

Cantax T2

Troubleshooting

2016 Versions

Publication	Problem	Affected Version	Corrected Version
Week of April 30, 2017	Schedule 346, Nova Scotia Corporation Tax Calculation (S346) - Increase in the small business threshold effective January 1, 2017	Version 16.2.3xx.126	Version 17.1.3xx.100
Week of April 16, 2017	Schedule 411, Saskatchewan Corporation Tax Calculation (S411) - Phasing out of the credit unions deduction for taxation years ending after 2016	Version 16.2.3xx.126	Version 17.1.3xx.100
Week of April 16, 2017	MCT1, Corporation Capital Tax Return (MCT1) - Elimination of the capital tax deduction for taxation years ending after April 30, 2017	Version 16.2.3xx.126	Version 17.1.3xx.100
Week of April 16, 2017	Schedule 381, Manitoba Manufacturing Investment Tax Credit (S381) - Reduction of the applicable rate for the non-refundable portion of the tax credit for qualified property acquired after April 11, 2017	Version 16.2.3xx.126	Version 17.1.3xx.100
Week of April 16, 2017	Schedule 380, Manitoba Research and Development Tax Credit (S380) - Decrease in the tax credit rate to 15% for the eligible expenditures incurred after April 11, 2017	Version 16.2.3xx.126	Version 17.1.3xx.100
Week of March 26, 2017	Schedule 402, Saskatchewan manufacturing and processing investment tax credit (S402) - Increase of the tax credit rate for qualified property acquired after March 22, 2017	Version 16.2.3xx.126	Version 17.1.3xx.100
Week of March 26, 2017	Schedule 403, Saskatchewan Research and Development Tax Credit (S403) - Modifications to the tax credit for eligible expenditures incurred after March 31, 2017	Version 16.2.3xx.126	Version 17.1.3xx.100

Publication	Problem	Affected Version	Corrected Version
Week of March 26,2017	Schedule 427, British Columbia Corporation Tax Calculation (S427) - Decrease in the lower rate of tax for corporations with a taxation year ending after March 31, 2017	Version 16.2.3xx.126	Version 17.1.3xx.100
Week of March 26,2017	Schedule 366, New Brunswick Corporation Tax Calculation (S366) - Decrease in the lower rate of tax for corporations with a taxation year ending after March 31, 2017	Version 16.2.3xx.126	Version 17.1.3xx.100
Week of February 26,2017	Schedule 427, British Columbia Corporation Tax Calculation (S427) - 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 16.2.3xx.126	Version 17.1.3xx.100
Week of January 22, 2017	Schedule 8, Capital Cost Allowance - All Other Classes (S8OTHER) - Incorrect carry forward of the amounts on line Total CEC deduction from income for taxation years ending before 2017/01/01 of the Class 14.1 - Information and Class 14.1 - Information (AB) tabs when the taxation year end date indicated in the file before carry forward is December 31, 2016	Version 16.2.3xx.126	Version 17.1.3xx.100
Week of January 22, 2017	Schedule 8, Capital Cost Allowance (CCA) (S8) - Incorrect display of diagnostic Error 0080008 for 14.1 class 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 (S10)	Version 16.2.3xx.126	Version 17.1.3xx.100

Publication	Problem	Affected Version	Corrected Version
Week of January 22, 2017	Schedule 8, Capital Cost Allowance - All Other Classes (S8OTHER) - A warning diagnostic incorrectly displays for class 14.1 prompting you to enter an amount to include under subparagraph 13(38)(d)(i) ITA in certain circumstances when the corporation's taxation year straddles January 1, 2017	Version 16.2.3xx.126	Version 17.1.3xx.100
Week of January 22, 2017	Schedule 8, Federal Capital Cost Allowance - Summary (S8SUM) - A diagnostic prompting you to enter an amount of CEC income deductions claimed for prior years and a diagnostic prompting you not to enter the UCC at the start of the year incorrectly display 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 16.2.3xx.126	Version 17.1.3xx.100
Week of January 16, 2017	Schedule 23, Agreement Among Associated Canadian-Controlled Private Corporations to Allocate the Business Limit (S23) - The reduced business limit of the filing corporation is not carried forward to column 8	Version 16.2.3xx.126	Version 17.1.3xx.100
Week of September 18, 2016	Schedule 3, Dividends Received, Taxable Dividends Paid, and Part IV Tax Calculation (S3) - 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 320.1 and losses deducted from Part IV 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%	Version 16.1.3xx.100	Version 16.2.3xx.126

Publication	Problem	Affected Version	Corrected Version
Week of July 3, 2016	<u>T1135, Foreign Income Verification Statement (T1135) – When opening or carrying forward a file prepared with a prior version of Cantax T2, if “Other” had been selected in one of the Country code columns and Form T1135 is being transmitted electronically, error code 449 displays and prevents the transmission of Form T1135</u>	Version 16.1.3xx.100	Version 16.2.3xx.126

Federal

Schedule 8, Capital Cost Allowance - All Other Classes (S8OTHER) - Incorrect carry forward of the amounts on line Total CEC deduction from income for taxation years ending before 2017/01/01 of the Class 14.1 - Information and Class 14.1 - Information (AB) tabs when the taxation year end date indicated in the file before carry forward is December 31, 2016

Problem:

When carrying forward a file for which a class 14.1 is created in Schedule 8 OTHER using the information contained in Schedule 10 (S10), if the taxation year end date indicated in the file before carry forward is December 31, 2016, the amounts carried forward to the line *Total CEC deduction from income for taxation years ending before 2017/01/01* of the **Class 14.1 - Information** and **Class 14.1 - Information (AB)** tabs are incorrect. The **Class 14.1 - Information** and **Class 14.1 - Information (AB)** tabs are accessible from the field "Description" in Schedule 8, *Other - federal* and AT1 Schedule 13 (AT1-S13). This problem occurs because the amounts carried forward are from the corresponding total in 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.

Class 14.1 - Eligible capital property transitional information. Complete this section only if the corporation acquired or possessed eligible property before January 1, 2017	
<small>* The references to legislation are from Bill C-29, A second Act to implement certain provisions of the budget tabled in Parliament on March 22, 2016 and other measures, tabled on October 25, 2016.</small>	
Description	Business A
The corporation makes the election under subparagraph 13(38)(d)(iv) ITA	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
CEC balance on 2017/01/01 (amount K from Schedule 10)	6,033
If the CEC is negative, amount that would have been included in income under 14(1)(b) ITA (amount S from Schedule 10)	0
Total CEC deduction from income for taxation years ending before 2017/01/01	1,013
Deemed capital cost of property in the class under paragraph 13(38)(a) ITA	9,395
Amount deemed allowed under paragraph 13(38)(c) ITA as a deduction from the capital cost of property in the class for taxation years ending before 2017/01/01	3,362
UCC balance for property acquired before 2017/01/01 used to calculate the additional deduction	6,033
CCA claimed with respect to this UCC balance	0
Rate applicable to the additional deduction (%)	2.000
Additional deduction for the year (amount entered is added to the maximum allowable CCA for this class)	198

Solution:

After having carried forward the file,

- in the **Class 14.1 - Information** tab, add the amount carried forward to the line *Total CEC deduction from income for taxation years ending before 2017/01/01* and the amount on line 405 of Schedule 1 (S1) of the previous taxation year's file, and enter the result on line *Total CEC deduction from income for taxation years ending before 2017/01/01*.
- in the **Class 14.1 - Information (AB)** tab, 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 file, add the amount carried forward on the line *Total CEC deduction from income for taxation years ending before 2017/01/01* and the amount on line 010 if the AT1 Schedule 12 of the previous taxation year's file, and enter the result on the line *Total CEC deduction from income for taxation years ending before 2017/01/01*, using an override;

- the deduction for cumulative eligible capital is the same at the federal level and in Alberta in the previous year's file, add the amount carried forward on the line *Total CEC deduction from income for taxation years ending before 2017/01/01* and the amount on line 405 of Schedule 1 of the previous taxation year's file, and enter the result on the line *Total CEC deduction from income for taxation years ending before 2017/01/01*, 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 file.

This problem will be corrected in *Cantax T2 17.1.3xx.100*.

Schedule 8, Capital Cost Allowance (CCA) (S8) - Incorrect display of diagnostic Error 0080008 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 (S10)

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 (S10), this amount is updated to line 205, "Adjustments" for the corresponding class 14.1 in order to include the ECP-related recapture in income.

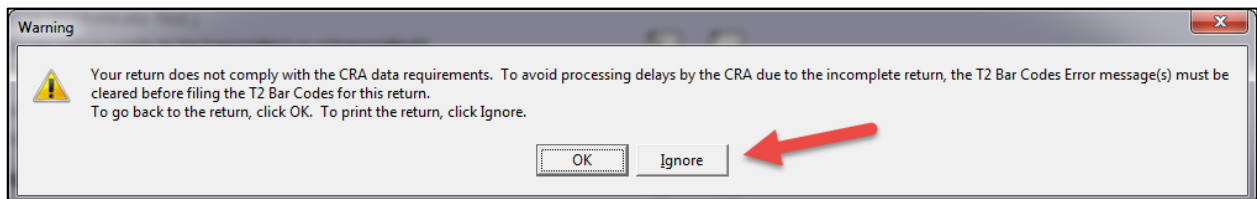
In this specific case, diagnostic Error 0080008 displays and makes the return not eligible for purposes of printing the bar codes and electronic filing.

Solution:

If the return is not eligible because of the presence of diagnostic Error 0080008, ignore this diagnostic and do one of the following:

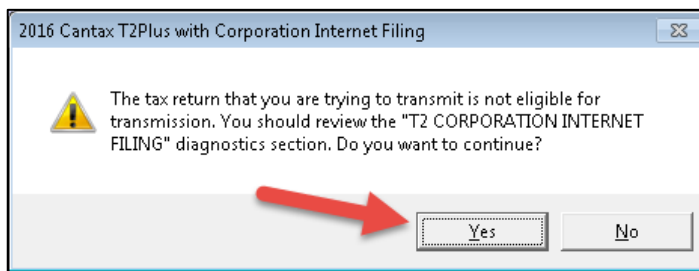
Printing T2 Bar Codes

Proceed to print the T2 Bar Codes and click the **Ignore** button in the **Warning** window



Internet Filing

Proceed to transmit the federal return (CIF) and click the **Yes** button when prompted (see capture below).



This problem will be corrected in *Cantax T2 17.1.3xx.100*.

Schedule 8, Capital Cost Allowance - All Other Classes (S8OTHER) - A warning diagnostic incorrectly displays for class 14.1 prompting you to enter an amount to include under subparagraph 13(38)(d)(i) ITA in certain circumstances when the corporation's taxation year straddles January 1, 2017

Problem:

The following diagnostic displays when an amount to include should be entered on the line *If the CEC is negative, amount that would have been included in income under 14(1)(b) ITA (amount S from Schedule 10)* of the **Class 14.1 - Information** tab (accessible through the expand on the first *Description* line of the corresponding class 14.1 column), when the taxation year straddles January 1, 2017, and the amount on line K on Schedule 10, *Cumulative Eligible Capital Deduction (\$10)* is negative.

S8OTHER (column #) - Class 14.1 has been created during the taxation year. Because the CEC balance is negative, indicate the amount to include in income under subparagraph 13(38)(d)(i) ITA in order to correctly calculate the CCA recapture for this class.

This diagnostic should not appear 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, and;
- the amount on line S of Schedule 10, which represents the amount to include in income under the ECP rules applicable before January 1, 2017, is equal to 0.

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 0.75	= 248
			22,500
Cumulative eligible capital balance (amount F minus amount J)			-18,500
Line 6 minus line 9 (if negative, enter "0")		20,000	20,000
Line N minus line O (if negative, enter "0")			0
Line 5	0	x 50.0000 %	= 0
Line P minus line Q (if negative, enter "0")			0
Amount R	0	x 66.6667 %	= 0
Amount N or amount O, whichever is less			18,500
Amount to be included in income (amount S plus amount T) (enter this amount on line 108 of Schedule 1)	410		18,500

S8OTHER, Class 14.1 information tab

CEC balance on 2017/01/01 (amount K from Schedule 10)	-18,500
If the CEC is negative, amount that would have been included in income under 14(1)(b) ITA (amount S from Schedule 10)	0
Total CEC deduction from income for taxation years ending before 2017/01/01	18,500
Deemed capital cost of property in the class under paragraph 13(38)(a) ITA	0

Solution:

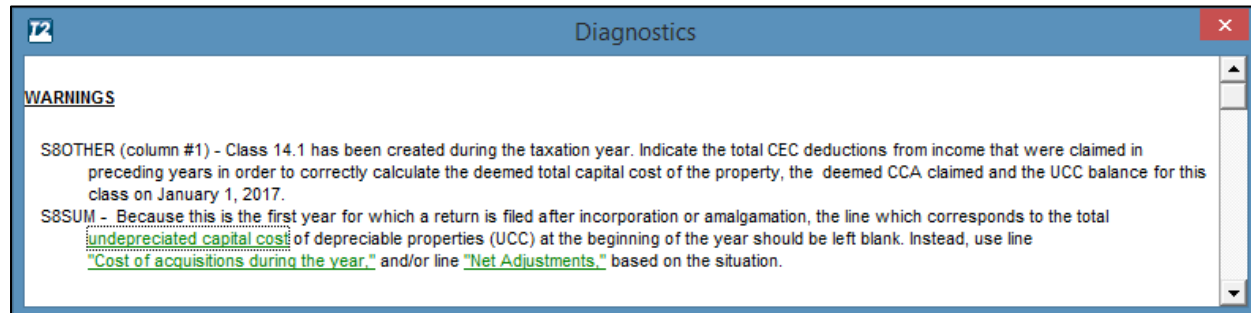
In cases where the amount on line S of Schedule 10 is equal to 0, do not take into account the diagnostic prompting you to enter an amount to include under subparagraph 13(38)(d)(i) ITA.

This problem will be corrected in Cantax T2 17.1.3xx.100.

Schedule 8, Federal Capital Cost Allowance - Summary (S8SUM) - A diagnostic prompting you to enter an amount of CEC income deductions claimed for prior years and a diagnostic prompting you not to enter the UCC at the start of the year incorrectly display 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

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, the following two diagnostics display:



The first one should not display, because there is no amount of CEC income deductions claimed for prior years. In addition, the second diagnostic should not display because the UCC at the start of the year is the result of transitional rules relating to the new class 14.1 as set out in subsection 13(38) of the ITA.

Solution:

In the above-describe situation, do not take these two diagnostics into account.

These problems will be corrected in *Cantax T2* 17.1.3xx.100.

Schedule 23, Agreement Among Associated Canadian-Controlled Private Corporations to Allocate the Business Limit (S23) - The reduced business limit of the filing corporation is not carried forward to column 8

Problem:

Currently, *Cantax T2* does not carry forward, to column 8 of Schedule 23, the reduced business limit of the filing corporation that was entered on line 425 of Schedule 200 (T2), if applicable, for files prepared with a version prior to *Cantax T2* 16.2.3xx.126. 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 error occurs because a field (amount H) has been added to Part "Small business deduction" of Schedule 200 in version 16.2.3xx.126, and the amount that is carried forward to column 8 of Schedule 23 is now the amount 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 4.00000 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 **416** 4,500 D = 200,000 E
 11,250
 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 file prepared with a version prior to Cantax 16.2.3xx.126 in version 16.2.3xx.126, then save and carry forward the file with this version; or
- in the file already carried forward with version 16.2.3xx.126, enter the amount of reduced business limit (line 425 of Schedule 200) indicated in the file of the previous year in column 8 of Schedule 23. Note that if the previous tax year is less than 357 days, the amount that should be entered in column 8 is the amount of the reduced business limit (line 425 of Schedule 200) indicated in the file of the previous tax year multiplied by 365 and divided by the number of days in the previous tax year.

Allocating the business limit

Date filed (do not use this area) **025** Year Month Day
 Enter the calendar year to which the agreement applies **050** 2016
 Is this an amended agreement for the above calendar year that is intended to replace an agreement previously filed by any of the associated corporations listed below? **076** 1 Yes 2 No

1	2	3	4	5	6	7	8	9
Names of associated corporations	Business number of associated corporations	Association code	Business limit for the year before the allocation \$	Percentage of the business limit %	Business limit allocated * \$	Taxable income of preceding taxation year	Reduced business limit of preceding year	Taxable capital employed in Canada in the preceding year
1 Corporation A	223223223 RC 0001	1	500,000	100.00	500,000	50,000	300,000	12,000,000

This problem will be corrected in Cantax T2 17.1.3xx.100.

Schedule 3, Dividends Received, Taxable Dividends Paid, and Part IV Tax Calculation (S3) - 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 320.1 and losses deducted from Part IV 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%

Problem:

Currently, Cantax T2 allows you to enter an amount of Part IV.1 tax payable on dividends subject to Part IV tax which relates to the period after December 31, 2015 and the period before January 1, 2016.

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 320.1 but no amount is indicated on line 320.2. 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 or part of the amount of Part IV.1 tax payable 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)	11,500
Deduct:	
Part IV.1 tax payable on dividends subject to Part IV tax	320.1 3,500
	Subtotal 8,000
Deduct:	
Current-year non-capital loss claimed to reduce Part IV tax	330.1 20,871
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	20,871
	x 38 1/3 % 0.38333 = 8,001
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)	3,333
Deduct:	
Part IV.1 tax payable on dividends subject to Part IV tax	320.2 0
	Subtotal 3,333
Deduct:	
Current-year non-capital loss claimed to reduce Part IV tax	330.2 4,129
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	4,129
	x 1/3 0.33333 = 1,376
Part IV tax payable (enter amount on line 712 of the T2 return)	360.2 1,957

Solution:

Enter on line 320.2 of Schedule 3 the amount of Part IV.1 tax payable on dividends subject to Part IV tax. If the amount of Part IV.1 tax payable on dividends subject to Part IV is greater than the 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)	11,500
Deduct:	
Part IV.1 tax payable on dividends subject to Part IV tax	320.1 167
	Subtotal 11,333
Deduct:	
Current-year non-capital loss claimed to reduce Part IV tax	330.1 25,000
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	25,000
	x 38 1/3 % 0.38333 = 9,583
Part IV tax payable (enter amount on line 712 of the T2 return)	360.1 1,750
Period before January 1, 2016	
Part IV tax before deductions (amount J in Part 1)	3,333
Deduct:	
Part IV.1 tax payable on dividends subject to Part IV tax	320.2 3,333
	Subtotal 0
Deduct:	
Current-year non-capital loss claimed to reduce Part IV tax	330.2 0
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	0
	x 1/3 0.33333 = 0
Part IV tax payable (enter amount on line 712 of the T2 return)	360.2 0

This problem will be corrected in *Cantax T2* 16.2.3xx.126.

T1135, Foreign Income Verification Statement (T1135) – When opening or carrying forward a file prepared with a prior version of *Cantax T2*, if “Other” had been selected in one of the Country code columns and Form T1135 is being transmitted electronically, error code 449 displays and prevents the transmission of Form T1135

Problem:

In prior versions of *Cantax T2*, it was possible to enter “Other” in the **Country code** columns for categories 1 to 7 of Form T1135. However, since version 16.1.3xx.100 of *Cantax T2*, only “OTH” is authorized in those columns. When opening or carrying forward a file prepared with a prior version of *Cantax T2*, if the word “Other” had been entered as the country code, *Cantax T2* retains “Other” instead of replacing it by “OTH,” which generates error code 449, “One or more entries in the tax form require correction. The data entered is either invalid, or mandatory information is missing. To better identify the source of this technical problem, contact your software vendor.” if Form T1135 is being electronically filed.

Example:

In version 15.2.3xx.135 of *Cantax T2*, on the 2nd line of category 7, “Other” had been entered. When opening the file with version 16.1.3xx.100 of *Cantax T2*, “Other” is still present:

7. Property held in an account with a Canadian registered securities dealer or a Canadian trust company					
Name of registered security dealer/Canadian trust company	Country code	Maximum fair market value during the year	Fair market value at year end	Income	Gain (loss) on disposition
SCOTIA BANK 336-21457 SUMMARY	USA	700,000	685,000	5,796	0
BMO ADVANTAGE FUNDS	Other	10,000	9,100	225	633
Total			694,100	6,021	633

This generates error code 449 if Form T1135 is being electronically filed.

Solution:

If “Other” is indicated in one of the **Country code** columns, enter “OTH.”

Example:

Once the correction is made, you will have the following result:

7. Property held in an account with a Canadian registered securities dealer or a Canadian trust company					
Name of registered security dealer/Canadian trust company	Country code	Maximum fair market value during the year	Fair market value at year end	Income	Gain (loss) on disposition
SCOTIA BANK 336-21457 SUMMARY	USA	700,000	685,000	5,796	0
BMO ADVANTAGE FUNDS	OTH	10,000	9,100	225	633
Total			694,100	6,021	633

This problem will be corrected in *Cantax T2* 16.2.3xx.126.

British Columbia

Schedule 427, British Columbia Corporation Tax Calculation (S427) - Decrease in the lower rate of tax for corporations with a taxation year ending after March 31, 2017

Problem:

In its 2017 Budget and its Bill 8, tabled on February 21, 2017, the British Columbia government announced that corporations' lower rate of tax is decreased from 2.5% to 2% for corporations with a taxation year ending after March 31, 2017. Presently, *Cantax T2* 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, override the percentage field on line J in Part 2, "British Columbia tax before credits" of Schedule 427 with the result of the following calculation:

$$\frac{\text{Number of days in the taxation year before April 1, 2017}}{\text{Number of days in the taxation year}} \times 2.5\% + \frac{\text{Number of days in the taxation year after March 31, 2017}}{\text{Number of days in the taxation year}} \times 2\%$$

Example:

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

$$\frac{335 \text{ days}}{365 \text{ days}} \times 2.5\% + \frac{30 \text{ days}}{365 \text{ days}} \times 2\% = 2.45890\%$$

Part 2 - British Columbia tax before credits							
British Columbia tax at the lower rate:							
Amount H	100,000	X	2.45890	%	=	2,459	J
British Columbia tax at the higher rate:							
Amount I	0	X	11.00000	%	=	0	K

This new measure will be integrated into *Cantax T2* 17.1.3xx.100.

Schedule 427, British Columbia Corporation Tax Calculation (S427) - 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

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, *Cantax T2* 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, override the percentage field to 80.00% on line 6 in Part 1, "Income subject to British Columbia lower and higher tax rates," of Schedule 427.

For credit unions only:					
Amount from line D of Schedule 17, <i>Credit Union Deductions</i> . . .		1,000,000	1		
Deduct:					
Amount E above		500,000	2		
Subtotal (amount 1 minus amount 2) (if negative, enter "0")		500,000		500,000	3
Number of days in the tax year before January 1, 2016					
Amount 3	0	X	0	=	0
			366		4
Number of days in the tax year					
Number of days in the tax year in 2016					
Amount 3	500,000	X	335	X	80.00
			366	% =	366,120
Number of days in the tax year					
Number of days in the tax year in 2017					
Amount 3	500,000	X	31	X	80.00
			366	% =	33,880
Number of days in the tax year					

This new measure will be integrated into *Cantax T2 17.1.3xx.100*.

Saskatchewan

Schedule 411, Saskatchewan Corporation Tax Calculation (S411) - Phasing out of the credit unions deduction for taxation years ending after 2016

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, *Cantax T2* 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:

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

Example:

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 *							800,000	A
Income eligible for Saskatchewan lower tax rate:								
Amount from line 400 of the T2 return							800,000	B
Amount from line 405 of the T2 return							800,000	C
Amount from line 427 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, <i>Credit Union Deductions</i>							700,000	
Deduct: amount E above							500,000	
Subtotal (if negative, enter "0")							200,000	F
Total of amounts E and F							700,000	G
Amount G	700,000	X	Taxable income for Saskatchewan *	800,000	=	700,000	H	
				Taxable income for all provinces **		800,000		
Income subject to Saskatchewan higher tax rate (amount A minus amount H)							100,000	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, <i>Tax Calculation Supplementary - Corporations</i> .								
** 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 427 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, <i>Credit Union Deductions</i>							700,000	
Deduct: amount E above							500,000	
Subtotal (if negative, enter "0")							187,671	F
Total of amounts E and F							687,671	G
Amount G	687,671	X	Taxable income for Saskatchewan *	850,000	=	687,671	H	
				Taxable income for all provinces **		850,000		
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, <i>Tax Calculation Supplementary - Corporations</i> .								
** Includes the territories and the offshore jurisdictions for Nova Scotia and Newfoundland and Labrador.								

This new measure will be integrated into Cantax T2 17.1.3xx.100.

Schedule 402, Saskatchewan manufacturing and processing investment tax credit (S402) - Increase in the tax credit rate for qualified property acquired after March 22, 2017

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, *Cantax T2* 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.

Example:

Part 1 - Qualified property (acquired in current tax year) eligible for the credit			
101 CCA class no.	Description of qualified property	102 Acquisition date	103 Capital cost
1. 53.0	Property #1	2016/12/01	100,000
2. 53.0	Property #2	2017/04/01	200,000
3. 0.0		YYYY/MM/DD	0

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	7.00	% =	220 0
After October 27, 2006 (amount D from Part 1)	300,000	X	5.00	% =	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 *Cantax T2* 17.1.3xx.100.

Schedule 403, Saskatchewan Research and Development Tax Credit (S403) – Modifications to the tax credit for eligible expenditures incurred after March 31, 2017

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, *Cantax T2* 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 Error 4030002 that will be displayed in the diagnostic box.

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	<input type="text" value="0"/>	A
Expenditure limit ** (enter amount from line 410 of schedule 31)	212	<input type="text" value="0"/>	B
Eligible expenditures for refundable tax credit (amount A or B, whichever is less)	214	<input type="text" value="0"/>	C
Saskatchewan refundable R&D tax credit (amount C multiplied by <input type="text" value="15.00000"/> %)	215	<input type="text" value="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	<input type="text" value="0"/>	x	Number of days in the tax year before April 1, 2015
			<input type="text" value="0"/>
			Total number of days in the tax year
			<input type="text" value="365"/>
		=	<input type="text" value="0"/>

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

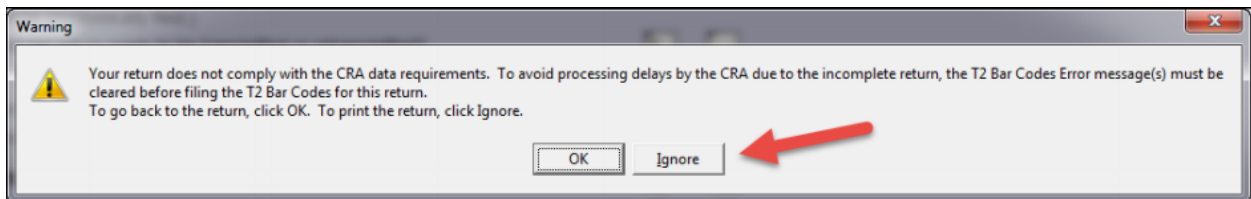
3. Calculate the amount of the expenditures eligible for the non-refundable R&D tax credit according to the budget measures, then enter the result in the first field of line "e" in Part 3 using an override.

Part 3 - Non-refundable credit available and available for carryforward										
Non-refundable credit at end of previous tax year										a
Deduct:										
Non-refundable credit expired after 10 tax years	104									b
Non-refundable credit at beginning of tax year (amount a minus amount b)	105									H
Plus:										
Non-refundable credit transferred on an amalgamation or the windup of a subsidiary	110									c
Non-refundable current-year credit earned before April 1, 2015: line 101 or 102, whichever applies										d
Non-refundable current-year credit earned after March 31, 2015: line 106										e
Non-refundable credit allocated to the corporation that is a member of a partnership	130									f
Non-refundable credit allocated to the corporation that is a beneficiary under a trust	140									g
Subtotal (total of amounts c to g)										I
Non-refundable credit available (amount H plus amount I)										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 Error 4030002, ignore this diagnostic and do one of the following:

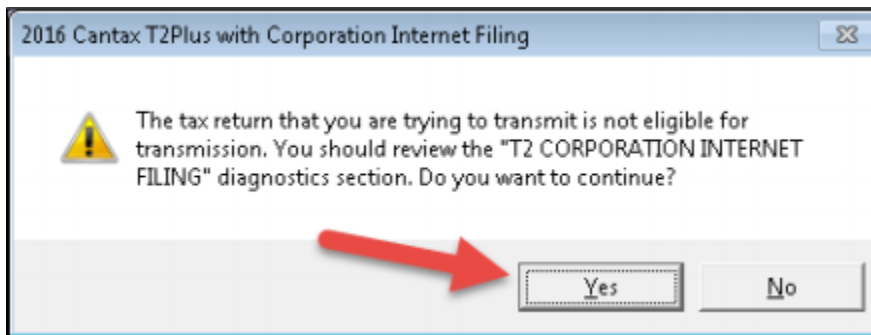
Printing T2 Bar Codes

Proceed with the printing of the T2 Bar Codes and click the **Ignore** button in the **Warning** window.



Internet Filing

Proceed with the transmission of the federal return (CIF) and click the **Yes** button when prompted.



This measure will be integrated into Cantax T2 17.1.3xx.100.

Manitoba

MCT1, Corporation Capital Tax Return (MCT1) - Elimination of the capital tax deduction for taxation years ending after April 30, 2017

Problem:

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.

Solution:

If the corporation's tax year ends after April 30, 2017, and the total paid-up capital is more than zero, enter zero on line 45 of Section A, using an override.

TAXABLE CAPITAL		SECTION A		
<small>Where applicable, the following adjustments are required to complete lines 10 and 13: Line 10 - Include the amount of the reserve deducted from income under paragraph (N) of subsection (1) of section 20 of the Income Tax Act (Canada). Line 13 - Include the amount by which U.C.C. of depreciable assets for the purpose of the Income Tax Act (Canada) exceeds N.B.V., excluding appraisals. Include the amount by which the tax position for income tax purposes of deferred development and exploration costs exceeds the N.B.V. of deferred development and exploration costs.</small>				
Calculation:				
S U R P L U S E S	1. Earned (if deficit, deduct)	22	\$ 1,000,000	
	2. Capital	23	0	
	3. Appraisal	24	0	
	4. Contributed	25	0	
	5. Other (specify) <input type="text"/>	26	0	
	6. Add Lines 1 to 5 inclusive		\$	1,000,000
L O A N S & A D V A N C E S	7. From shareholders	27	0	
	8. From corporations	28	0	
	9. Add Lines 7 and 8		\$	0
R E S E R V E S	10. Special reserve as per balance sheet	29	0	
	11. Contingent, investment and other like reserves	30	0	
	12. Deferred income taxes and other deferred taxes payable	31	0	
	13. Reserves not allowed as a deduction for income tax purposes	32	0	
	14. Add Lines 10 to 13 inclusive		\$	0
I N D E P T E D N T E E S D E B T S	15. Bonds and Bond Mortgages	33	0	
	16. Debentures	34	0	
	17. Lien Notes	35	0	
	18. Mortgages	36	0	
	19. Bank Loans	37	0	
	20. Trade accounts payable to corporations, outstanding for more than 90 days prior to balance sheet date	38	0	
	21. Secured property of the corporation	39	0	
	22. Other (specify) <input type="text"/>	40	0	
	23. Add Lines 15 to 22 inclusive		\$	0
	24. TOTAL PAID UP CAPITAL (Add lines 6, 9, 14 and 23)		\$	1,000,000
DEDUCT ALLOWANCES:				
25. Investment Allowance (calculated in Section "B")	43	0		
26. \$10,000,000 deduction (allocated in Section "F")	45	0		
Add Lines 25 and 26		\$	0	
TAXABLE PAID UP CAPITAL (please enter this amount on page 1)		\$	1,000,000	

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.

This new measure will be integrated into *Cantax T2 17.1.3xx.100*.

Schedule 381, Manitoba Manufacturing Investment Tax Credit (S381) - Reduction of the rate used to calculate the non-refundable part of the tax credit for qualified property acquired after April 11, 2017

Problem:

In its budget tabled on April 11, 2017, the Manitoba government announced that the rate used to calculate the non-refundable part 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, *Cantax T2* 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 *	103 Capital cost **
1. 53.0	Property #1	2016/06/01	100,000
2. 53.0	Property #2	2017/04/13	200,000
3. 0.0		YYYY/MM/DD	0
4. 0.0		YYYY/MM/DD	0
5. 0.0		YYYY/MM/DD	0
6. 0.0		YYYY/MM/DD	0
7. 0.0		YYYY/MM/DD	0
8. 0.0		YYYY/MM/DD	0
9. 0.0		YYYY/MM/DD	0
10. 0.0		YYYY/MM/DD	0
11. 0.0		YYYY/MM/DD	0
12. 0.0		YYYY/MM/DD	0
13. 0.0		YYYY/MM/DD	0
14. 0.0		YYYY/MM/DD	0
15. 0.0		YYYY/MM/DD	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: $\$100,000 \times 10\% = \$10,000$
- Step 2: $\$200,000 \times 9\% = \$18,000$
- 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: $\$10,000 \times 80\% = \$8,000$
 - Step 4b: $\$18,000 \times 88.89\% = \$16,000$
 - 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	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 10.00 % =	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	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 70.00 % =	0	2A	
Credit included in amount a that is earned after June 30, 2013	145	28,000	x 80.00 % =	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 new measure will be integrated into Cantax T2 17.1.3xx.100.

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

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, Cantax T2 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.

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

$$\left(\begin{array}{l} \text{Portion of the amount on line 106} \\ \text{that is attributable to eligible} \\ \text{expenditures incurred before} \\ \text{April 12, 2017} \end{array} \times 20\% \right) + \left(\begin{array}{l} \text{Portion of the amount on line 106} \\ \text{that is attributable to eligible} \\ \text{expenditures incurred after April} \\ \text{11, 2017} \end{array} \times 15\% \right)$$

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

$$\left(\begin{array}{l} \text{Portion of the amount on line 108} \\ \text{that is attributable to eligible} \\ \text{expenditures incurred before} \\ \text{April 12, 2017, under an R\&D} \\ \text{contract} \end{array} \times 20\% \right) + \left(\begin{array}{l} \text{Portion of the amount on line 108} \\ \text{that is attributable to eligible} \\ \text{expenditures incurred after April} \\ \text{11, 2017, under an R\&D contract} \end{array} \times 15\% \right)$$

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

$$\left(\begin{array}{l} \text{Portion of the amount on line 116} \\ \text{that is attributable to eligible} \\ \text{expenditures incurred before} \\ \text{April 12, 2017, that do not relate} \\ \text{to an R\&D contract} \end{array} \times 10\% \right) + \left(\begin{array}{l} \text{Portion of the amount on line 116} \\ \text{that is attributable to eligible} \\ \text{expenditures incurred after April} \\ \text{11, 2017, that do not relate to an} \\ \text{R\&D contract} \end{array} \times 7.5\% \right)$$

Example:

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)		30,000	B
(amount B cannot exceed amount A)			

1. Amount on line 121

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

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	C
Plus:			
Credit transferred on an amalgamation or the windup of a subsidiary	110	0	D
Repayments**		0 x 20.00 % =	123 0 E
Credit earned in the current year:			
Line 106 in Part 1	121	30,000 x 20.00 % =	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	F
Total credit available for the current year (total of amounts C to F)		5,925	G

2. Amount on line 205

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

3. Amount on line 215

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

Part 5 - Refundable Manitoba R&D tax credit									
Current-year refundable credit earned:									
Line 108 in Part 1	20,000	x	20.00	% =	205	3,950	m		
Line 116 in Part 1	10,000	x	10.00	% =	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 new measure will be integrated into Cantax T2 17.1.3xx.100.

New Brunswick

Schedule 366, New Brunswick Corporation Tax Calculation (S366) - Decrease in the lower rate of tax for corporations with a taxation year ending after March 31, 2017

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, Cantax 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, override the percentage field on line I in Part 2, "New Brunswick tax before credits" of Schedule 366 with the result of the following calculation:

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

Example:

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

$$\frac{335 \text{ days}}{365 \text{ days}} \times 3.5\% + \frac{30 \text{ days}}{365 \text{ days}} \times 3\% = 3.45890\%$$

Part 2 - New Brunswick tax before credits

New Brunswick tax at the lower rate:

Amount F	100,000	X	Number of days in the tax year before January 1, 2015	0	X	4.50000	% =	0	H1
			Number of days in the tax year	365					
Amount F	100,000	X	Number of days in the tax year after December 31, 2014, and before April 1, 2016	0	X	4.00000	% =	0	H
			Number of days in the tax year	365					
Amount F	100,000	X	Number of days in the tax year after March 31, 2016	365	X	3.45890	% =	3,459	I
			Number of days in the tax year	365					
Total New Brunswick tax at the lower rate (amount H1 plus amount H plus amount I)								3,459	J

This new measure will be integrated into Cantax T2 17.1.3xx.100.

Nova Scotia

Schedule 346, Nova Scotia Corporation Tax Calculation (\$346) - Increase in the small business threshold effective January 1, 2017

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, Cantax T2 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, enter the result of the following calculation, using an override, in the field indicating the Nova Scotia small business threshold (in the calculation of line D2):

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

Period after December 31, 2013			
Taxable income for Nova Scotia*		1,000,000	A2
Income eligible for the lower tax rate for Nova Scotia and its offshore area:			
Amount from line 400 of the T2 return**		1,000,000	B2
Amount from line 405 of the T2 return		850,000	C2
Amount from line 425 of the T2 return	500,000	X	350,000
		500,000	=
Amount B2, C2, or D2, whichever is the least		350,000	E2
Amount E2	350,000	X	1,000,000
		1,000,000	=
		350,000	F2
Income subject to the higher tax rate for Nova Scotia and its offshore area (amount A2 minus amount F2)		650,000	G2

Enter amount F2 and/or amount G2 on the applicable line(s) in Part 3.

Example:

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

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

Period after December 31, 2013					
Taxable income for Nova Scotia*				1,000,000	A2
Income eligible for the lower tax rate for Nova Scotia and its offshore area:					
Amount from line 400 of the T2 return**				1,000,000	B2
Amount from line 405 of the T2 return				850,000	C2
Amount from line 425 of the T2 return	500,000	X	386,986 500,000	=	386,986
Amount B2, C2, or D2, whichever is the least					386,986
Amount E2	386,986	X	Taxable income for Nova Scotia* Taxable income for all provinces***	1,000,000 1,000,000	=
Income subject to the higher tax rate for Nova Scotia and its offshore area (amount A2 minus amount F2)					613,014
Enter amount F2 and/or amount G2 on the applicable line(s) in Part 3.					

This new measure will be integrated into *Cantax T2 17.1.3xx.100*.