	**365**			
Divide line 37 by line 38.	=		1.0000	x	39	1.0000
Multiply line 36 by line 39. **Annual limit**				=	40	100,000

2.4 Qualified salary or wages

If you checked box 09, enter the amount from line 18 or line 40, whichever is **less**. Otherwise, enter the amount from line 18. **Qualified salary or wages**	41	$ 75,000

Dominique's qualified salary or wages is $75,000.

2.1 Information about the employee

	Name of employee		Social insurance number
09Ia	André Treamblay	09Ib	223 223 223

Qualification certificate issued by Investissement Québec for the employee

	Date of issue		Number of certificate
09Ic	2015 07 01	09Id	1122bb

2.2 Salary or wages incurred for the employee

Qualified salary or wages[4] incurred for and paid to the eligible employee[5]		10	200,000
Assistance,[6] benefit or advantage[7] related to the amount on line 10	–	15	0
Subtract line 15 from line 10. **Salary or wages incurred for the employee**	=	18	200,000

2.3 Annual limit

Complete section 2.3 of form CO-1029.8.36.PM if you checked box 09. Otherwise, carry the amount on line 18 to line 41.

2.3.1 Number of employees to whom the annual limit does not apply

		Line	Amount
Number of employees of the corporation or of a subcontractor not dealing at arm's length with the corporation for whom the corporation is claiming the tax credit		21	3
Applicable percentage	x	22	**20 %**
Multiply line 21 by line 22. If the result is not a whole number, round it up to the nearest whole number if the first decimal place is 5 or more, or round it down to the nearest whole number if the first decimal place is 4 or less. **Number of employees to whom the annual limit does not apply**	=	23	1

2.3.2 Annual limit

The annual limit does not apply to employees for whom the salary or wages incurred (the amount on line 18) are the highest. The number of employees to whom the limit does not apply corresponds to the number on line 23.

If the employee is part of a group of employees to whom the annual limit does not apply, carry the amount on line 18 to line 41. Otherwise, complete lines 36 through 40.

		Line	Amount		Line	Amount
Annual limit					36	**100,000**
Enter the number of days that are included in the corporation's taxation year after March 26, 2015, during which the employee is an eligible employee of the corporation or of a subcontractor.		37	0			
	÷	38	**365**			
Divide line 37 by line 38.	=		0.0000	x	39	0.0000
Multiply line 36 by line 39. **Annual limit**				=	40	0

2.4 Qualified salary or wages

If you checked box 09, enter the amount from line 18 or line 40, whichever is **less**. Otherwise, enter the amount from line 18.

Qualified salary or wages	41	$ 200,000

André's qualified salary or wages is $200,000.

2.1 Information about the employee

	Name of employee		Social insurance number
09Ia	Mathieu Lacasse	09Ib	777 777 772

Qualification certificate issued by Investissement Québec for the employee

	Date of issue		Number of certificate
09Ic	2015 07 01	09Id	1122bb

2.2 Salary or wages incurred for the employee

Qualified salary or wages[4] incurred for and paid to the eligible employee[5]		10	190,000
Assistance,[6] benefit or advantage[7] related to the amount on line 10	–	15	0
Subtract line 15 from line 10. **Salary or wages incurred for the employee**	=	18	190,000

2.3 Annual limit

Complete section 2.3 of form CO-1029.8.36.PM if you checked box 09. Otherwise, carry the amount on line 18 to line 41.

2.3.1 Number of employees to whom the annual limit does not apply

		Line	Amount
Number of employees of the corporation or of a subcontractor not dealing at arm's length with the corporation for whom the corporation is claiming the tax credit		21	3
Applicable percentage	x	22	**20 %**
Multiply line 21 by line 22. If the result is not a whole number, round it up to the nearest whole number if the first decimal place is 5 or more, or round it down to the nearest whole number if the first decimal place is 4 or less. **Number of employees to whom the annual limit does not apply**	=	23	1

2.3.2 Annual limit

The annual limit does not apply to employees for whom the salary or wages incurred (the amount on line 18) are the highest. The number of employees to whom the limit does not apply corresponds to the number on line 23.

If the employee is part of a group of employees to whom the annual limit does not apply, carry the amount on line 18 to line 41. Otherwise, complete lines 36 through 40.

		Line	Amount		Line	Amount
Annual limit					36	**100,000**
Enter the number of days that are included in the corporation's taxation year after March 26, 2015, during which the employee is an eligible employee of the corporation or of a subcontractor.		37	180			
	÷	38	**365**			
Divide line 37 by line 38.	=		0.4932	x	39	0.4932
Multiply line 36 by line 39. **Annual limit**				=	40	49,320

2.4 Qualified salary or wages

If you checked box 09, enter the amount from line 18 or line 40, whichever is **less**. Otherwise, enter the amount from line 18.

Qualified salary or wages	41	$ 49,320

Mathieu's qualified salary or wages is $49,320. During 180 days in the year, he was an eligible employee.

Total amount of qualified salary or wages = $75,000 + $200,000 + $49,320 = $324,320

If the corporation makes the election allowed pursuant to the *Information Bulletin 2016-7* and does not want the expenditure attributable to Mathieu to be subject to the qualified labour expenditure limit, *Corporate Taxprep* 2016 v.1.0 does not allow you to indicate this election.

Solution:

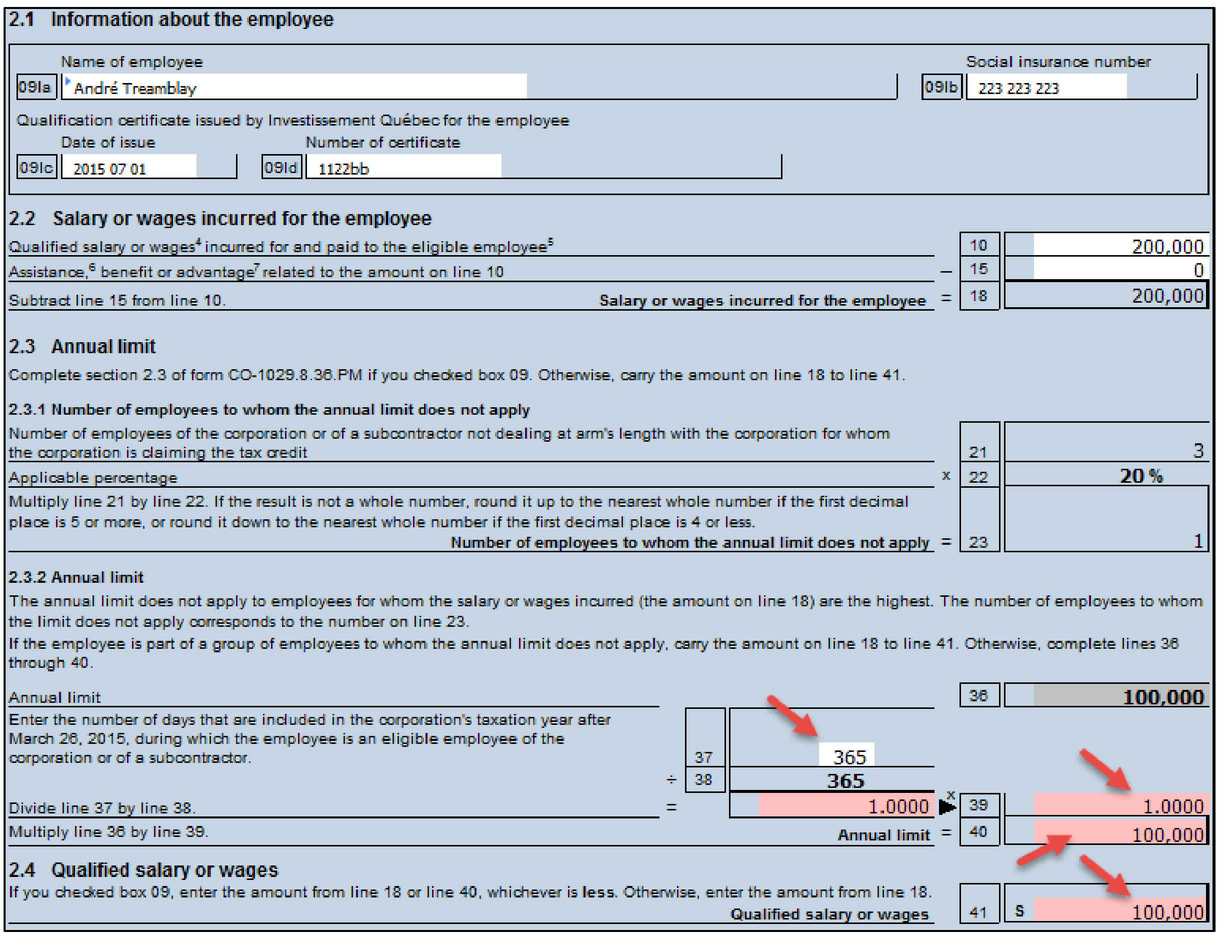
If the corporation wants to designate the employees that will be part of the 20% of employees to which the limit will not apply, you should modify Section 2.3.2 of Form CO-1029.8.36.PM as follows:

1. In the copy or copies of the employees to which the limit previously did not apply, but to which the corporation wants it to apply, complete lines 37, 39, 40 and 41 following the instructions on those lines.
2. In the copy or copies of the employees to which the limit previously applied, but to which the corporation does not want it to apply, delete the number of days indicated on line 37, then enter the amount from line 18 on line 41 using an override. Ignore diagnostic M399 that displays with respect to line 37.

Example:

In the above example, if the corporation makes the election allowed pursuant to *Information Bulletin 2016-7* and does not wish for the expenditure attributable to Mathieu to be subject to the qualified expenditure limit, proceed as follows:

1. In André's copy, complete lines 37, 39, 40 and 41 following the instructions on those lines.



2.1 Information about the employee

Name of employee
09la André Treamblay
Social insurance number
09lb 223 223 223

Qualification certificate issued by Investissement Québec for the employee
Date of issue
09lc 2015 07 01
Number of certificate
09ld 1122bb

2.2 Salary or wages incurred for the employee

Qualified salary or wages[4] incurred for and paid to the eligible employee[5]		10	200,000
Assistance,[6] benefit or advantage[7] related to the amount on line 10	–	15	0
Subtract line 15 from line 10. **Salary or wages incurred for the employee**	=	18	200,000

2.3 Annual limit

Complete section 2.3 of form CO-1029.8.36.PM if you checked box 09. Otherwise, carry the amount on line 18 to line 41.

2.3.1 Number of employees to whom the annual limit does not apply

Number of employees of the corporation or of a subcontractor not dealing at arm's length with the corporation for whom the corporation is claiming the tax credit		21	3
Applicable percentage	x	22	20 %
Multiply line 21 by line 22. If the result is not a whole number, round it up to the nearest whole number if the first decimal place is 5 or more, or round it down to the nearest whole number if the first decimal place is 4 or less. **Number of employees to whom the annual limit does not apply**	=	23	1

2.3.2 Annual limit

The annual limit does not apply to employees for whom the salary or wages incurred (the amount on line 18) are the highest. The number of employees to whom the limit does not apply corresponds to the number on line 23.

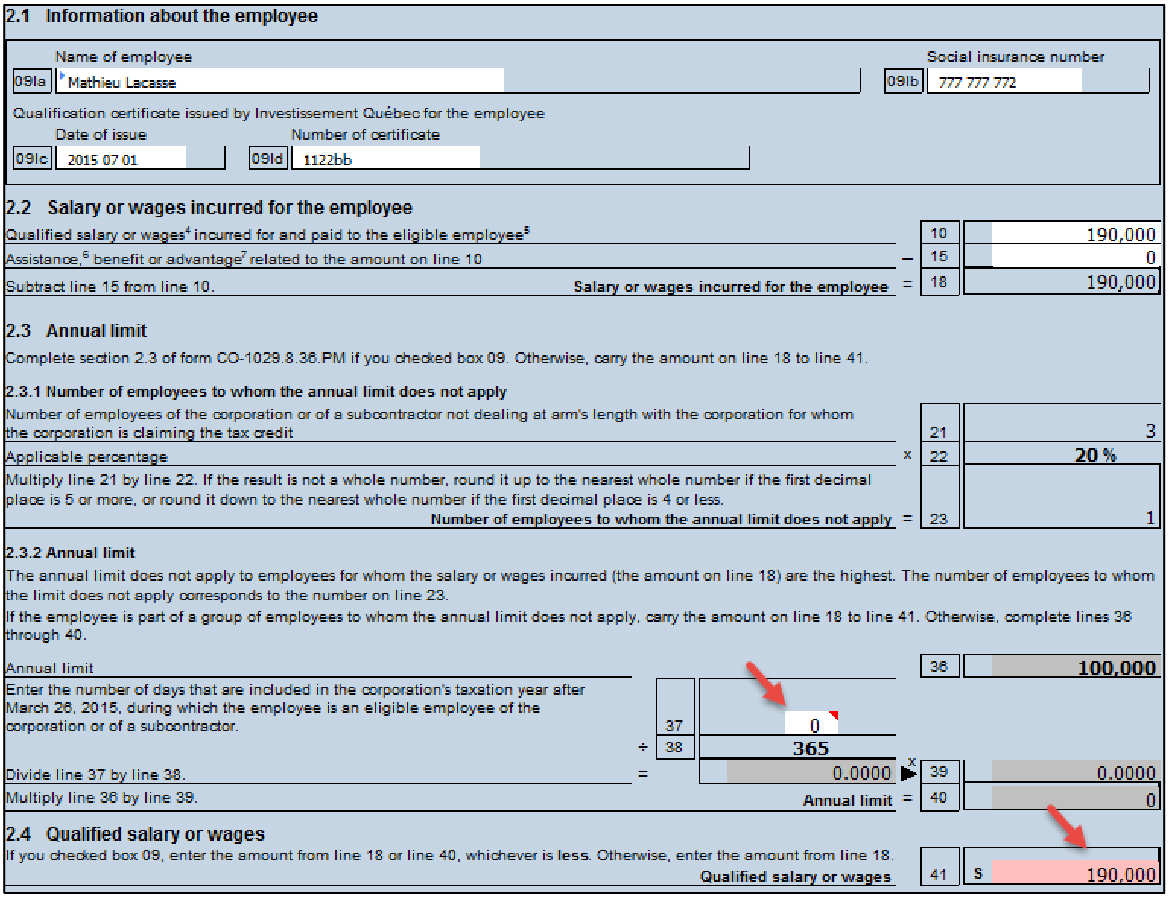
If the employee is part of a group of employees to whom the annual limit does not apply, carry the amount on line 18 to line 41. Otherwise, complete lines 36 through 40.

Annual limit					36	100,000
Enter the number of days that are included in the corporation's taxation year after March 26, 2015, during which the employee is an eligible employee of the corporation or of a subcontractor.		37	365			
	÷	38	365			
Divide line 37 by line 38.	=		1.0000	x	39	1.0000
Multiply line 36 by line 39. **Annual limit**				=	40	100,000

2.4 Qualified salary or wages

If you checked box 09, enter the amount from line 18 or line 40, whichever is **less**. Otherwise, enter the amount from line 18. **Qualified salary or wages**	41	$ 100,000

2. In Mathieu's copy, delete the number of days indicated on line 37, ignore diagnostic M399 and enter "190,000" on line 41 using an override:



2.1 Information about the employee

Name of employee
09Ia Mathieu Lacasse

Social insurance number
09Ib 777 777 772

Qualification certificate issued by Investissement Québec for the employee

Date of issue
09Ic 2015 07 01

Number of certificate
09Id 1122bb

2.2 Salary or wages incurred for the employee

Qualified salary or wages[4] incurred for and paid to the eligible employee[5]		10	190,000
Assistance,[6] benefit or advantage[7] related to the amount on line 10	–	15	0
Subtract line 15 from line 10. **Salary or wages incurred for the employee**	=	18	190,000

2.3 Annual limit

Complete section 2.3 of form CO-1029.8.36.PM if you checked box 09. Otherwise, carry the amount on line 18 to line 41.

2.3.1 Number of employees to whom the annual limit does not apply

Number of employees of the corporation or of a subcontractor not dealing at arm's length with the corporation for whom the corporation is claiming the tax credit		21	3
Applicable percentage	x	22	**20 %**
Multiply line 21 by line 22. If the result is not a whole number, round it up to the nearest whole number if the first decimal place is 5 or more, or round it down to the nearest whole number if the first decimal place is 4 or less. **Number of employees to whom the annual limit does not apply**	=	23	1

2.3.2 Annual limit

The annual limit does not apply to employees for whom the salary or wages incurred (the amount on line 18) are the highest. The number of employees to whom the limit does not apply corresponds to the number on line 23.

If the employee is part of a group of employees to whom the annual limit does not apply, carry the amount on line 18 to line 41. Otherwise, complete lines 36 through 40.

Annual limit					36	**100,000**
Enter the number of days that are included in the corporation's taxation year after March 26, 2015, during which the employee is an eligible employee of the corporation or of a subcontractor.		37	0			
	÷	38	**365**			
Divide line 37 by line 38.	=		0.0000	x	39	0.0000
Multiply line 36 by line 39.			**Annual limit**	=	40	0

2.4 Qualified salary or wages

If you checked box 09, enter the amount from line 18 or line 40, whichever is **less**. Otherwise, enter the amount from line 18. **Qualified salary or wages**	41	$ 190,000

Total amount of qualified salary or wages = $75,000 + $100,000 + $190,000 = $365,000

Modifications will be made to Form CO-1029.8.36.PM in *Corporate* Taxprep 2016 v.2.0. In addition, the prescribed form will be integrated in the program when it becomes available.

Troubleshooting T22016-005

CO-1029.8.36.TM, Tax Credit for Multimedia Titles (Jump Code: 1029836TM) – New measure relating to the qualified labour expenditure limit for the purposes of the refundable tax credits for the production of multimedia titles

Download the client filter and diagnostic template

Problem:

In its *Information Bulletin 2016-7*, published on June 30, 2016, *Finances Québec* announced modifications to the qualified labour expenditures limit for the purposes of the refundable tax credits for the production of multimedia titles. Previously, if a corporation incurred a qualified labour expenditure after March 26, 2015, or under a contract entered into after that date, the qualified labour expenditures limit did not apply to the 20% of the corporation's employees and/or a subcontractor with which the corporation was not dealing at arm's length for which the labour expenditure was the highest.

This rule has been modified. As a result, the corporation can now make an election with regards to which employees will be part of the 20% of employees to which the limit will not apply. This election must be made with a prescribed form, but the form in question was not yet available at the time this troubleshooting memo was published (July 2016). This new measure applies to a qualified labour expenditure incurred after March 26, 2015, or to a qualified labour expenditure incurred under a contract entered into after March 26, 2015, as the case may be. Failing an election by the corporation, the qualified labour expenditure limit will not be applied to the 20% of employees and/or a subcontractor with which the corporation is not dealing at arm's length for which the labour expenditure is the highest.

Currently, *Corporate Taxprep* does not take this new measure into account.

For more information on the announced changes, consult point 2 of the *Information Bulletin 2016-7*, available at the following address:

http://www.finances.gouv.qc.ca/documents/bulletins/en/BULEN_2016-7-a-b.pdf

Example:

A corporation incurred salary or wages after March 26, 2015, for three employees (Dominique, André and Mathieu) with respect to a multimedia title. Because of the first 20% exclusion rule, only one of these employees will not be subject to the qualified labour expenditures limit (3 employees X 20% = 0.6; this should be rounded up, and therefore, the result is 1).

Dominique, André and Mathieu earned qualified salary or wages of $75,000, $200,000 and $190,000 respectively. At the moment, the information displayed in Part 3 of Form CO-1029.8.36.TM would be the following:

3.1 Information about the employee

09Ia	Name of employee: Dominique Tougas	09Ib	Social insurance number: 123 456 782

Qualification certificate issued by Investissement Québec in respect of the employee

09Ic	Date of issue: 2015 07 01	09Id	Number of certificate: 1122aa

3.2 Salary or wages incurred in respect of the employee

Qualified salary or wages[4] incurred and paid to the eligible employee[5]		10	75,000
Assistance,[6] benefit or advantage[7] related to the amount on line 10	–	15	0
Subtract line 15 from line 10. **Salary or wages incurred in respect of the employee**	=	18	75,000

3.3 Annual limit

Complete this part if you checked box 09a. Otherwise, carry the amount on line 18 to line 41.

3.3.1 Number of employees to whom the annual limit does not apply

Number of employees of the corporation or of a subcontractor not dealing at arm's length with the corporation for whom the corporation is claiming the tax credit for the multimedia title		21	3
Applicable percentage	x	22	20 %
Multiply line 21 by line 22. If the result is not a whole number, round it up to the next highest whole number if the first decima is 5 or more, or round it down to the next lowest whole number if the first decimal is 4 or less. **Number of employees to whom the annual limit does not apply**	=	23	1

3.3.2 Annual limit

The annual limit does not apply to an employee in respect of whom the salary or wages incurred (the amount on line 18) are the highest. The number of employees to whom the limit does not apply is equal to the number on line 23.

If the employee is part of a group of employees to whom the annual limit does not apply, carry the amount on line 18 to line 41. Otherwise, complete lines 36 through 40.

Annual limit					36	100,000
Enter the number of days that are included in the corporation's taxation year after March 26, 2015, during which the employee is an eligible employee of the corporation o of a subcontractor, with regard to the production of the multimedia title.		37	365			
	÷	38	365			
Divide line 37 by line 38.	=		1.0000	x	39	1.0000
Multiply line 36 by line 39. **Annual limit**				=	40	100,000

3.4 Qualified salary or wages

If you checked box 09a, enter the amount from line 18 or line 40, whichever is **less**. Otherwise, enter the amount from line 18. **Qualified salary or wages**	41	$ 75,000

Dominique's qualified salary or wages is $75,000.

3.1 Information about the employee

Name of employee
09Ia André Tremblay
Social insurance number
09Ib 223 223 223

Qualification certificate issued by Investissement Québec in respect of the employee

Date of issue 09Ic 2015 07 01
Number of certificate 09Id 1122aa

3.2 Salary or wages incurred in respect of the employee

Qualified salary or wages[4] incurred and paid to the eligible employee[5]		10	200,000
Assistance,[6] benefit or advantage[7] related to the amount on line 10	–	15	0
Subtract line 15 from line 10. **Salary or wages incurred in respect of the employee**	=	18	200,000

3.3 Annual limit

Complete this part if you checked box 09a. Otherwise, carry the amount on line 18 to line 41.

3.3.1 Number of employees to whom the annual limit does not apply

Number of employees of the corporation or of a subcontractor not dealing at arm's length with the corporation for whom the corporation is claiming the tax credit for the multimedia title		21	3
Applicable percentage	x	22	20 %
Multiply line 21 by line 22. If the result is not a whole number, round it up to the next highest whole number if the first decima is 5 or more, or round it down to the next lowest whole number if the first decimal is 4 or less. **Number of employees to whom the annual limit does not apply**	=	23	1

3.3.2 Annual limit

The annual limit does not apply to an employee in respect of whom the salary or wages incurred (the amount on line 18) are the highest. The number of employees to whom the limit does not apply is equal to the number on line 23.

If the employee is part of a group of employees to whom the annual limit does not apply, carry the amount on line 18 to line 41. Otherwise, complete lines 36 through 40.

Annual limit				36	100,000
Enter the number of days that are included in the corporation's taxation year after March 26, 2015, during which the employee is an eligible employee of the corporation o of a subcontractor, with regard to the production of the multimedia title.		37	0		
	÷	38	365		
Divide line 37 by line 38.	=		0.0000	x 39	0.0000
Multiply line 36 by line 39.			**Annual limit** =	40	0

3.4 Qualified salary or wages

If you checked box 09a, enter the amount from line 18 or line 40, whichever is **less**. Otherwise, enter the amount from line 18. **Qualified salary or wages**	41	$ 200,000

André's qualified salary or wages is $200,000.

3.1 Information about the employee

Name of employee
09Ia Mathieu Lacasse
Social insurance number
09Ib 777 777 772

Qualification certificate issued by Investissement Québec in respect of the employee

Date of issue 09Ic 2015 07 01
Number of certificate 09Id 1122aa

3.2 Salary or wages incurred in respect of the employee

Qualified salary or wages[4] incurred and paid to the eligible employee[5]		10	190,000
Assistance,[6] benefit or advantage[7] related to the amount on line 10	–	15	0
Subtract line 15 from line 10. **Salary or wages incurred in respect of the employee**	=	18	190,000

3.3 Annual limit

Complete this part if you checked box 09a. Otherwise, carry the amount on line 18 to line 41.

3.3.1 Number of employees to whom the annual limit does not apply

Number of employees of the corporation or of a subcontractor not dealing at arm's length with the corporation for whom the corporation is claiming the tax credit for the multimedia title		21	3
Applicable percentage	x	22	20 %
Multiply line 21 by line 22. If the result is not a whole number, round it up to the next highest whole number if the first decima is 5 or more, or round it down to the next lowest whole number if the first decimal is 4 or less. **Number of employees to whom the annual limit does not apply**	=	23	1

3.3.2 Annual limit

The annual limit does not apply to an employee in respect of whom the salary or wages incurred (the amount on line 18) are the highest. The number of employees to whom the limit does not apply is equal to the number on line 23.

If the employee is part of a group of employees to whom the annual limit does not apply, carry the amount on line 18 to line 41. Otherwise, complete lines 36 through 40.

Annual limit				36	100,000
Enter the number of days that are included in the corporation's taxation year after March 26, 2015, during which the employee is an eligible employee of the corporation o of a subcontractor, with regard to the production of the multimedia title.		37	180		
	÷	38	365		
Divide line 37 by line 38.	=		0.4932	x 39	0.4932
Multiply line 36 by line 39.			**Annual limit** =	40	49,320

3.4 Qualified salary or wages

If you checked box 09a, enter the amount from line 18 or line 40, whichever is **less**. Otherwise, enter the amount from line 18. **Qualified salary or wages**	41	$ 49,320

Mathieu's qualified salary or wages is $49,320. During 180 days in the year, he was an eligible employee.

Total amount of qualified salary or wages = $75,000 + $200,000 + $49,320 = $324,320

If the corporation makes the election allowed pursuant to the *Information Bulletin 2016-7* and does not want the expenditure attributable to Mathieu to be subject to the qualified labour expenditure limit, *Corporate Taxprep* 2016 v.1.0 does not allow you to indicate this election.

Solution:

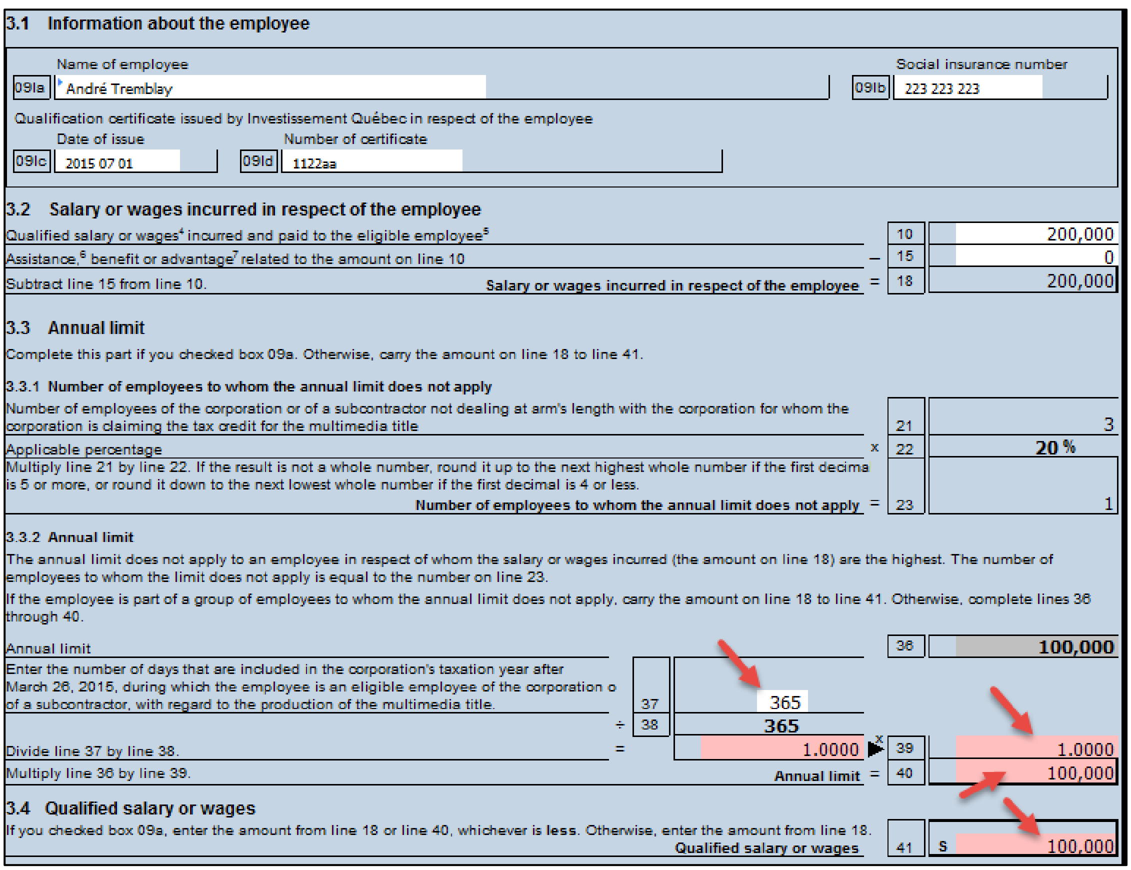
If the corporation wants to designate the employees that will be part of the 20% of employees to which the limit will not apply, you should modify Section 3.3.2 of Form CO-1029.8.36.TM as follows:

1. In the copy or copies of the employees to which the limit previously did not apply, but to which the corporation wants it to apply, complete lines 37, 39, 40 and 41 following the instructions on those lines.
2. In the copy or copies of the employees to which the limit previously applied, but to which the corporation does not want it to apply, delete the number of days indicated on line 37, then enter the amount from line 18 on line 41 using an override. Ignore diagnostic M432 that displays with respect to line 37.

<u>Example:</u>

In the above example, if the corporation makes the election allowed pursuant to *Information Bulletin 2016-7* and does not wish for the expenditure attributable to Mathieu to be subject to the qualified labour expenditure limit, proceed as follows:

In André's copy, complete lines 37, 39, 40 and 41 following the instructions on those lines.



3.1 Information about the employee

Name of employee: 09Ia André Tremblay

Social insurance number: 09Ib 223 223 223

Qualification certificate issued by Investissement Québec in respect of the employee

Date of issue: 09Ic 2015 07 01

Number of certificate: 09Id 1122aa

3.2 Salary or wages incurred in respect of the employee

Qualified salary or wages[4] incurred and paid to the eligible employee[5]		10	200,000
Assistance,[6] benefit or advantage[7] related to the amount on line 10	–	15	0
Subtract line 15 from line 10. **Salary or wages incurred in respect of the employee**	=	18	200,000

3.3 Annual limit

Complete this part if you checked box 09a. Otherwise, carry the amount on line 18 to line 41.

3.3.1 Number of employees to whom the annual limit does not apply

Number of employees of the corporation or of a subcontractor not dealing at arm's length with the corporation for whom the corporation is claiming the tax credit for the multimedia title		21	3
Applicable percentage	x	22	20 %
Multiply line 21 by line 22. If the result is not a whole number, round it up to the next highest whole number if the first decima is 5 or more, or round it down to the next lowest whole number if the first decimal is 4 or less. **Number of employees to whom the annual limit does not apply**	=	23	1

3.3.2 Annual limit

The annual limit does not apply to an employee in respect of whom the salary or wages incurred (the amount on line 18) are the highest. The number of employees to whom the limit does not apply is equal to the number on line 23.

If the employee is part of a group of employees to whom the annual limit does not apply, carry the amount on line 18 to line 41. Otherwise, complete lines 36 through 40.

Annual limit					36	100,000
Enter the number of days that are included in the corporation's taxation year after March 26, 2015, during which the employee is an eligible employee of the corporation o of a subcontractor, with regard to the production of the multimedia title.		37	365			
	÷	38	365			
Divide line 37 by line 38.	=		1.0000	x	39	1.0000
Multiply line 36 by line 39.			**Annual limit**	=	40	100,000

3.4 Qualified salary or wages

If you checked box 09a, enter the amount from line 18 or line 40, whichever is **less**. Otherwise, enter the amount from line 18. **Qualified salary or wages**	41	$	100,000

1. In Mathieu's copy, delete the number of days indicated on line 37, ignore diagnostic M432 and enter "190,000" on line 41 using an override:

3.1 Information about the employee

	Name of employee		Social insurance number
09Ia	Mathieu Lacasse	09Ib	777 777 772

Qualification certificate issued by Investissement Québec in respect of the employee

	Date of issue		Number of certificate
09Ic	2015 07 01	09Id	1122aa

3.2 Salary or wages incurred in respect of the employee

Qualified salary or wages[4] incurred and paid to the eligible employee[5]		10	190,000
Assistance,[6] benefit or advantage[7] related to the amount on line 10	–	15	0
Subtract line 15 from line 10. **Salary or wages incurred in respect of the employee**	=	18	190,000

3.3 Annual limit

Complete this part if you checked box 09a. Otherwise, carry the amount on line 18 to line 41.

3.3.1 Number of employees to whom the annual limit does not apply

Number of employees of the corporation or of a subcontractor not dealing at arm's length with the corporation for whom the corporation is claiming the tax credit for the multimedia title		21	3
Applicable percentage	x	22	**20 %**
Multiply line 21 by line 22. If the result is not a whole number, round it up to the next highest whole number if the first decima is 5 or more, or round it down to the next lowest whole number if the first decimal is 4 or less. **Number of employees to whom the annual limit does not apply**	=	23	1

3.3.2 Annual limit

The annual limit does not apply to an employee in respect of whom the salary or wages incurred (the amount on line 18) are the highest. The number of employees to whom the limit does not apply is equal to the number on line 23.

If the employee is part of a group of employees to whom the annual limit does not apply, carry the amount on line 18 to line 41. Otherwise, complete lines 36 through 40.

Annual limit					36	**100,000**
Enter the number of days that are included in the corporation's taxation year after March 26, 2015, during which the employee is an eligible employee of the corporation o of a subcontractor, with regard to the production of the multimedia title.		37	0			
	÷	38	**365**			
Divide line 37 by line 38.	=		0.0000	x	39	0.0000
Multiply line 36 by line 39.			**Annual limit**	=	40	0

3.4 Qualified salary or wages

If you checked box 09a, enter the amount from line 18 or line 40, whichever is less. Otherwise, enter the amount from line 18. **Qualified salary or wages**	41	$	190,000

Total amount of qualified salary or wages = $75,000 + $100,000 + $190,000 = $365,000

Modifications will be made to Form CO-1029.8.36.TM in *Corporate Taxprep* 2016 v.2.0. In addition, the prescribed form will be integrated in the program when it becomes available.

Troubleshooting memo T22016-004

RD-1029.7, Tax Credit for Salaries and Wages (R&D) (Jump Code: 10297) - Incorrect calculation on lines 152a and 158 when the corporation's taxation year or the partnership's fiscal period starts after December 2, 2014, and qualified R&D expenditures have been incurred under a research contract entered into before December 3, 2014

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Problem:

The calculations on lines 152a and 158 are incorrect in a copy of the form when the following conditions are met:

- the corporation incurred R&D expenditures or it is a member of a partnership that incurred R&D expenditures;
- the corporation's taxation year or the partnership's fiscal period starts after December 2, 2014;

- the R&D expenditures covered by the copy of the form have been incurred under a research contract entered into before December 3, 2014.

Example:

A corporation whose taxation year starts on January 1, 2015, and ends on December 31, 2015, incurred qualified R&D expenditures of $200,000 under a contract entered into before June 4, 2014. Lines 152a and 158 display amounts of $50,000 and $200,000 respectively. These amounts are incorrect, because no excluded expenditure should be calculated for a research contract entered into before December 3, 2014.

Check one of the following boxes.

63 [X] Qualified R&D expenditures that the taxpayer incurred before June 5, 2014, or under a research contract entered into before June 4, 2014

64 [ ] Qualified R&D expenditures that the taxpayer incurred after June 4, 2014, or under a research contract entered into after June 3, 2014

[ ] Check this box if the qualified expenditures have been incurred during the two periods mentioned on lines 63 and 64 during the taxation year. (i.e., two separate copies of form RD-1029.7 will be required to cover the qualified expenditures).

Break down the R&D expenditures[3] relating to the period for which you checked box 63 or box 64, by entering them in columns A, B and C. In column A, enter the amounts relating to salaries and wages that the taxpayer paid for R&D work carried out in the taxation year.[4] In column B, enter the portion of the consideration attributable to salaries and wages that the taxpayer paid to a subcontractor not dealing at arm's length with the taxpayer for R&D work carried out in the taxation year.[5] In column C, enter the portion of the consideration attributable to R&D work carried out in the taxation year that the taxpayer paid to a subcontractor dealing at arm's length with the taxpayer.[6]

Where the taxpayer is a member of a partnership

If the taxpayer is claiming the tax credit as a member of a qualified partnership, complete lines 125 through 149 (columns A, B and C) only, by entering the partnership's information.

			A Taxpayer	B Non-arm's-length subcontractor	C Arm's-length subcontractor
Salaries and wages, and consideration paid to a subcontractor		125	200,000	0	0
Consideration paid to a second-tier subcontractor who entered into a contract with a subcontractor not dealing at arm's length with the taxpayer	+	126	N/A	0	0
Add lines 125 and 126.	=	130	200,000	0	0
Contributions received for the R&D project[7]	–	131	0	0	0

Add Delete

Indicate the source and the amount of contributions received[3] from line 131.

Source		Amount
	+	0
Total	= 131	0

Subtract line 131 from line 130.	=	132	200,000	0	0
Assistance,[8] benefit or advantage,[9] or contract payment[10] related to the amount on line 132	–	148	0	0	0
Subtract line 148 from line 132.	=	149	200,000	0	0
Amount of excluded expenditures. If the taxpayer's taxation year or the partnership's fiscal period began before December 3, 2014, enter 0. Otherwise, complete Part 4 and break down the amount on line 167 by entering it in columns A, B and C. The amount entered in each column must not be greater than the amount on line 149.	–	152a	50,000	0	0
Subtract line 152a from line 149.	=	152b	150,000	0	0
Applicable percentage	x	153	100 %	100 %	50 %
Multiply line 152b by line 153.	=	154	150,000	0	0

Add the amounts in columns A, B and C on line 154. If the result is negative, enter 0. **Qualified expenditures** = 155 H 150,000

4.2 Amount of excluded expenditures

The amounts on lines 158 through 161 must not include expenditures incurred after December 2, 2014, under a research contract or a partnership agreement entered into on or before that date.

Salaries and wages or consideration incurred in the taxation year in respect of which the tax credit for salaries and wages (R&D) may be claimed (total of the amounts in columns A, B and C on line 130)		158	200,000
Qualified expenditures incurred in the taxation year in respect of which the tax credit for university research or research carried out by a public research centre or a research consortium may be claimed (total of the amounts on line 127 of all copies of form RD-1029.8.6-V completed for the taxation year)	+	159	0
Eligible fees or dues paid to a research consortium in respect of which the tax credit for fees and dues paid to a research consortium may be claimed (amount on line 142 of the copy of form RD-1029.8.9.03-V completed for the taxation year)	+	160	0
Qualified expenditures incurred in the taxation year in respect of which the tax credit for private partnership pre-competitive research may be claimed (total of the amounts in columns A, B and C on line 130 of all copies of form RD-1029.8.16.1-V completed for the taxation year)	+	161	0
Add lines 158 through 161. **Excluded expenditures**	=	162	200,000
Enter the amount on line 157 or line 162, whichever is less. If the amount on line 162 is less than the amount on line 157, the taxpayer cannot claim the tax credit for the taxation year.		163	50,000

Amount on line 163		Amount on line 158 / Amount on line 162		Amount of excluded expenditures
164: 50,000	x	165: 200,000 / 166: 200,000	▶	167: 50,000

Solution:

When qualified R&D expenditures covered by a copy of the form have been incurred under a research contract entered into before December 3, 2014, enter “$0” on line 158 of this copy using an override.

<u>Example (cont’d):</u>

In the above example, “$0” should be entered on line 158 using an override.

4.2 Amount of excluded expenditures

The amounts on lines 158 through 161 must not include expenditures incurred after December 2, 2014, under a research contract or a partnership agreement entered into on or before that date.

Salaries and wages or consideration incurred in the taxation year in respect of which the tax credit for salaries and wages (R&D) may be claimed (total of the amounts in columns A, B and C on line 130)		158	0
Qualified expenditures incurred in the taxation year in respect of which the tax credit for university research or research carried out by a public research centre or a research consortium may be claimed (total of the amounts on line 127 of all copies of form RD-1029.8.6-V completed for the taxation year)	+	159	0
Eligible fees or dues paid to a research consortium in respect of which the tax credit for fees and dues paid to a research consortium may be claimed (amount on line 142 of the copy of form RD-1029.8.9.03-V completed for the taxation year)	+	160	0
Qualified expenditures incurred in the taxation year in respect of which the tax credit for private partnership pre-competitive research may be claimed (total of the amounts in columns A, B and C on line 130 of all copies of form RD-1029.8.16.1-V completed for the taxation year)	+	161	0
Add lines 158 through 161. **Excluded expenditures**	=	162	0
Enter the amount on line 157 or line 162, whichever is **less**. If the amount on line 162 is less than the amount on line 157, the taxpayer cannot claim the tax credit for the taxation year.		163	0

	Amount on line 163			Amount on line 158			**Amount of excluded expenditures**
164	0	x	165	0	▶	167	0
			166	0			
				Amount on line 162			

Once this override is done, line 152a should display $0.

			A Taxpayer	B Non-arm's-length subcontractor	C Arm's-length subcontractor
Salaries and wages, and consideration paid to a subcontractor		125	200,000	0	0
Consideration paid to a second-tier subcontractor who entered into a contract with a subcontractor not dealing at arm's length with the taxpayer	+	126	N/A	0	0
Add lines 125 and 126.	=	130	200,000	0	0
Contributions received for the R&D project[7]	–	131	0	0	0

Add Delete

Indicate the source and the amount of contributions received[3] from line 131.

Source			**Amount**
	+		0
Total	=	131	0

Subtract line 131 from line 130.	=	132	200,000	0	0
Assistance,[8] benefit or advantage,[9] or contract payment[10] related to the amount on line 132	–	148	0	0	0
Subtract line 148 from line 132.	=	149	200,000	0	0
Amount of excluded expenditures. If the taxpayer's taxation year or the partnership's fiscal period began before December 3, 2014, enter 0. Otherwise, complete Part 4 and break down the amount on line 167 by entering it in columns A, B and C. The amount entered in each column must not be greater than the amount on line 149.	–	152a	0	0	0
Subtract line 152a from line 149.	=	152b	200,000	0	0
Applicable percentage	x	153	**100 %**	**100 %**	**50 %**
Multiply line 152b by line 153.	=	154	200,000	0	0
Add the amounts in columns A, B and C on line 154. If the result is negative, enter 0. **Qualified expenditures**	=	155	H 200,000		

This problem will be corrected in *Corporate Taxprep* 2016 v.2.0.

Troubleshooting memo T22016-003

RD-1029.8.6, Tax Credit for University Research or Research Carried Out by a Public Research Centre or a Research Consortium (Jump Code: 102986) - Incorrect calculation on lines 203, 230a, 230d and 230g when the corporation's taxation year or the partnership's fiscal period starts after December 2, 2014, and qualified R&D expenditures have been incurred both under a research contract entered into after December 2, 2014, and under a research contract entered into before December 3, 2014

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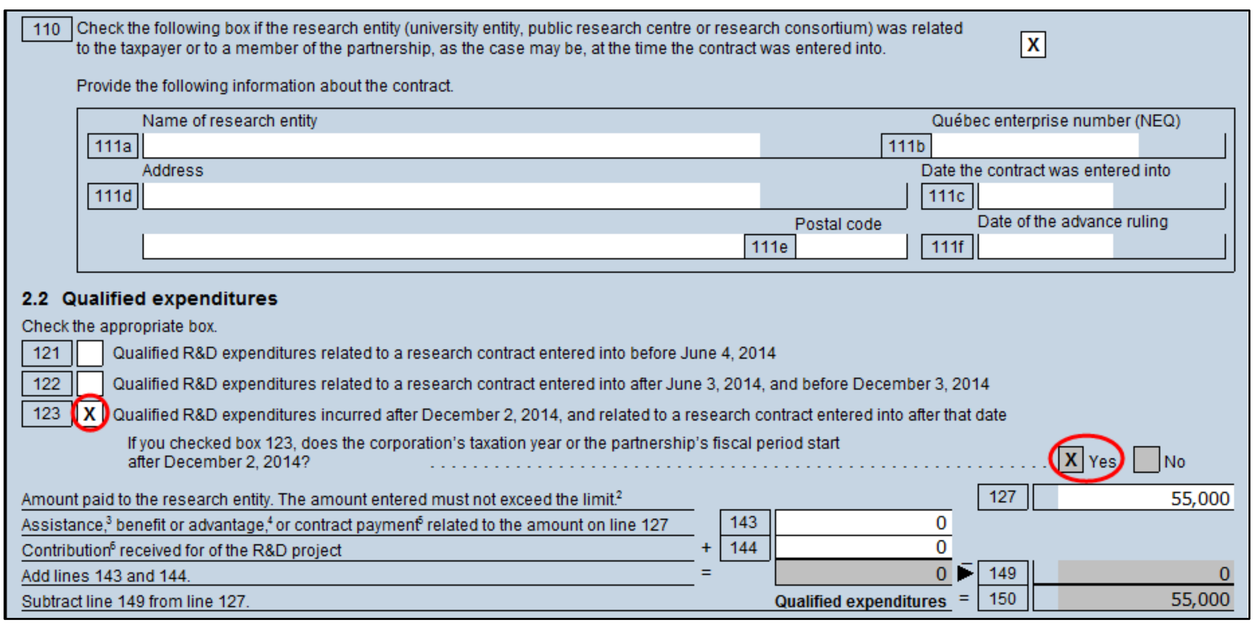
Problems:

A. The amount calculated on line 203 is incorrect when the following conditions are met:

- the corporation incurred qualified R&D expenditures giving entitlement to the increased rate in Part 5;
- box 123 is selected in Part 2;
- the answer to the question under box 123 is "Yes";
- other copies of Part 2 have been completed, in which box 121 and/or 122 have been selected.

Example:

A corporation whose taxation year starts on January 1, 2015, and ends on December 31, 2015, incurred qualified R&D expenditures of $55,000 after December 2, 2014, under a research contract entered into after that date. The corporation incurred qualified R&D expenditures giving entitlement to the increased rate in Part 5. In addition, the corporation's exclusion threshold, indicated on line 177, is $50,000, and the research entity is related to the corporation.



110 Check the following box if the research entity (university entity, public research centre or research consortium) was related to the taxpayer or to a member of the partnership, as the case may be, at the time the contract was entered into. X

Provide the following information about the contract.

Name of research entity 111a
Québec enterprise number (NEQ) 111b
Address 111d
Date the contract was entered into 111c
Postal code 111e
Date of the advance ruling 111f

2.2 Qualified expenditures

Check the appropriate box.

121 Qualified R&D expenditures related to a research contract entered into before June 4, 2014

122 Qualified R&D expenditures related to a research contract entered into after June 3, 2014, and before December 3, 2014

123 X Qualified R&D expenditures incurred after December 2, 2014, and related to a research contract entered into after that date

If you checked box 123, does the corporation's taxation year or the partnership's fiscal period start after December 2, 2014? X Yes No

Amount paid to the research entity. The amount entered must not exceed the limit.[2]			127	55,000
Assistance,[3] benefit or advantage,[4] or contract payment[5] related to the amount on line 127	143	0		
Contribution[6] received for of the R&D project	+ 144	0		
Add lines 143 and 144.	=	0 ▶	149	0
Subtract line 149 from line 127.		Qualified expenditures =	150	55,000

The corporation has also incurred qualified R&D expenditures of $10,000 under a research contract entered into before June 4, 2014.

110	Check the following box if the research entity (university entity, public research centre or research consortium) was related to the taxpayer or to a member of the partnership, as the case may be, at the time the contract was entered into.	X

Provide the following information about the contract.

	Name of research entity		Québec enterprise number (NEQ)
111a		111b	
	Address		Date the contract was entered into
111d		111c	
	Postal code 111e		Date of the advance ruling
		111f	

2.2 Qualified expenditures

Check the appropriate box.

121	X	Qualified R&D expenditures related to a research contract entered into before June 4, 2014
122		Qualified R&D expenditures related to a research contract entered into after June 3, 2014, and before December 3, 2014
123		Qualified R&D expenditures incurred after December 2, 2014, and related to a research contract entered into after that date

If you checked box 123, does the corporation's taxation year or the partnership's fiscal period start after December 2, 2014? Yes No

Amount paid to the research entity. The amount entered must not exceed the limit.[2]				127	10,000
Assistance,[3] benefit or advantage,[4] or contract payment[5] related to the amount on line 127	143	0			
Contribution[6] received for of the R&D project	+ 144	0			
Add lines 143 and 144.	=	0	▶	149	0
Subtract line 149 from line 127.		Qualified expenditures	=	150	10,000

Line 203 displays an amount of $15,000, which is incorrect, because this amount includes expenditures that have been incurred under a research contract entered into before December 3, 2014.

5 Qualified expenditures giving entitlement to the increased rate of the tax credit

Complete Part 5 only if the taxpayer is a Canadian-controlled corporation that incurred expenditures after December 2, 2014, related to at least one contract entered into after that date and whose assets (including those of any corporations associated with it) are less than $75 million for the previous taxation year. In other cases, go to Part 7. A corporation that is claiming the tax credit as a member of a qualified partnership is not entitled to the increased rate of the tax credit. Go to Part 6.

The limit on qualified expenditures that give entitlement to the increased rate is $3,000,000. Furthermore, if the corporation is associated with one or more other corporations, that limit must be allocated to one or more of the corporations. To do so, complete form RD-1029.7.8, Entente concernant la limite de dépenses entre sociétés associées. Then enter the amount allocated to each corporation on line 197 of its RD-1029.8.6 form. If the corporation is not associated with any other corporation, enter $3,000,000 on line 197 of form RD-1029.8.6.

Select the box to cancel the expenditure limit calculated on line 200.

	Expenditure limit			Number of days in the taxation year[8]			
197	3,000,000	x	198	365	▶	200	3,000,000
			199	365 days			

Amount of excluded expenditures (amount on line 187). If you did not complete Part 4, enter 0.	–	201	50,000
Subtract line 201 from line 200.	=	202	2,950,000
Enter either the portion of amount H that relates to expenditures incurred after December 2, 2014, under a contract entered into after that date or the amount on line 202, whichever is **less**. **Qualified expenditures giving entitlement to the increased rate of the tax credit**		203	15,000

B. The calculations on lines 230a, 230d and 230g are incorrect if the following conditions are met:

- the corporation is a member of a partnership;
- box 123 is selected in Part 2;
- the answer to the question under box 123 is "Yes";
- other copies of Part 2 have been completed, in which box 121 and/or 122 have been selected.

Example:

A corporation is a member of a partnership and its percentage interest is 50%. The partnership's fiscal period starts on January 1, 2015, and ends on December 31, 2015. The partnership incurred qualified R&D expenditures of $80,000 after December 2, 2014, under a research contract entered into after that date. The partnership's exclusion threshold, indicated on line 177, is $50,000, and the research entity is related to a member of the partnership.

110 Check the following box if the research entity (university entity, public research centre or research consortium) was related to the taxpayer or to a member of the partnership, as the case may be, at the time the contract was entered into. X

Provide the following information about the contract.

Name of research entity 111a | Québec enterprise number (NEQ) 111b
Address 111d | Date the contract was entered into 111c
Postal code 111e | Date of the advance ruling 111f

2.2 Qualified expenditures

Check the appropriate box.

- 121 [ ] Qualified R&D expenditures related to a research contract entered into before June 4, 2014
- 122 [ ] Qualified R&D expenditures related to a research contract entered into after June 3, 2014, and before December 3, 2014
- 123 [X] Qualified R&D expenditures incurred after December 2, 2014, and related to a research contract entered into after that date

If you checked box 123, does the corporation's taxation year or the partnership's fiscal period start after December 2, 2014? [X] Yes [ ] No

Amount paid to the research entity. The amount entered must not exceed the limit[2]			127	80,000
Assistance,[3] benefit or advantage,[4] or contract payment[5] related to the amount on line 127	143	0		
Contribution[6] received for of the R&D project	+ 144	0		
Add lines 143 and 144.	=	0 ▶	149	0
Subtract line 149 from line 127.		**Qualified expenditures** =	150	80,000

The partnership incurred qualified R&D expenditures of $10,000 under a research contract entered into before June 4, 2014.

110 Check the following box if the research entity (university entity, public research centre or research consortium) was related to the taxpayer or to a member of the partnership, as the case may be, at the time the contract was entered into. X

Provide the following information about the contract.

Name of research entity 111a | Québec enterprise number (NEQ) 111b
Address 111d | Date the contract was entered into 111c
Postal code 111e | Date of the advance ruling 111f

2.2 Qualified expenditures

Check the appropriate box.

- 121 [X] Qualified R&D expenditures related to a research contract entered into before June 4, 2014
- 122 [ ] Qualified R&D expenditures related to a research contract entered into after June 3, 2014, and before December 3, 2014
- 123 [ ] Qualified R&D expenditures incurred after December 2, 2014, and related to a research contract entered into after that date

If you checked box 123, does the corporation's taxation year or the partnership's fiscal period start after December 2, 2014? [ ] Yes [ ] No

Amount paid to the research entity. The amount entered must not exceed the limit[2]			127	10,000
Assistance,[3] benefit or advantage,[4] or contract payment[5] related to the amount on line 127	143	0		
Contribution[6] received for of the R&D project	+ 144	0		
Add lines 143 and 144.	=	0 ▶	149	0
Subtract line 149 from line 127.		**Qualified expenditures** =	150	10,000

The partnership has also incurred qualified R&D expenditures of $20,000 under a research contract entered into after June 3, 2014, but before December 3, 2014.

110	Check the following box if the research entity (university entity, public research centre or research consortium) was related to the taxpayer or to a member of the partnership, as the case may be, at the time the contract was entered into.	X

Provide the following information about the contract.

111a	Name of research entity	111b	Québec enterprise number (NEQ)
111d	Address	111c	Date the contract was entered into
111e	Postal code	111f	Date of the advance ruling

2.2 Qualified expenditures

Check the appropriate box.

121		Qualified R&D expenditures related to a research contract entered into before June 4, 2014
122	X	Qualified R&D expenditures related to a research contract entered into after June 3, 2014, and before December 3, 2014
123		Qualified R&D expenditures incurred after December 2, 2014, and related to a research contract entered into after that date

If you checked box 123, does the corporation's taxation year or the partnership's fiscal period start after December 2, 2014? Yes No

Amount paid to the research entity. The amount entered must not exceed the limit[2]					127	20,000
Assistance,[3] benefit or advantage,[4] or contract payment[5] related to the amount on line 127		143	0			
Contribution[6] received for of the R&D project	+	144	0			
Add lines 143 and 144.	=		0		149	0
Subtract line 149 from line 127.			Qualified expenditures	=	150	20,000

Lines 230a and 230d display an amount of $0 while line 230g displays an amount of $30,000. There amounts are incorrect, because the amount on line 230 must be allocated based on the periods during which the contracts have been entered into.

7.1.2 Tax credit

Complete this section in full if an amount is entered on line 203. Otherwise, enter the amount of the corporation's qualified expenditures (amount H or amount I, as applicable) on line 230 and complete lines 230a through 235.

Qualified expenditures giving entitlement to the increased rate of the tax credit (amount on line 203)					225	0
Increased rate of the tax credit (rate on line 224)				x	226	0 %
Multiply line 225 by line 226.				=	227	0
Qualified expenditures (amount H)		228	0			
Qualified expenditures giving entitlement to the increased rate of the tax credit (amount on line 225)	–	229	0			
Subtract line 229 from line 228. If the result is negative, enter 0.	=	230	30,000			
Portion of the amount on line 230 that relates to qualified expenditures incurred under a research contract entered into before June 4, 2014		230a	0			
Applicable rate. Enter 35%.	x	230b	35.0000 %			
Multiply line 230a by line 230b.	=		0	+	230c	0
Portion of the amount on line 230 that relates to qualified expenditures incurred under a research contract entered into after June 3, 2014, and before December 3, 2014		230d	0			
Applicable rate. Enter 28%.	x	230e	28.0000 %			
Multiply line 230d by line 230e.	=		0	+	230f	0
Portion of the amount on line 230 that relates to qualified expenditures incurred after December 2, 2014, under a contract entered into after that date		230g	30,000			
Applicable rate. Enter 14%.	x	231	14.0000 %			
Multiply line 230g by line 231.	=		4,200	+	232	4,200
Tax credit in respect of assistance, a benefit or an advantage that was repaid in the taxation year concerned and that is related to qualified expenditures incurred in a previous taxation year[14]				+	233	0
Add lines 227, 230c, 230f, 232 and 233. Carry amount V (or the total of amounts V) to one of lines 440p through 440y of form CO-17, *Déclaration de revenus des sociétés*, and enter code 03 in the appropriate box. Tax credit for a corporation				=	235	V 4,200

Solutions:

A. In order for the amount on line 203 to be calculated correctly, proceed as follows:

1. Redo the calculation in Part 3 manually using the data in Part 2 in which box 123 is selected and in which the answer to the question under line 123 is "Yes."
2. On line 203, use an override and enter the amount on line 202 or the result obtained at step 1, whichever is less.

Example (cont'd):

In the example presented for problem A, you should proceed as follows:

1. Do the following calculation:

   $55,000 (line 150 in Part 2) – $50,000 (excluded expenditures) = $5,000
   $5,000 X 100% (line 156, column A) = $5,000

2. Enter "$5,000" on line 203 (i.e., $2,950,000 or $5,000, whichever is less).

5 Qualified expenditures giving entitlement to the increased rate of the tax credit

Complete Part 5 only if the taxpayer is a Canadian-controlled corporation that incurred expenditures after December 2, 2014, related to at least one contract entered into after that date and whose assets (including those of any corporations associated with it) are less than $75 million for the previous taxation year. In other cases, go to Part 7. A corporation that is claiming the tax credit as a member of a qualified partnership is not entitled to the increased rate of the tax credit. Go to Part 6.

The limit on qualified expenditures that give entitlement to the increased rate is $3,000,000. Furthermore, if the corporation is associated with one or more other corporations, that limit must be allocated to one or more of the corporations. To do so, complete form RD-1029.7.8, Entente concernant la limite de dépenses entre sociétés associées. Then enter the amount allocated to each corporation on line 197 of its RD-1029.8.6 form. If the corporation is not associated with any other corporation, enter $3,000,000 on line 197 of form RD-1029.8.6.

Select the box to cancel the expenditure limit calculated on line 200. ☐

	Expenditure limit		Number of days in the taxation year[9]		
197	3,000,000	x	198: 365 / 199: 365 days	▶ 200	3,000,000

Amount of excluded expenditures (amount on line 187). If you did not complete Part 4, enter 0.	–	201	50,000
Subtract line 201 from line 200.	=	202	2,950,000
Enter either the portion of amount H that relates to expenditures incurred after December 2, 2014, under a contract entered into after that date or the amount on line 202, whichever is **less**. **Qualified expenditures giving entitlement to the increased rate of the tax credit**		203	5,000

B. In order for the credit to be calculated with the correct rates, use an override to allocate the amount on line 230 between lines 230a and 230d based on the periods during which the applicable contracts have been entered into. The amount on line 230g will be adjusted accordingly.

Example (cont'd):

In the example presented for problem B, "$5,000" should be entered ($10,000 in expenditures at a percentage interest of 50%) and "$10,000" should be entered ($20,000 in expenditures at a percentage interest of 50%) using an override on lines 230a and 230d respectively. The amount on line 230g would then be adjusted accordingly.

7.1.2 Tax credit

Complete this section in full if an amount is entered on line 203. Otherwise, enter the amount of the corporation's qualified expenditures (amount H or amount I, as applicable) on line 230 and complete lines 230a through 235.

Qualified expenditures giving entitlement to the increased rate of the tax credit (amount on line 203)					225	0
Increased rate of the tax credit (rate on line 224)				x	226	0 %
Multiply line 225 by line 226.				=	227	0
Qualified expenditures (amount H)		228	0			
Qualified expenditures giving entitlement to the increased rate of the tax credit (amount on line 225)	–	229	0			
Subtract line 229 from line 228. If the result is negative, enter 0.	=	230	30,000			
Portion of the amount on line 230 that relates to qualified expenditures incurred under a research contract entered into before June 4, 2014		230a	5,000			
Applicable rate. Enter 35%.	x	230b	35.0000 %			
Multiply line 230a by line 230b.	=		1,750	▶ +	230c	1,750
Portion of the amount on line 230 that relates to qualified expenditures incurred under a research contract entered into after June 3, 2014, and before December 3, 2014		230d	10,000			
Applicable rate. Enter 28%.	x	230e	28.0000 %			
Multiply line 230d by line 230e.	=		2,800	▶ +	230f	2,800
Portion of the amount on line 230 that relates to qualified expenditures incurred after December 2, 2014, under a contract entered into after that date		230g	15,000			
Applicable rate. Enter 14%.	x	231	14.0000 %			
Multiply line 230g by line 231.	=		2,100	▶ +	232	2,100
Tax credit in respect of assistance, a benefit or an advantage that was repaid in the taxation year concerned and that is related to qualified expenditures incurred in a previous taxation year[14]				+	233	0
Add lines 227, 230c, 230f, 232 and 233. Carry amount V (or the total of amounts V) to one of lines 440p through 440y of form CO-17, *Déclaration de revenus des sociétés*, and enter code 03 in the appropriate box. **Tax credit for a corporation**				=	235	V 6,650

These problems will be corrected in *Corporate Taxprep* 2016 v.2.0.

Troubleshooting memo T22016-002

RD-1029.8.16.1, Tax Credit for Private Partnership Pre-Competitive Research (Jump Code: 10298161) - Incorrect calculation on lines 181 and 198 when the corporation's taxation year or the partnership's fiscal period starts after December 2, 2014, and qualified R&D expenditures have been incurred under a partnership contract entered into before December 3, 2014

Download the client filter and diagnostic template

Problems:

A. The calculation on line 181 is incorrect when the following conditions are met:

- the corporation incurred qualified R&D expenditures or is a member of a partnership that incurred R&D expenditures;
- the corporation's taxation year or the partnership's fiscal period starts after December 2, 2014; and
- the date entered on line 100 in Part 2 is prior to December 3, 2014.

Example:

A corporation whose taxation year starts on January 1, 2015, and ends on December 31, 2015, incurred qualified R&D expenditures of $60,000 after December 2, 2014, under a partnership agreement entered into after that date. In addition, the corporation's exclusion threshold, indicated on line 179d, is $50,000.

2.1 Information about the partnership agreement

Agreement date 100 2015 02 01

AA If the date on which the agreement has been entered into (line 100) is prior to June 5, 2014, was a portion of the qualified expenditures incurred after June 4, 2014? Yes No

Date on which the qualification certificate was issued 101

Provide the following information about the partners. If there is not enough space, enclose an additional copy of the form.

Add Delete

Name 102.1 Identification number 103.1

Address 104.1

Postal code 105.1 Social insurance number 106.1

2.2 Qualified expenditures

Break down the R&D expenditures by entering them in the three columns on the lines below. In column A, enter the R&D expenditures made in the taxation year by the taxpayer. In column B, enter the portion of the consideration attributable to R&D work that the taxpayer paid in the taxation year to a subcontractor not dealing at arm's length with the taxpayer. In column C, enter the portion of the consideration attributable to R&D work that the taxpayer paid in the taxation year to a subcontractor dealing at arm's length with the taxpayer.

			A Taxpayer	B Non-arm's-length subcontractor	C Arm's-length subcontractor
Qualified expenditure,[4] if the proxy method was **not** chosen on form RD-222-V		125	60,000	0	0
Qualified expenditure, if the proxy method was chosen on form RD-222-V		126	0	0	0
Proxy amount,[5] if the proxy method was chosen on form RD-222-V	+	127	0	S.O.	S.O.
Add lines 126 and 127.	=	128	0	0	0
Amount from line 125 or line 128, as the case may be		130	60,000	0	0
Contribution received for the R&D project		131	0	0	0
Assistance,[6] benefit or advantage,[7] or contract payment[8] related to the amount on line 130	+	148	0	0	0
Add lines 131 and 148.	=	149	0	0	0
Subtract line 149 from line 130. **Qualified expenditures**		150	60,000	0	0

The corporation also incurred qualified R&D expenditures of $20,000 under a partnership agreement entered into before December 3, 2014.

2.1 Information about the partnership agreement

Agreement date 100 2014 10 01

AA If the date on which the agreement has been entered into (line 100) is prior to June 5, 2014, was a portion of the qualified expenditures incurred after June 4, 2014? Yes No

Date on which the qualification certificate was issued 101

Provide the following information about the partners. If there is not enough space, enclose an additional copy of the form.

Add Delete

Name 102.1 Identification number 103.1

Address 104.1

Postal code 105.1 Social insurance number 106.1

2.2 Qualified expenditures

Break down the R&D expenditures by entering them in the three columns on the lines below. In column A, enter the R&D expenditures made in the taxation year by the taxpayer. In column B, enter the portion of the consideration attributable to R&D work that the taxpayer paid in the taxation year to a subcontractor not dealing at arm's length with the taxpayer. In column C, enter the portion of the consideration attributable to R&D work that the taxpayer paid in the taxation year to a subcontractor dealing at arm's length with the taxpayer.

			A Taxpayer	B Non-arm's-length subcontractor	C Arm's-length subcontractor
Qualified expenditure,[4] if the proxy method was **not** chosen on form RD-222-V		125	20,000	0	0
Qualified expenditure, if the proxy method was chosen on form RD-222-V		126	0	0	0
Proxy amount,[5] if the proxy method was chosen on form RD-222-V	+	127	0	S.O.	S.O.
Add lines 126 and 127.	=	128	0	0	0
Amount from line 125 or line 128, as the case may be		130	20,000	0	0
Contribution received for the R&D project		131	0	0	0
Assistance,[6] benefit or advantage,[7] or contract payment[8] related to the amount on line 130	+	148	0	0	0
Add lines 131 and 148.	=	149	0	0	0
Subtract line 149 from line 130. **Qualified expenditures**		150	20,000	0	0

Line 181 displays an amount of $80,000, which is incorrect, because this amount includes qualified R&D expenditures that have been incurred under an agreement entered into before December 3, 2014.

4.2 Amount of excluded expenditures

The amounts on lines 181 through 184 must not include expenditures incurred after December 2, 2014, under a research contract or a partnership agreement entered into on or before that date.

Qualified expenditures incurred in the taxation year in respect of which the tax credit for private partnership pre-competitive research may be claimed (total of the amounts in columns A, B and C on line 130 of all copies of this form completed for the taxation year)		181	80,000
Qualified expenditures incurred in the taxation year in respect of which the tax credit for salaries and wages (R&D) may be claimed (total of the amounts in columns A, B and C on line 130 of the copy of form RD-1029.7-V completed for the taxation year)	+	182	0
Qualified expenditures incurred in the taxation year in respect of which the tax credit for university research or research carried out by a public research centre or a research consortium may be claimed (total of the amounts on line 127 of all copies of form RD-1029.8.6-V completed for the taxation year)	+	183	0
Eligible fees or dues paid to a research consortium in respect of which the tax credit for fees and dues paid to a research consortium may be claimed (total of the amounts on line 142 of all copies of form RD-1029.8.9.03-V completed for the taxation year)	+	184	0
Add lines 181 through 184. **Excluded expenditures**	=	185	80,000
Enter the amount from line 179d or line 185, whichever is **less**. If the amount on line 185 is less than the amount on line 179d, the taxpayer cannot claim the tax credit for the taxation year.		186	50,000

Amount on line 186		Amount on line 181 / Amount on line 185		Amount of excluded expenditures
187 50,000	×	188 80,000 / 189 80,000	▶	190 50,000

B. If the conditions listed in the bulleted list at point A are met and the corporation incurred qualified R&D expenditures giving entitlement to the increased rate in Part 5, the calculation on line 198 is also incorrect.

Example:

If the corporation in example A incurred expenditures giving entitlement to the increased rate in Part 5, line 198 displays an amount of $30,000. This amount is incorrect, because it includes qualified R&D expenditures that have been incurred under an agreement entered into before December 3, 2014.

5 Qualified expenditures giving entitlement to the increased rate of the tax credit

Complete Part 5 only if the qualified expenditures were incurred by the taxpayer under a partnership agreement entered into after December 2, 2014 (or under a renewal or extension of such an agreement) and the taxpayer is a Canadian-controlled corporation whose assets (including those of any corporations associated with it) are less than $75 million for the previous taxation year. In other cases, go to Part 7. A corporation that is claiming the tax credit as a member of a qualified partnership is not entitled to the increased rate of the tax credit. Go to Part 6.

The limit on qualified expenditures that give entitlement to the increased rate is $3,000,000. Furthermore, if the corporation is associated with one or more other corporations, that limit must be allocated to one or more of the corporations. To do so, complete form RD-1029.7.8, *Entente concernant la limite de dépenses entre sociétés associées*. Then enter the amount allocated to each corporation on line 192 of its RD-1029.8.16.1 form. If the corporation is not associated with any other corporation, enter $3,000,000 on line 192 of form RD-1029.8.16.1.

Select the box to cancel the expenditure limit calculated on line 195. ☐

	Expenditure limit		Number of days in the taxation year[11]		
192	3,000,000	x	193	365	▶ 195 3,000,000
			194	365 days	

Amount of excluded expenditures (amount on line 190). If you did not complete Part 4, enter 0.	– 196	50,000
Subtract line 196 from line 195.	= 197	2,950,000
Enter either amount H or the amount on line 197, whichever is **less**. **Qualified expenditures giving entitlement to the increased rate of the tax credit**	198	30,000

Solutions:

A. Add the amounts on line 130 in the copies of Part 2 in which the date entered on line 100 is after December 2, 2014, and enter the result on line 181 using an override.

Example (cont'd):

In the example presented for problem A, the total of the amounts indicated on line 130 in the copies of Part 2 in which the date entered on line 100 is after December 2, 2014, is $60,000. Therefore, "$60,000" should be entered on line 181 using an override.

4.2 Amount of excluded expenditures

The amounts on lines 181 through 184 must not include expenditures incurred after December 2, 2014, under a research contract or a partnership agreement entered into on or before that date.

Qualified expenditures incurred in the taxation year in respect of which the tax credit for private partnership pre-competitive research may be claimed (total of the amounts in columns A, B and C on line 130 of all copies of this form completed for the taxation year)	181	60,000
Qualified expenditures incurred in the taxation year in respect of which the tax credit for salaries and wages (R&D) may be claimed (total of the amounts in columns A, B and C on line 130 of the copy of form RD-1029.7-V completed for the taxation year)	+ 182	0
Qualified expenditures incurred in the taxation year in respect of which the tax credit for university research or research carried out by a public research centre or a research consortium may be claimed (total of the amounts on line 127 of all copies of form RD-1029.8.6-V completed for the taxation year)	+ 183	0
Eligible fees or dues paid to a research consortium in respect of which the tax credit for fees and dues paid to a research consortium may be claimed (total of the amounts on line 142 of all copies of form RD-1029.8.9.03-V completed for the taxation year)	+ 184	0
Add lines 181 through 184. **Excluded expenditures**	= 185	60,000
Enter the amount from line 179d or line 185, whichever is **less**. If the amount on line 185 is less than the amount on line 179d, the taxpayer cannot claim the tax credit for the taxation year.	186	50,000

	Amount on line 186		Amount on line 181		**Amount of excluded expenditures**
187	50,000	x	188	60,000	▶ 190 50,000
			189	60,000	
			Amount on line 185		

B. In order for the amount on line 198 to be calculated correctly, proceed as follows:

1. Redo the calculation in Part 3 manually using the data in Part 2 in which the date entered on line 100 is after December 2, 2014.
2. On line 198, use an override and enter the amount on line 197 or the result obtained at step 1, whichever is less.

Example (cont'd):

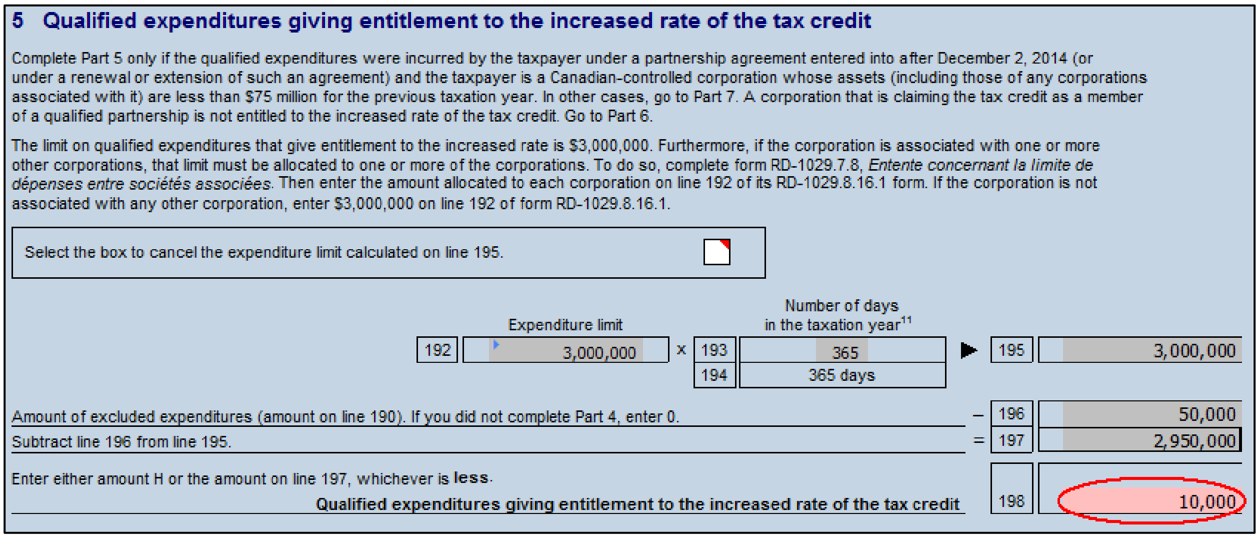
In the example presented for problem B, proceed as follows:

1. Do the following calculation:

   $60,000 (line 150 in Part 2) – $50,000 (excluded expenditures) = $10,000

   $10,000 X 100% (line 159, column A) = $10,000

Enter "$10,000" on line 198 using an override (i.e., $2,950,000 or $10,000, whichever is less).



5 Qualified expenditures giving entitlement to the increased rate of the tax credit

Complete Part 5 only if the qualified expenditures were incurred by the taxpayer under a partnership agreement entered into after December 2, 2014 (or under a renewal or extension of such an agreement) and the taxpayer is a Canadian-controlled corporation whose assets (including those of any corporations associated with it) are less than $75 million for the previous taxation year. In other cases, go to Part 7. A corporation that is claiming the tax credit as a member of a qualified partnership is not entitled to the increased rate of the tax credit. Go to Part 6.

The limit on qualified expenditures that give entitlement to the increased rate is $3,000,000. Furthermore, if the corporation is associated with one or more other corporations, that limit must be allocated to one or more of the corporations. To do so, complete form RD-1029.7.8, *Entente concernant la limite de dépenses entre sociétés associées*. Then enter the amount allocated to each corporation on line 192 of its RD-1029.8.16.1 form. If the corporation is not associated with any other corporation, enter $3,000,000 on line 192 of form RD-1029.8.16.1.

Select the box to cancel the expenditure limit calculated on line 195.

	Expenditure limit			Number of days in the taxation year[11]			
192	3,000,000	x	193	365	▶	195	3,000,000
			194	365 days			

Amount of excluded expenditures (amount on line 190). If you did not complete Part 4, enter 0.	–	196	50,000
Subtract line 196 from line 195.	=	197	2,950,000
Enter either amount H or the amount on line 197, whichever is **less**. **Qualified expenditures giving entitlement to the increased rate of the tax credit**		198	10,000

These problems will be corrected in *Corporate Taxprep* 2016 v.2.0.

Saskatchewan

Troubleshooting T22016-038

Schedule 411, Saskatchewan Corporation Tax Calculation (Jump Code: 411) - Phasing out of the credit unions deduction for taxation years ending after 2016

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Problem:

In its budget tabled on March 22, 2017, the government of Saskatchewan announced that the credit unions deduction, which is used to calculate the income eligible for the lower tax rate, would be phased out over four years, beginning in 2017. It was then clarified in Saskatchewan Bill 69, tabled on April 13, 2017, that this deduction would be reduced to 75% for the days in the taxation year included in 2017. Currently, *Corporate Taxprep* does not take this change into account.

Solution:

If the corporation has a taxation year ending after December 31, 2016, a permanent establishment in Saskatchewan and is entitled to the credit unions deduction in Saskatchewan (i.e. an amount is indicated on line F of Schedule 411), enter the result of the following calculation on line F using an override:

$$\text{Amount F} \times \frac{\text{Number of days in the taxation year before January 1, 2017}}{\text{Number of days in the taxation year}} + \text{Amount F} \times \frac{\text{Number of days in the taxation year in 2017}}{\text{Number of days in the taxation year}} \times 75\%$$

<u>Example:</u>

A corporation has a taxation year ending on March 31, 2017, and an amount of $200,000 is indicated on line F of its Schedule 411:

Part 1 – Calculation of income subject to Saskatchewan lower and higher tax rates

Taxable income for Saskatchewan *			850,000	A
Income eligible for Saskatchewan lower tax rate:				
Amount from line 400 of the T2 return		850,000		B
Amount from line 405 of the T2 return		850,000		C
Amount from line 425 of the T2 return		500,000		D
Amount B, C, or D, whichever is the least		500,000		E
For credit unions only:				
Amount from line D of Schedule 17, *Credit Union Deductions*	700,000			
Deduct: amount E above	500,000			
Excess (if negative, enter "0")	200,000 ▶	200,000		F
Total of amounts E and F		700,000		G
Amount G ..... 700,000 x taxable income for Saskatchewan * / taxable income for all provinces **		850,000 / 850,000	= 700,000	H
Income subject to Saskatchewan higher tax rate (amount A **minus** amount H)			150,000	I

Enter amount H and/or amount I on the applicable line(s) in Part 2.

* If the corporation has a permanent establishment only in Saskatchewan, enter the taxable income from line 360 of the T2 return. Otherwise, enter the taxable income allocated to Saskatchewan from column F in Part 1 of Schedule 5, *Tax Calculation Supplementary – Corporations*.

** Includes the territories and the offshore jurisdictions for Nova Scotia and Newfoundland and Labrador.

The result of the following calculation should be entered on line F, using an override:

$$\$200{,}000 \times \frac{275 \text{ days}}{365 \text{ days}} + \$200{,}000 \times \frac{90 \text{ days}}{365 \text{ days}} \times 75\% = \$187{,}671$$

Part 1 – Calculation of income subject to Saskatchewan lower and higher tax rates

Taxable income for Saskatchewan *			850,000	A
Income eligible for Saskatchewan lower tax rate:				
Amount from line 400 of the T2 return		850,000		B
Amount from line 405 of the T2 return		850,000		C
Amount from line 425 of the T2 return		500,000		D
Amount B, C, or D, whichever is the least		500,000		E
For credit unions only:				
Amount from line D of Schedule 17, *Credit Union Deductions*	700,000			
Deduct: amount E above	500,000			
Excess (if negative, enter "0")	187,671 ▶	187,671		F
Total of amounts E and F		687,671		G
Amount G ..... 687,671 x taxable income for Saskatchewan * / taxable income for all provinces **		850,000 / 850,000	= 687,671	H
Income subject to Saskatchewan higher tax rate (amount A **minus** amount H)			162,329	I

Enter amount H and/or amount I on the applicable line(s) in Part 2.

* If the corporation has a permanent establishment only in Saskatchewan, enter the taxable income from line 360 of the T2 return. Otherwise, enter the taxable income allocated to Saskatchewan from column F in Part 1 of Schedule 5, *Tax Calculation Supplementary – Corporations*.

** Includes the territories and the offshore jurisdictions for Nova Scotia and Newfoundland and Labrador.

This measure will be integrated into *Corporate Taxprep* 2017 v.1.0.

Troubleshooting T22016-026

Schedule 402, Saskatchewan manufacturing and processing investment tax credit (Jump Code: 402) – Increase in the tax credit rate for qualified property acquired after March 22, 2017

Download the client filter and diagnostic template

Problem:

The Saskatchewan Budget tabled on March 22, 2017 proposed an increase in the rate for the Saskatchewan manufacturing and processing investment tax credit to 6% for qualified property acquired after March 22, 2017. Currently, when the corporation's taxation year ends after March 22, 2017, *Corporate Taxprep* uses a rate of 5% for all qualified property acquired in the taxation year, including property acquired after March 22, 2017.

Solution:

When the corporation's taxation year ends after March 22, 2017, and at least one qualified property entered in Part 1 of the schedule 402 was acquired after March 22, 2017, please proceed as follows:

1. Calculate the total of all capital costs entered on line 103 for qualified property with an acquisition date on line 102 that is prior to March 23, 2017, then multiply the result by 5%.
2. Calculate the total of all capital costs entered on line 103 for qualified property with an acquisition date on line 102 that is after March 22, 2017, then multiply the result by 6%.
3. Add up the results of the calculations in steps 1 and 2.
4. Enter this sum on line 225 of Part 3 using an override.

<u>Example</u>:

Part 1 – Qualified property (acquired in current tax year) eligible for the credit

101 CCA class no.	Description of qualified property	102 Acquisition date Year Month Day	103 Capital cost	
53	Property #1	2016-12-31	100,000	
53	Property #2	2017-04-01	200,000	
			0	
Total capital cost			300,000	A
Total capital cost of property acquired after March 31, 2004, and before April 7, 2006			0	B
Total capital cost of property acquired after April 6, 2006, and before October 28, 2006			0	C
Total capital cost of property acquired after October 27, 2006			300,000	D

Step 1: \$100,000 x 5% = \$5,000

Step 2: \$200,000 x 6% = \$12,000

Step 3: \$5,000 + \$12,000 = \$17,000

Part 3 – Calculation of Saskatchewan refundable manufacturing and processing investment tax credit

Qualified property acquired in the current tax year:						
After April 6, 2006, and before October 28, 2006 (amount C from Part 1)	0	x	7 % =	220	0	
After October 27, 2006 (amount D from Part 1)	300,000	x	5 % =	225	17,000	
Credit earned after April 6, 2006, allocated from a partnership				230	0	
Credit earned after April 6, 2006, allocated from a trust				240	0	
Saskatchewan refundable manufacturing and processing investment tax credit (total of lines 220, 225, 230, and 240)					17,000	G
Enter the amount G on line 644 of Schedule 5.						

This measure will be integrated into *Corporate Taxprep* 2017 v.1.0.

Troubleshooting T22016-025

Schedule 403, Saskatchewan Research and Development Tax Credit (Jump Code: 403) – Modifications to the tax credit for eligible expenditures incurred after March 31, 2017

Download the client filter and diagnostic template

Problem:

In its Budget tabled on March 22, 2017, the Saskatchewan government announced the following measures relating to the research and development tax credit:

1. CCPCs are now eligible for a refundable R&D tax credit of 10% for the first $1,000,000 of qualifying expenditures incurred after March 31, 2017. The portion of qualifying expenditures incurred after this date that are in excess of $1,000,000, if applicable, will be eligible for the 10% non-refundable R&D tax credit. In addition, the total of the refundable tax credit and the non-refundable tax credit for R&D will be capped at $1,000,000 with regards to the expenditures incurred after March 31, 2017.

2. A corporation other than a CCPC can only claim a non-refundable R&D tax credit with regards to the expenditures incurred after March 31, 2017, and the maximum amount of this credit will be $1,000,000.

For more details on the announced changes, please consult the fifth and sixth paragraphs of the "General Information" section on the following Web page:

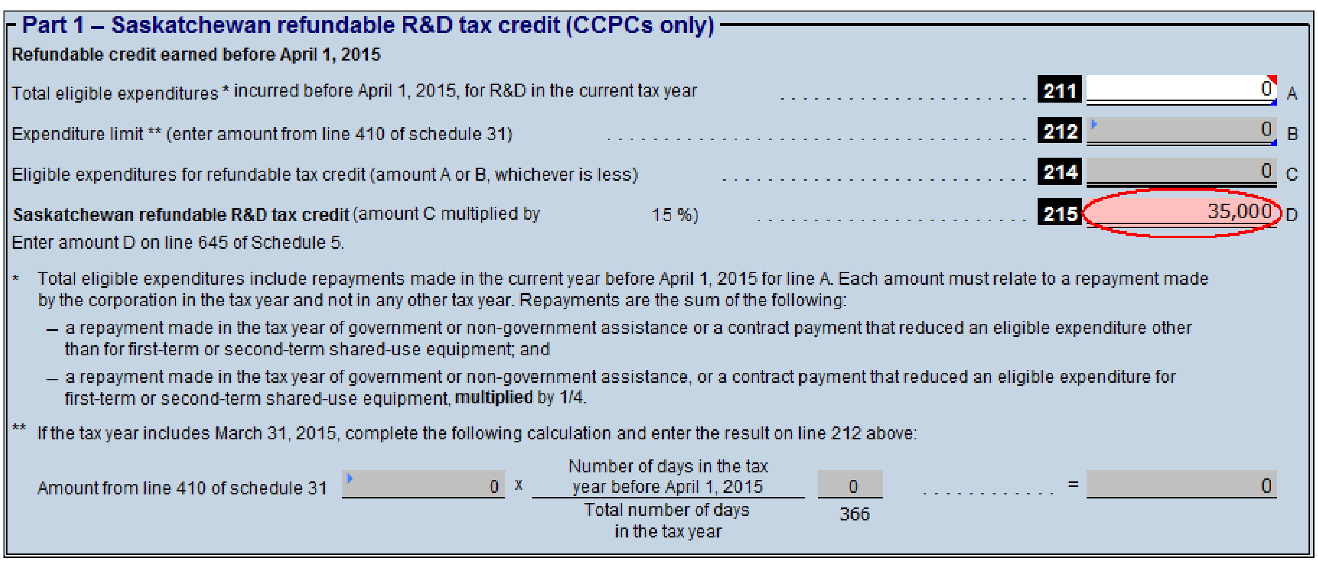
http://finance.gov.sk.ca/Default.aspx?DN=7210d60f-4263-4bf8-9f59-dbbbd8d64f7a&Anc=7210d60f-4263-4bf8-9f59-dbbbd8d64f7a&Pa=b0716095-178a-47d3-bb28-a1bb01abbad4.

Currently, *Corporate Taxprep* does not take this new measure into account.

Solution:

Please proceed as follows (if the corporation is not a CCPC, skip to step 2):

1. Calculate the amount of the refundable R&D tax credit according to the budget measures, then enter the result on line 215 using an override. Ignore the diagnostic R4030002 that will be displayed relating to line 211.



Part 1 – Saskatchewan refundable R&D tax credit (CCPCs only)

Refundable credit earned before April 1, 2015

Total eligible expenditures * incurred before April 1, 2015, for R&D in the current tax year	211	0	A
Expenditure limit ** (enter amount from line 410 of schedule 31)	212	0	B
Eligible expenditures for refundable tax credit (amount A or B, whichever is less)	214	0	C
Saskatchewan refundable R&D tax credit (amount C multiplied by 15 %)	215	35,000	D

Enter amount D on line 645 of Schedule 5.

* Total eligible expenditures include repayments made in the current year before April 1, 2015 for line A. Each amount must relate to a repayment made by the corporation in the tax year and not in any other tax year. Repayments are the sum of the following:

– a repayment made in the tax year of government or non-government assistance or a contract payment that reduced an eligible expenditure other than for first-term or second-term shared-use equipment; and

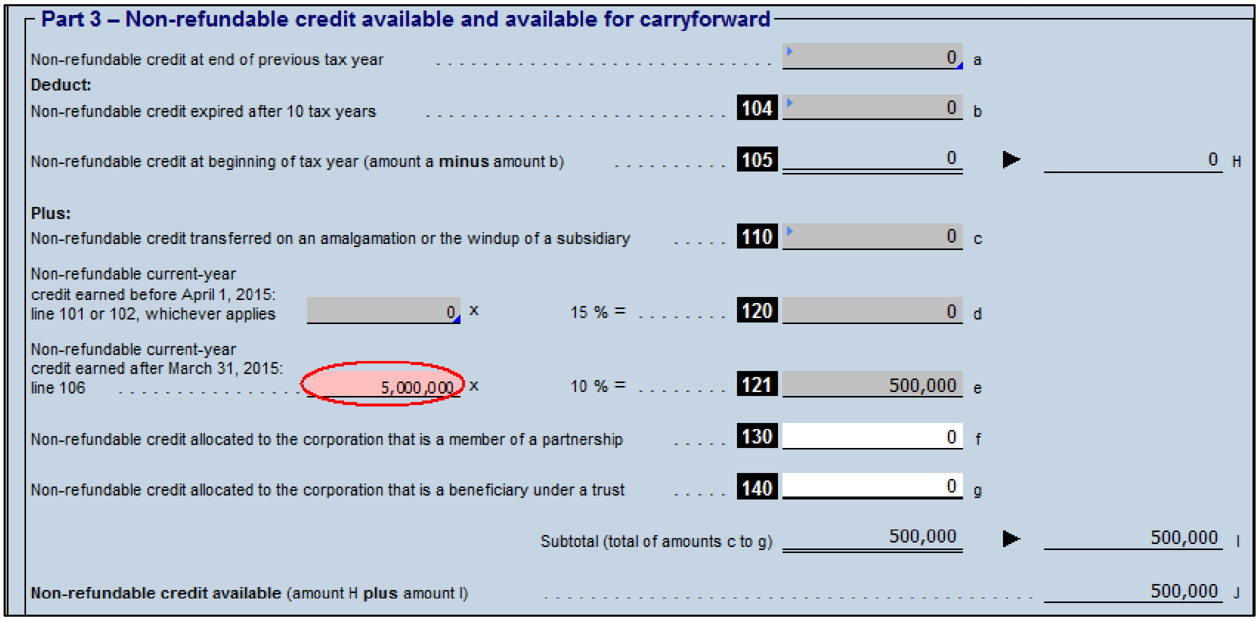
– a repayment made in the tax year of government or non-government assistance, or a contract payment that reduced an eligible expenditure for first-term or second-term shared-use equipment, **multiplied** by 1/4.

** If the tax year includes March 31, 2015, complete the following calculation and enter the result on line 212 above:

Amount from line 410 of schedule 31 0 x Number of days in the tax year before April 1, 2015 0 / Total number of days in the tax year 366 = 0

2. Enter the total eligible expenditures incurred in the tax year on line 106.

3. Calculate the amount of the expenditures eligible for the non-refundable R&D tax credit according to the budget measures, then enter the result in the first field of line "e" in Part 3 using an override.

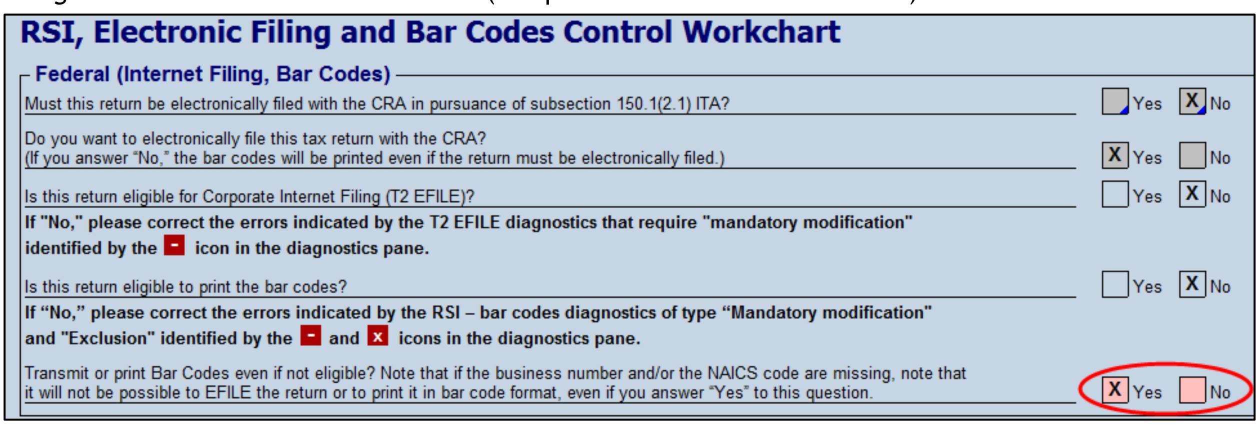


Part 3 – Non-refundable credit available and available for carryforward

Non-refundable credit at end of previous tax year		0	a		
Deduct:					
Non-refundable credit expired after 10 tax years	104	0	b		
Non-refundable credit at beginning of tax year (amount a **minus** amount b)	105	0		0	H
Plus:					
Non-refundable credit transferred on an amalgamation or the windup of a subsidiary	110	0	c		
Non-refundable current-year credit earned before April 1, 2015: line 101 or 102, whichever applies 0 x 15 % =	120	0	d		
Non-refundable current-year credit earned after March 31, 2015: line 106 5,000,000 x 10 % =	121	500,000	e		
Non-refundable credit allocated to the corporation that is a member of a partnership	130	0	f		
Non-refundable credit allocated to the corporation that is a beneficiary under a trust	140	0	g		
Subtotal (total of amounts c to g)		500,000		500,000	I
Non-refundable credit available (amount H **plus** amount I)				500,000	J

4. Ensure that the total of the amount entered on line 215 plus the portion of the amount on line 160 which is attributable to eligible expenditures incurred after March 31, 2017, does not exceed $1,000,000.

5. If the return is not eligible for electronic filing because of the diagnostic R4030002, answer "Yes" to the question *Transmit or print Bar Codes even if not eligible?* using an override in Form *RSI, Electronic Filing and Bar Codes Control Workchart* (Jump Code: **RSI-EFILE-BAR CODES**).



RSI, Electronic Filing and Bar Codes Control Workchart

Federal (Internet Filing, Bar Codes)

	Yes	No
Must this return be electronically filed with the CRA in pursuance of subsection 150.1(2.1) ITA?		X
Do you want to electronically file this tax return with the CRA? (If you answer "No," the bar codes will be printed even if the return must be electronically filed.)	X	
Is this return eligible for Corporate Internet Filing (T2 EFILE)?		X
If "No," please correct the errors indicated by the T2 EFILE diagnostics that require "mandatory modification" identified by the - icon in the diagnostics pane.		
Is this return eligible to print the bar codes?		X
If "No," please correct the errors indicated by the RSI – bar codes diagnostics of type "Mandatory modification" and "Exclusion" identified by the - and x icons in the diagnostics pane.		
Transmit or print Bar Codes even if not eligible? Note that if the business number and/or the NAICS code are missing, note that it will not be possible to EFILE the return or to print it in bar code format, even if you answer "Yes" to this question.	X	

This measure will be integrated into *Corporate Taxprep* 2017 v.1.0.

Troubleshooting T22016-024

SCT B1, Corporation Capital Tax Return – Financial Institution (Jump Code: SCTB1) and Saskatchewan Tax Instalments (Jump Code: ISK) – Increase in the capital tax rate for large financial institutions for taxation years ending after March 31, 2017

Download the client filter and diagnostic template

Problem:

SCT B1

In its Budget tabled on March 22, 2017, the Saskatchewan government announced that the capital tax rate for large financial institutions will be increased from 3.25% to 4% for taxation years ending after March 31, 2017. This change affects any corporation that meets the following conditions:

- taxable paid-up capital, including that of all associated corporations, is more than $1.5 billion;
- the corporation is a financial institution according to the *Saskatchewan Corporation Capital Tax Act* subsection 2(j.1) and regulation 2.1(2) of the *Corporation Capital Tax Regulations*; and
- the taxation year ends after March 31, 2017.

Instalments

The increase in the capital tax rate for large financial institutions also affects the calculation of the Saskatchewan instalments. Pursuant to subparagraph 11.1(1)(a)(i) of the *Corporation Capital Tax Regulations*, the rate that should be used to calculate the first instalment base is the rate of the year for which the instalments will be paid. Therefore, if the corporation calculates its instalments for 2017, it must calculate the capital tax from the taxable paid-up capital using a 3.25% rate for the number of days in the year before April 2017 and using a 4% rate for the number of days in the year after March 2017.

Currently, *Corporate Taxprep* does not take these changes into account.

For more information on this measure, consult the second paragraph of the subsection "OTHER REVENUE MEASURES" (page 53) of the Saskatchewan Budget at the following Web address: www.finance.gov.sk.ca/budget17-18/2017-18Budget.pdf.

Solution:

SCT B1

In order to use the correct tax rate to calculate the Saskatchewan capital tax on large financial institutions, enter the result of the following calculation, using an override, in the field "Financial institution rate" of the "SCT B1 - Corporation capital tax return - Financial institution" section on Form *Table of Rates and Values Used in the Provincial Returns* (Jump Code: **RTS PROV**),:

$$\frac{\text{Number of days in the taxation year before April 1, 2017}}{\text{Number of days in the taxation year}} \times 3.25\,\% + \frac{\text{Number of days in the taxation year after March 31, 2017}}{\text{Number of days in the taxation year}} \times 4\%$$

Example:

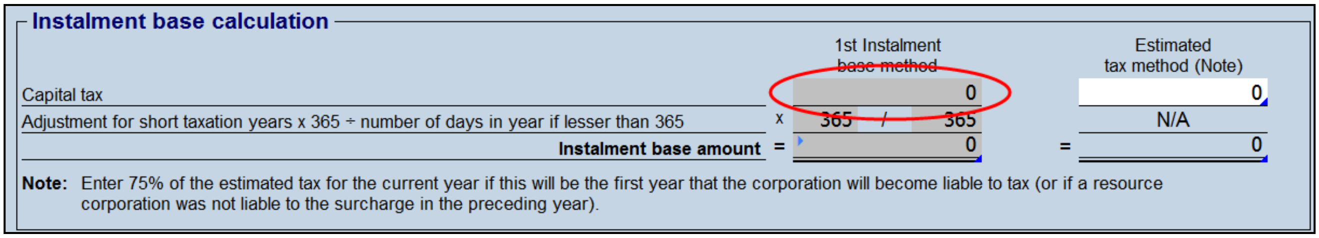
The following calculation would be made for a corporation whose taxation year began on June 1, 2016, and ends on May 31, 2017:

$$\frac{304 \text{ days}}{365 \text{ days}} \times 3.25\% + \frac{61 \text{ days}}{365 \text{ days}} \times 4\% = 3.3753\%$$

Instalments

To calculate the correct instalments for the estimated tax method, calculate the estimated tax using the rate for the year for which the instalments will be paid.

If the combined 1st and 2nd instalment base method is used, manually recalculate the capital tax with the current-year data, but use the rate for the year for which the instalments will be paid to calculate the correct instalment payments (see subparagraph 11.1(1)(a)(i) of the *Corporation Capital Tax Regulations*). Then, enter the result in the “Capital tax” field of the “Instalment base calculation” section.



These changes will be integrated into *Corporate Taxprep* 2017 v.1.0.

Manitoba

Troubleshooting T22016-037

MCT1, Corporation Capital Tax Return (Jump Code: MJ) and Manitoba Tax Instalments (Jump Code: IMB) – Elimination of the capital tax deduction and the obligation to pay instalments when the amount of capital tax payable for the year is less than $5,000 for taxation years ending after April 30, 2017

Download the client filter and diagnostic template

Problem:

- MCT1

In its April 11, 2017 Budget, the Manitoba government announced the elimination of the capital tax deduction of $10,000,000 for taxation years ending after April 30, 2017.

- Manitoba Tax Instalments

In its April 11, 2017 Budget, the Manitoba government also announced that corporations whose taxation year ends after April 30, 2017, would no longer required to pay instalments if the amount of capital tax that they have to pay for the year is less than $5,000.

Currently, *Corporate Taxprep* does not take these changes into account.

Solution:

- MCT1

If the corporation’s taxation year ends after April 30, 2017, and the total paid-up capital is more than zero, enter zero in the first field of the **Allocation of capital deduction for the year** column in the “CAPITAL DEDUCTION ALLOCATION” section, using an override. In addition, please ignore diagnostic E765.

CAPITAL DEDUCTION ALLOCATION

Members of an associated group of corporations must use this schedule to allocate the $10,000,000 capital deduction among themselves per calendar year. The corporation filing this return should be the first corporation of the associated group listed below. For the corporation with no associated corporations, the deduction is $10,000,000 per calendar year.

Names of all corporations with permanent establishments in Manitoba which are members of the associated group	Business Number	Allocation of capital deduction for the year	Taxation year to which the capital deduction applies
		0	2017-05-31
		2,000,000	2017-04-30
	TOTAL	$ 2,000,000	

- Manitoba Tax Instalments

If the corporation's taxation year ends after April 30, 2017, and the amount of capital tax that the corporation must pay for that taxation year is less than $5,000, the corporation is not required to pay instalments for the next year.

These changes will be integrated into *Corporate Taxprep* 2017 v.1.0.

Troubleshooting T22016-036

Schedule 381, Manitoba Manufacturing Investment Tax Credit (Jump Code: 381) - Reduction of the rate used to calculate the non-refundable part of the tax credit for qualified property acquired after April 11, 2017

Download the client filter and diagnostic template

Problem:

In its budget tabled on April 11, 2017, the Manitoba government announced that the rate used to calculate the non-refundable portion of the Manitoba Manufacturing Investment Tax Credit (MITC) would be reduced by one percentage point, i.e. from 2% to 1% for qualified property acquired after April 11, 2017. As a result, the total MITC rate is decreased from 10% to 9% for qualified property acquired after April 11, 2017.

The rate used to calculate the refundable part of the MITC is maintained at 8%, which means that the percentage used in the schedule to calculate the refundable part of the MITC is increased from 80% to 88.89% of the total credit amount.

Currently, when the corporation's taxation year ends after April 11, 2017, *Corporate Taxprep* uses a 10% rate to calculate the total tax credit and an 80% rate to calculate the refundable part of the MITC for all qualified property acquired in the taxation year, including property acquired after April 11, 2017.

Solution:

When the corporation's taxation year ends after April 11, 2017, and at least one qualified property entered in Part 1 of Schedule 381 was acquired after April 11, 2017, proceed as follows:

1. Calculate the total of all capital costs entered on line 103 for qualified property whose acquisition date on line 102 is prior to April 12, 2017, then multiply the result by 10%.
2. Calculate the total of all capital costs entered on line 103 for qualified property whose acquisition date on line 102 is after April 11, 2017, then multiply the result by 9%.
3. **Calculation of the credit earned during the year (line 120 of Part 2):** Add the results obtained in steps 1 and 2 and enter this amount on line 120, using an override.
4. **Calculation of the refundable credit (line 2B of Part 2)**:
   a) Multiply by 80% the portion of amount D, *Total credit earned in the current year* that relates to property acquired after June 30, 2013, and before April 12, 2017.
   b) Multiply by 88.89% the portion of amount D relating to property acquired after April 11, 2017.
   c) Add the results obtained in steps a) and b) and enter this amount on line 2B, using an override.

Example:

Part 1 – Qualified property (acquired in this tax year) eligible for the credit

	101 CCA class No.	Description of qualified property	102 Acquisition date* Year Month Day	103 Capital cost**
1.	53	Property #1	2016-06-01	100,000
2.	53	Property #2	2017-04-13	200,000
3.				0

Total capital cost of qualified property acquired by the corporation in the current year (total of column 103) . . . . 108 300,000 A

- Step 1: \$100,000 x 10% = \$10,000
- Step 2: \$200,000 x 9% = \$18,000
- Step 3: \$10,000 + \$18,000 = \$28,000. Enter this amount on line 120, using an override.
- Step 4: The portion of amount D relating to property acquired after June 30, 2013, and before April 12, 2017 is \$10,000 and the portion of amount D relating to property acquired after April 11, 2017, is \$18,000.
  - Step 4a: \$10,000 X 80% = \$8,000
  - Step 4b: \$18,000 X 88.89% = \$16,000
  - Step 4c: \$8,000 + \$16,000 = \$24,000. Enter this amount on line 2B, using an override.

Part 2 – Total credit available for the year and credit available for carryforward

Unused credit at the end of the previous tax year		0			
Deduct: Credit expired*	104	0			
Unused credit at the beginning of this tax year	105	0 ▶		0	B
Add:					
Credit transferred on an amalgamation or the wind-up of a subsidiary			110	0	C
Credit earned in the current year:					
Amount A from Part 1 . . . 300,000 x 10 % =	120	28,000			
Credit allocated from a partnership	130	0			
Credit allocated from a trust	140	0			
Subtotal (total of lines 120, 130, and 140)		28,000	a		
Deduct: Credit renounced	150	0	b		
Total credit earned in the current year (amount a **minus** amount b)		28,000 ▶		28,000	D
Total credit available for the current tax year (total of amounts B, C, and D)				28,000	E
Deduct:					
Non-refundable credit claimed in the current tax year** (enter on line 605 of Schedule 5)	160	600	c		
Refundable credit:					
Amount E 28,000 – Manitoba tax otherwise payable 600 =		27,400	1		
Credit included in amount a that is earned before July 1, 2013 . . . 142 0 x 70 % =		0	2A		
Credit included in amount a that is earned after June 30, 2013 . . . 145 28,000 x 80 % =		24,000	2B		
Subtotal (amount 2A plus amount 2B)		24,000	2		
Amount D		28,000	3		
Refundable credit claimed in the current year (amount 1, amount 2 or amount 3, whichever is less) (enter on line 621 of Schedule 5)	125	24,000	d		

This measure will be integrated into *Corporate Taxprep* 2017 v.1.0.

Troubleshooting T22016-035

Schedule 380, Manitoba Research and Development Tax Credit (Jump Code: 380) - Decrease in the tax credit rate to 15% for the eligible expenditures incurred after April 11, 2017

Download the client filter and diagnostic template

Problem:

In its budget tabled on April 11, 2017, the Manitoba government announced that the R&D tax credit rate would be decreased from 20% to 15% for expenditures incurred after April 11, 2017.

Therefore, the rate of the refundable tax credit is decreased from 20% to 15% for eligible expenditures that are incurred after April 11, 2017, under an R&D contract. For eligible expenditures that are incurred after April 11, 2017, but that do not relate to an R&D contract, the rate of the refundable tax credit is decreased from 10% to 7.5%. Currently, *Corporate Taxprep* does not take these measures into account.

Solution:

If the corporation incurred eligible R&D expenditures after April 11, 2017, adjustments must be made on line 121, line 205 and/or line 215.

1. Enter the result of the following calculation on line 121, using an override:

(Portion of the amount on line 106 that is attributable to eligible expenditures incurred before April 12, 2017 X 20%) + (Portion of the amount on line 106 that is attributable to eligible expenditures incurred after April 11, 2017 X 15%)

2. Enter the result of the following calculation on line 205, using an override:

(Portion of the amount on line 108 that is attributable to eligible expenditures incurred before April 12, 2017, under an R&D contract X 20%) + (Portion of the amount on line 108 that is attributable to eligible expenditures incurred after April 11, 2017, under an R&D contract X 15%)

3. Enter the result of the following calculation on line 215, using an override:

(Portion of the amount on line 116 that is attributable to eligible expenditures incurred before April 12, 2017, that do not relate to an R&D contract X 10%) + (Portion of the amount on line 116 that is attributable to eligible expenditures incurred after April 11, 2017, that do not relate to an R&D contract X 7.5%)

<u>Example:</u>

A corporation incurred eligible R&D expenditures in Manitoba for a taxation year that ends after April 11, 2017. An amount of $20,000 is indicated on line 108, *Eligible expenditures under a R&D contract incurred in the current tax year*. The amount of eligible expenditures incurred before April 12, 2017, is $19,000 and the amount of eligible expenditures incurred after April 11, 2017, is $1,000. In addition, an amount of $10,000 is indicated on line 116, *Eligible expenditures not under a R&D contract incurred in the current tax year*. The amount of eligible expenditures incurred before April 12, 2017, is $9,500, and the amount of eligible expenditures incurred after April 11, 2017, is $500.

Part 1 – Summary of total eligible expenditures incurred in the current tax year

Total eligible expenditures incurred in the current tax year			106	30,000 A
Summary of total eligible expenditures incurred in the current tax year:				
Eligible expenditures under a R&D contract incurred in the current tax year	108	20,000 a		
Eligible expenditures not under a R&D contract incurred in the current tax year	116	10,000 b		
Summary of total eligible expenditures incurred in the current tax year (amount a **plus** amount b) (amount B cannot exceed amount A)		30,000 ▶		30,000 B

1. Amount on line 121

($19,000 + $9,500 X 20%) + ($1,000 + $500 X 15%) = $5,925

Part 2 – Total credit available and credit available for carryforward

Credit at the end of the previous tax year		0 c		
Deduct:				
Credit expired*	104	0 d		
Credit at the beginning of the tax year (amount c **minus** amount d)	105	0 ▶		0 C
Plus:				
Credit transferred on an amalgamation or the windup of a subsidiary			110	0 D
Repayments** 0 x 20 % =			123	0 E
Credit earned in the current year:				
Line 106 in Part 1 30,000 x 20 % =	121	5,925 e		
Credit allocated to the corporation that is a member of a partnership	130	0 f		
Credit allocated to the corporation that is a beneficiary under a trust	140	0 g		
Subtotal (total of amounts e to g)		5,925 h		
Deduct:				
Credit renounced	150	0 i		
Total credit earned in the current year (amount h **minus** amount i)		5,925 ▶		5,925 F
Total credit available for the current year (total of amounts C to F)				5,925 G

2. Amount on line 205

($19,000 X 20%) + ($1,000 X 15%) = $3,950

3. Amount on line 215

($9,500 X 10%) + ($500 X 7.5%) = $988

Part 5 – Refundable Manitoba R&D tax credit

Current-year refundable credit earned:			
Line 108 in Part 1 20,000 x 20 % =	205	3,950 m	
Line 116 in Part 1 10,000 x 10 % =	215	988 n	
Refundable credit allocated to the corporation that is a member of a partnership*	230	0 o	
Refundable credit allocated to the corporation that is a beneficiary under a trust*	240	0 p	
Current-year refundable credit earned (total of amounts m to p)		4,938 ▶	4,938 J
Total credit available for the current year (amount G from Part 2)		5,925 q	

This measure will be integrated into *Corporate Taxprep* 2017 v.1.0.

British Columbia

Troubleshooting T22016-023

Schedule 427, British Columbia Corporation Tax Calculation (Jump Code: 427) - Reduction in the lower rate of tax for taxation years ending after March 31, 2017

Download the client filter and diagnostic template

Problem:

In its 2017 Budget and Bill 8, tabled on February 21, 2017, the British Columbia government announced that corporations' lower rate of tax would be decreased from 2.5% to 2% for corporations with a taxation year ending after March 31, 2017. Presently, *Corporate Taxprep* does not take this change into account.

Solution:

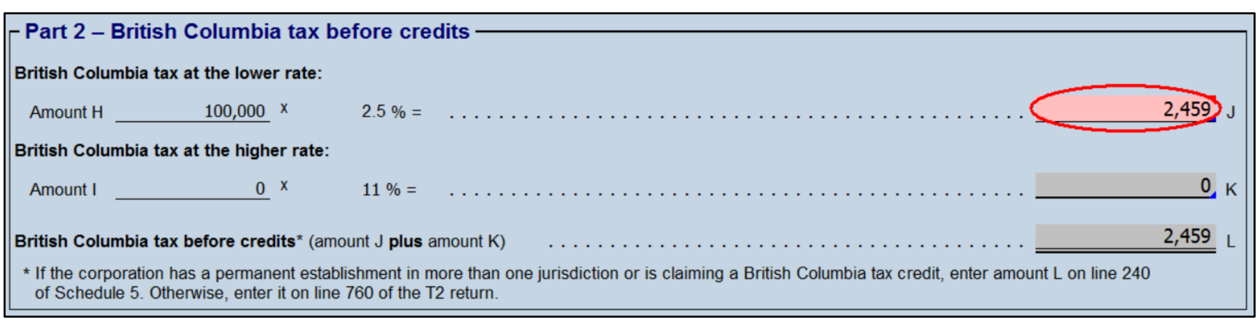
If the corporation has a taxation year ending after March 31, 2017, has a permanent establishment in British Columbia, and has income subject to lower rate of tax, enter the result of the following calculation, using an override, on line J of Schedule 427:

$$\left(\frac{\text{Number of days in the taxation year before April 1, 2017}}{\text{Number of days in the taxation year}} \text{ X } 2.5\% + \frac{\text{Number of days in the taxation year after March 31, 2017}}{\text{Number of days in the taxation year}} \text{ X } 2\% \right) \text{ X } \text{Amount H}$$

<u>Example:</u>

The following calculation must be done for a corporation whose taxation year begins on May 1, 2016, and ends on April 30, 2017, and whose income subject to lower rate of tax is $100,000:

$$\left(\frac{\text{335 days}}{\text{365 days}} \text{ X } 2.5\% + \frac{\text{30 days}}{\text{365 days}} \text{ X } 2\% \right) \text{ X } 100{,}000\$ = \$2{,}459$$



Part 2 – British Columbia tax before credits

British Columbia tax at the lower rate:

Amount H 100,000 X 2.5 % = . . . 2,459 J

British Columbia tax at the higher rate:

Amount I 0 X 11 % = . . . 0 K

British Columbia tax before credits* (amount J **plus** amount K) . . . 2,459 L

* If the corporation has a permanent establishment in more than one jurisdiction or is claiming a British Columbia tax credit, enter amount L on line 240 of Schedule 5. Otherwise, enter it on line 760 of the T2 return.

This measure will be integrated into *Corporate Taxprep* 2017 v.1.0.

Troubleshooting T22016-020

Schedule 429, British Columbia Interactive Digital Media Tax Credit (Jump Code: 429) - Incorrect calculation of the tax credit when the corporation is an eligible business corporation registered under Part 2 of the *Small Business Venture Capital Act* and its taxation year ends after February 21, 2017

Download the client filter and diagnostic template

Problem:

In its 2017 budget and its Bill 8, tabled on February 21, 2017, the Government of British Columbia announced modifications to the eligibility criteria for the British Columbia interactive digital media tax credit. Under these modifications, an eligible business corporation registered under Part 2 of the *Small Business Venture Capital Act* whose taxation year ends after February 21, 2017, is now eligible for the British Columbia interactive digital media tax credit.

Currently, *Corporate Taxprep* does not take this modification into account. Therefore, the tax credit is not calculated on line D of Schedule 429 when the following conditions are met:

- The answer on line 345 is "Yes";
- The answer on the other lines of Part 3 is "No";
- The answer on line 210 is "Yes";
- The amount entered on line 400 is greater than $100,000;
- The taxation year ends after February 21, 2017.

Part 2 – Registration

Has the corporation applied to the British Columbia Ministry of Finance for a registered number for the purpose of claiming a British Columbia interactive digital media tax credit?	210	1 Yes [X]	2 No [ ]

If you answered **yes** to the question at line 210, please provide the registration number 215 123456

If you do not register the corporation, **you are not eligible** for the BCIDMTC.

Part 3 – Eligibility

1. Has the corporation claimed a British Columbia scientific research and experimental development tax credit for the tax year?	310	1 Yes [ ]	2 No [X]
Was the corporation at any time in the tax year:			
2. exempt from tax under section 27 of the *Income Tax Act* (British Columbia)?	315	1 Yes [ ]	2 No [X]
3. exempt from tax under Part I of the *Income Tax Act* (federal Act)?	320	1 Yes [ ]	2 No [X]
4. a prescribed labour-sponsored venture capital corporation for the purpose of section 127.4 of the federal Act?	325	1 Yes [ ]	2 No [X]
5. a corporation that has an employee share ownership plan registered under section 2 of the *Employee Investment Act*?	330	1 Yes [ ]	2 No [X]
6. registered as an employee venture capital corporation under section 8 of the *Employee Investment Act*?	335	1 Yes [ ]	2 No [X]
7. a small business venture capital corporation registered under section 3 of the *Small Business Venture Capital Act*?	340	1 Yes [ ]	2 No [X]
8. an eligible business corporation registered under Part 2 of the *Small Business Venture Capital Act*?	345	1 Yes [X]	2 No [ ]
9. controlled directly or indirectly in any way by one or more corporations described in questions 2 to 8?	350	1 Yes [ ]	2 No [X]
10. a personal services business as defined in subsection 125(7) of the federal Act?	355	1 Yes [ ]	2 No [X]

If you answered **yes** to any of the above questions, **you are not eligible** for the BCIDMTC.

Part 5 – British Columbia interactive digital media tax credit calculation

British Columbia interactive digital media tax credit: amount C from Part 4 200,000 x 17.5 % = ... 0 D

Enter amount D on line 680 of Schedule 5, *Tax Calculation Supplementary – Corporations*.

Solution:

When the conditions listed above are met for a corporation, multiply the net eligible salary and wages (line C) by the applicable tax credit rate, and enter the result on line D, using an override.

Part 5 – British Columbia interactive digital media tax credit calculation

British Columbia interactive digital media tax credit: amount C from Part 4 200,000 x 17.5 % = ... 35,000 D

Enter amount D on line 680 of Schedule 5, *Tax Calculation Supplementary – Corporations.*

This measure will be integrated into *Corporate Taxprep* 2017 v.1.0.

Also note that other definitions relating to this tax credit have been modified, but they have no impact on *Corporate Taxprep* calculations. For more information, consult the British Columbia's Budget 2017 and Bill 8 (sections 32 to 34), tabled on February 21, 2017.

Troubleshooting T22016-019

Schedule 427, British Columbia Corporation Tax Calculation (Jump Code: 427) - The percentage of reduction for credit unions deduction used in the calculation of the income eligible for lower tax rate maintained at 80% for taxation years ending after 2016

Download the client filter and diagnostic template

Problem:

In its 2017 budget and its Bill 8, tabled on February 21, 2017, the Government of British Columbia announced that it was temporarily suspending the phasing out of the credit unions deduction for taxation years ending after 2016. This change means that, for a taxation year ending after December 31, 2016, credit unions must continue using the 80% rate for the reduction of this deduction. Currently, *Corporate Taxprep* does not take this change into account.

Solution:

If the corporation has a taxation year ending after December 31, 2016, a permanent establishment in British Columbia and is entitled to the credit unions deduction in British Columbia calculated on line 3 of Schedule 427, proceed as described below to correctly calculate the income eligible for the British Columbia lower tax rate:

Access the *Table of Rates and Values Used in the Return* (Jump Code: **RTS**) and, in subsection "Adjustment rate for determining the additional credit amount for credit union" in Section "Schedules 307, 322, 341, 346, 366, 383, 411, 427, 443, 461, 481 - Corporation tax calculation", enter a rate of 80%, using an override, for the taxation year beginning on January 1, 2017 (2017-01-01):

Adjustment rate for determining the additional credit amount for credit union

Taxation year	Days in the taxation year	
2013-01-01	0	100 %
2016-01-01	335	80 %
2017-01-01	31	80 %
2018-01-01	0	40 %
2019-01-01	0	20 %
2020-01-01	0	0 %

This measure will be integrated into *Corporate Taxprep* 2017 v.1.0.

New Brunswick

Troubleshooting T22016-022

Schedule 366, New Brunswick Corporation Tax Calculation (Jump Code: 366) - Reduction in the lower rate of tax for taxation years ending after March 31, 2017

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Problem:

In its February 7, 2017 Budget, the New Brunswick government announced that corporations' lower rate of tax would be decreased from 3.5% to 3% for corporations with a taxation year ending after March 31, 2017. Presently, *Corporate Taxprep* does not take this change into account.

Solution:

If the corporation has a taxation year ending after March 31, 2017, has a permanent establishment in New Brunswick, and has income subject to lower rate of tax, proceed as described below to use the correct tax rate.

Access the *Table of Rates and Values Used in the Return* (Jump Code: **RTS**) and, in subsection "New Brunswick – Schedule 366" of the "Schedules 307, 322, 341, 346, 366, 383, 411, 427, 443, 461, 481 – Corporation tax calculation" section, enter the result of the following calculation, using an override, in the **Lower rate** column for the taxation year ending on April 1, 2016 (2016-04-01):

$$\frac{\text{Number of days in the taxation year after March 31, 2016, and before April 1, 2017}}{\text{Number of days in the taxation year}} \times 3.5\% + \frac{\text{Number of days in the taxation year after March 31, 2017}}{\text{Number of days in the taxation year}} \times 3\%$$

Example:

The following calculation must be done for a corporation whose taxation year begins on May 1, 2016, and ends on April 30, 2017:

$$\frac{335 \text{ days}}{365 \text{ days}} \times 3.5\% + \frac{30 \text{ days}}{365 \text{ days}} \times 3\% = 3.4589\%$$

New Brunswick – Schedule 366

Taxation year	Days in the taxation year		Amount	Higher rate	Lower rate
2003-01-01	0		400,000	13.0000 %	3.0000 %
2004-07-01	0		425,000	13.0000 %	2.5000 %
2005-07-01	0		450,000	13.0000 %	2.0000 %
2006-07-01	0		475,000	13.0000 %	1.5000 %
2007-01-01	0		400,000	13.0000 %	5.0000 %
2009-01-01	0		500,000	13.0000 %	5.0000 %
2009-07-01	0		500,000	12.0000 %	5.0000 %
2010-07-01	0		500,000	11.0000 %	5.0000 %
2011-07-01	0		500,000	10.0000 %	5.0000 %
2012-01-01	0		500,000	10.0000 %	4.5000 %
2013-07-01	0		500,000	12.0000 %	4.5000 %
2015-01-01	0		500,000	12.0000 %	4.0000 %
2016-04-01	365		500,000	14.0000 %	3.4589 %
Rate used for the calculations in Schedules 18 and 21S				14.00000 %	

This measure will be integrated into *Corporate Taxprep* 2017 v.1.0.

Nova Scotia

Troubleshooting T22016-039

Schedule 346, Nova Scotia Corporation Tax Calculation (Jump Code: 346) – Increase in the small business threshold effective January 1, 2017

Download the client filter and diagnostic template

Problem:

In its budget tabled on April 27, 2017, the government of Nova Scotia announced that the small business threshold would be revised upward with retroactive effect to January 1, 2017, to be increased from \$350,000 to \$500,000. Currently, *Corporate Taxprep* does not take this change into account.

Solution:

If the corporation has a taxation year ending after December 31, 2016, a permanent establishment in Nova Scotia and is entitled to the small business deduction, proceed as described below to use the correct small business threshold.

Access the *Table of Rates and Values Used in the Return* (Jump Code: **RTS**) and, in the “Nova Scotia and its offshore area – Schedules 341 and 346” subsection of the “Schedules 307, 322, 341, 346, 366, 383, 411, 427, 443, 461, 481 – Corporation tax calculation” section, enter the result of the following calculation, using an override, in the column **Amount** for the taxation year ending on or after January 1, 2014 (2014-01-01):

$$\$350{,}000 \quad \text{X} \quad \frac{\text{Number of days in the taxation year before January 1, 2017}}{\text{Number of days in the taxation year}} \quad + \quad \$500{,}000 \quad \text{X} \quad \frac{\text{Number of days in the taxation year after December 31, 2016}}{\text{Number of days in the taxation year}}$$

<u>Example:</u>

The following calculation must be performed for a corporation whose taxation year starts on April 1, 2016, and ends on March 31, 2017:

$$\$350{,}000 \quad \text{X} \quad \frac{275 \text{ days}}{365 \text{ days}} \quad + \quad \$500{,}000 \quad \text{X} \quad \frac{90 \text{ days}}{365 \text{ days}} \quad = \quad \$386{,}986$$

Nova Scotia and its offshore area – Schedules 341 and 346

Taxation year	Days in the taxation year		Amount	Higher rate	Lower rate	Corporate tax reduction for new small businesses
2003-01-01	0		225,000	16.0000 %	5.0000 %	
2004-01-01	0		250,000	16.0000 %	5.0000 %	
2005-01-01	0		300,000	16.0000 %	5.0000 %	
2005-04-01	0		350,000	16.0000 %	5.0000 %	
2006-04-01	0		400,000	16.0000 %	5.0000 %	5.0000 %
2011-01-01	0		400,000	16.0000 %	4.5000 %	4.5000 %
2012-01-01	0		400,000	16.0000 %	4.0000 %	4.0000 %
2013-01-01	0		400,000	16.0000 %	3.5000 %	3.5000 %
2014-01-01	365		386,986	16.0000 %	3.0000 %	3.0000 %
Rate used for the calculations in Schedules 18 and 21S				16.00000 %		

This measure will be integrated into *Corporate Taxprep* 2017 v.1.0.