

Cantax T2

Release Notes

Versions 16.2.3xx.126

November 2016

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Version Coverage

This release of *Cantax T2* and *T2Plus* can be used to prepare corporation income tax returns for tax years that began on or after January 1, 2014, and will end on or before May 31, 2017.

Users will be able to prepare up to three returns with *Cantax T2* and an unlimited number of returns with *Cantax T2Plus*. Throughout these *Release Notes*, the programs will be referred to as "*Cantax T2*" including versions with Corporation Internet Filing, unless the description pertains to only one of the software packages, in which case it will be referred to specifically.

If you have not purchased *Cantax T2*, you may install it as a demo version. Note that you will not be able to save or print tax returns with this version. Should you decide to purchase the software, please contact our Customer Service department to obtain an unlock code. You can reach us by the method most convenient for you (see the "[Help](#)" section).

Cantax Productivity Seminar Tour - Fall 2016

These interactive, information-packed sessions are an excellent opportunity for both new and experienced *Cantax* users to brush up on their "Cantax know-how" and get valuable information they need to prepare T1 personal and T2 corporate returns efficiently. Seminar dates are November 30 - December 16, 2016. [Register today!](#)

What's New in this Release?

Here is a summary of the main topics in the current version.

Eligible capital property modifications

Modifications have been made to Schedule 8 (S8) and Schedule 10 (S10) to include the new rules related to the eligible capital property (ECP) announced in the 2016 Federal budget. Starting January 1, 2017, the current ECP regime will be replaced with a new class (14.1) of depreciable property. For more information about this subject, please consult the [note on Schedule 8](#) and the [note on Schedule 10](#).

Schedule 1, Net Income (Loss) for Income Tax Purposes (S1)

The "Other additions" and "Other deductions" lines can now be completed for as many items as required. For more information, please consult the [note](#) about this subject.

Schedule 3, Dividends Received, Taxable Dividends Paid, and Part IV Tax Calculations (S3)

New lines have been added to Part 1 and Part 2 to calculate the Part IV tax on dividends received after 2015. For more information, please consult the [note](#) about this subject.

AT1 Schedule 1, Alberta Small Business Deduction (AT1-S1)

Modifications have been made to the form to integrate the small business deduction rate increase. The rate will be increased from 9% to 10% on January 1, 2017. For more information, please consult the [note](#) about this subject.

New & Revised Forms

Note that the form titles followed by an asterisk () were updated in accordance with the latest version issued by the applicable tax authorities.

Federal

Internet Filing – Insurance Corporations

Commencing in October 2016, the Canada Revenue Agency (CRA) allows you to use the Corporation Internet Filing for Insurance Corporations. *Cantax T2* 16.2.3xx.126 takes this change into account.

GIFI Schedules (General Index of Financial Information)

As per a CRA request, the following lines have been protected so that their value can only be calculated by the program, and that it is no longer possible to override them.

- 1599, *Total current assets;*
- 2008, *Total tangible capital assets;*
- 2009, *Total accumulated amortization of tangible capital assets;*
- 2178, *Total intangible capital assets;*
- 2179, *Total accumulated amortization of intangible capital assets;*
- 2589, *Total long-term assets;*
- 2599, *Total assets;*
- 3139, *Total current liabilities;*
- 3450, *Total long-term liabilities;*
- 3499, *Total liabilities;*
- 3620, *Total shareholder equity;*
- 3640, *Total liabilities and shareholder equity;*
- 3849, *Retained earnings/deficit-end;*
- 8089, *Total sales of goods and services;*
- 8299, *Total revenue;*
- 8518, *Cost of sales;*
- 8519, *Gross profit/loss;*
- 9367, *Total operating expenses;*
- 9368, *Total expenses;*
- 9369, *Net non-farming income;*
- 9659, *Total farm revenue;*
- 9898, *Total farm expenses;*
- 9899, *Net farm income;*
- 9970, *Net income/loss before taxes and extraordinary items;*
- 9998, *Total other comprehensive income, and*
- 9999, *Net income/loss after taxes and extraordinary items.*

When opening a file prepared with a prior version of *Cantax T2* in which an amount had been overridden on one of those lines, this amount will not be retained.

Schedule 200, T2 Corporation Income Tax Return (T2)*

As a result of the update of the form, line 312, *Gifts to Canada, a province, or a territory from Schedule 2* has been removed from the schedule. When opening a file prepared with a prior version of *Cantax T2* in which an amount was entered on this line, this amount will not be retained.

In addition, the custom table *Specified corporate income and assignment under subsection 125(3.2)* has been added to the "Small business deduction" section to allow you to enter the information required when the filing corporation wants to allocate part of its business limit to other Canadian-controlled private corporations (CCPCs).

Also, amount G, which represents the total amount of the business limit allocated by the corporation calculated on line O, is now deducted from the reduced business limit (line 425). Therefore, custom lines C.1 and C.2 have been removed from the form. When opening a file prepared with a prior version of *Cantax T2* in which amounts were entered on lines C.1 and C.2, these amounts will not be retained.

Note that the on screen display of Schedule 200 will now be on one tab instead of eight tabs.

Schedule 1, Net Income (Loss) for Income Tax Purposes (S1)*

Lines 205 and 305, which related respectively to the book loss and book income on joint ventures or partnerships have been replaced by the following lines:

- 248, *Book loss on joint ventures;*
- 249, *Book loss on partnerships;*
- 348, *Book income on joint ventures;*
- 349, *Book income on partnerships.*

When opening a file prepared with a prior version of *Cantax T2*, if an amount was entered on line 8234 of Schedule 125 (G125#01), it will be retained on line 248 (in the case of a loss) or line 348 (in the case of income) in Schedule 1. The total of the amounts on lines 8051, 8052 and 8235 of Schedule 125, as applicable, will be entered on line 249 (in the case of a loss) or line 349 (in the case of income) of Schedule 1.

In addition, in the "Other additions" section, lines 600 to 604 and 290 to 294 have been replaced by lines 605 and 295, which can be completed for as many items as required. Line 296 has been added to present the total of lines 295.

Similarly, in the "Other deductions" section, lines 700 to 704 and 390 to 394 have been replaced by lines 705 and 395, which can also be completed for as many items as required. Line 396 has been added to present the total of lines 395.

When opening a file prepared with a prior version of *Cantax T2*, if data was entered on lines 600 to 603, on one of lines 604, on lines 290 to 292 or in the fields used to allocate the amounts entered on lines 293 and 294, it will be retained on one of lines 605 and 295. Likewise, if data was entered on lines 700 to 703, on one of lines 704, on lines 390 to 392 or in one of the fields used to allocate the amounts entered on lines 703 and 704, it will be retained on one of lines 705 and 395.

Schedule 2, Charitable Donations and Gifts (S2)*

Part 3, "Gifts to Canada, a province, or a territory," and Part 9, "Carry-forwards of gifts to Canada, a province or a territory," have been removed from the form, because they were applicable to gifts made before February 19, 1997, or

under an agreement entered into before that date. In addition, the column **Gifts to Canada, a province, or a territory available for carryforward** in the table of Part 7 has been removed. When opening a file prepared with a prior version of *Cantax T2*, if data had been entered in these sections, it will not be retained. Verify if a different treatment would be more appropriate for that data, where applicable.

Schedule 3, Dividends Received, Taxable Dividends Paid, and Part IV Tax Calculations (S3)*

As a result of the update of the form, columns 241, 270 and 275 have been added to Part 1, to indicate respectively the amount of dividends that have been received before 2016, the Part IV tax on dividends received before 2016 and the Part IV tax on dividends received after 2015. Because of the addition of these columns, column FF in Part 1, which was used to determine if the dividends had been received before January 1, 2016, or after December 31, 2015, has been removed. In addition, the two Parts 2 that displayed on screen, i.e. one for dividends received after December 31, 2015, and one for dividends received before January 1, 2016, have been replaced by a single Part 2. Please note that the Part IV tax calculated in this new Part 2 equals the Part IV tax that was calculated in prior versions, except for the specific situation described in the [troubleshooting memo](#) relating to Schedule 3.

When opening a file prepared with a prior version of *Cantax T2*, all dividend amounts that have been received before January 1, 2016, will be entered in column 241. In addition, if former Parts 2 contained overridden amounts, these amounts will be retained in the new Part 2.

In addition, when the total eligible dividends paid in the year is greater than the balance of general rate income pool (GRIP) at the end of the taxation year, the corporation must pay a Part III.1 tax. *Cantax T2* now notifies you by diagnostic when the filing corporation is in this situation.

Schedule 5, Tax Calculation Supplementary – Corporations (S5)*

Line 841, *Certificate number* has been added under line 568, *Nova Scotia capital investment tax credit*, to which it relates.

Schedule 7, Aggregate Investment Income and Active Business Income (S7)

Custom Part 6 has been added to the form. The table *Specified corporate income and assignment under subsection 125(3.2)* of this part allows you to enter the information required when the filing corporation is a Canadian-controlled private corporation (CCPC) and it has specified corporate income.

Also note that because of the addition of Part 6, the amount in field o.1 of Part 5 is now equal to the difference between the income not eligible for the small business deduction (total A of Part 6) and the business limit assigned from other corporations (total B of Part 6). When opening a file prepared with a prior version of *Cantax T2* in which an amount was entered on line o.1, this amount will be retained on this line as an overridden amount.

Schedule 8, Capital Cost Allowance (CCA) (S8)

As a result of the tabling of Bill C-29 by the Federal government on October 25, 2016, class 14.1, which relates to eligible capital property, has been added to the form. A class 14.1 will be automatically created when the answer indicated on line *The taxation year of the corporation includes January 1, 2017, or ends after that date.* is "Yes" in Schedule 10 (S10), and the taxation year straddles January 1, 2017.

To manage the transition between Schedule 10 and class 14.1 of Schedule 8, the following seven fields have been added to the **Class 14.1 - Information** tab accessible through the first description line in each column of Schedule 8, *Other - Federal (S8OTHER)*:

- "The corporation makes the election under subparagraph 13(38)(d)(iv) ITA";
- "CEC balance on January 1, 2017";
- "If the CEC is negative, amount that would have been included under paragraph 14(1b) ITA";
- "Total CEC deductions from income for taxation years ending before January 1, 2017";
- "Deemed capital cost of the property in the class under paragraph 13(38)(a) ITA";
- "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 January 1, 2017."; and
- "UCC balance for property acquired before January 1, 2017, used to calculate the additional deduction."

In addition, in order to calculate the CCA and the additional deduction, the following two fields have also been added:

- "CCA claimed with respect to this UCC balance";
- "Rate applicable to the calculation of the additional deduction."

When carrying forward a file, a class 14.1 will be automatically created in cases where the new taxation year starts on January 1, 2017, and Schedule 10 showed a positive CEC balance at the end of the prior taxation year. For taxation years starting after January 1, 2017, the field "CCA claimed with respect to this UCC balance" will update with the total amounts of the CCA and additional deduction claimed with respect to the UCC on January 1, 2017, in prior years that start after January 1, 2017.

We suggest that you verify the values retained and make the required adjustments, if applicable. For more information on the proposed changes, consult the help topic related to class 14.1.

Schedule 10, Cumulative Eligible Capital Deduction (S10)

On October 25, 2016, the federal government tabled Bill C-29, which introduced class 14.1 for eligible capital property.

To manage the transition between Schedule 10 and class 14.1 of Schedule 8 (S8), the following check boxes have been added to Schedule 10:

- The taxation year of the corporation includes January 1, 2017, or ends after that date; and
- The corporation makes the election under subparagraph 13(38)(d)(iii) ITA.

In *Cantax T2*, when the answer indicated on the line *The taxation year of the corporation includes January 1, 2017, or ends after that date.* is "Yes" and the taxation year indicated in Schedule 10 straddles January 1, 2017, the transfer of the amounts calculated in Schedule 10 to the schedules concerned is cancelled, and certain forms cease being applicable.

Here are the forms for which the transfer from Schedule 10 is cancelled in the above-described situation:

- Schedule 1 (S1);
- Schedule 20 (S20);
- Schedule 89 (S89); and
- AT1 Schedule 12 (AT1-S12);

Here are the forms that stop being applicable in the above-described situation:

- Schedule 10 (S10); and
- AT1 Schedule 14 (AT1-S14).

Also note that the following forms will no longer be carried forward for corporations that have a taxation year including January 1, 2017, or ending after that date:

- Schedule 10 (S10); and
- AT1 Schedule 14 (AT1-S14).

Consult the Help for more information on the calculations performed based on the answer indicated on line *The corporation makes the election under subparagraph 13(38)(d)(iii) ITA.*

We also invite you to read the note relating to Schedule 8, which also relates to the introduction of class 14.1.

Schedule 31, Investment Tax Credit – Corporations (S31)*

As a result of the update of the form, Part 11 has been modified. Line 490 has been added to this part so you can enter the repayment amount for the investment tax credits relating to SR&ED expenditures incurred after 2013.

When opening a file prepared with a prior version of *Cantax T2*, the amounts that were entered on line 480 will be transferred to line 490, if the repayment of government or non-government assistance or contract payments that reduced the amount of qualified expenditures for ITC purposes relate to a taxation year that started after 2013.

Schedule 32, Scientific Research and Experimental Development (SR&ED) Expenditures Claim (S32)

The maximum pensionable earnings amount for the year for purposes of the Canada pension plan has been updated for the 2017 calendar year (and is now \$55,300). This amount is used to determine the specified employees' salary or wages when the proxy method is selected to calculate the SR&ED expenditures.

Schedule 54, Low Rate Income Pool (LRIP) Calculation (S54)

When Part III.1 tax is payable by the filing corporation, *Cantax T2* now prompts you, via a diagnostic, to verify that the dividend amount(s) in column 270 are correct and to verify if the corporation wants to make the election, under subsection 185.1(2), to treat the eligible dividends as ordinary dividends.

Schedule 61, Agreement to Allocate Assistance for SR&ED Between Persons Not Dealing at Arm's Length (S61#01)*

Schedule 62, Agreement to Transfer Qualified Expenditures Incurred in Respect of SR&ED Contracts Between Persons Not Dealing at Arm's Length (S62#01)*

Schedule 89, Request for Capital Dividend Account Balance Verification (S89)*

As a result of the update of the form, the questions *Is this a balance verification request?* and *Is this request related to the requirements of section 89(1) for form T2054?* have been added above Part 1.

T1135, Foreign Income Verification Statement (T1135)*

When opening a file prepared with a prior version of *Cantax T2* in which the country code "OTHER" is entered in one or more of categories 2,3,4,6 and 7, the values will be changed for "OTH."

RC59, Business Consent (RC59)*

RC321, Delegation of Authority (RC321)*

As a result of the update of the form, the "RepID" and "Name of delegated authority" fields have been added to the form under check box B in Part 4 because this information must be provided when check box B is selected. In addition, the check box a **corporate officer** has been added to Part 5.

When opening a file prepared with a prior version of *Cantax T2*, if you had selected check box B in Part 4 and one of the "RepID" and "Name of delegated authority" fields of check box D had been completed, data in this field will be transferred to the new fields related to check box B.

AgriStability and AgriInvest Programs

AgriStability and AgriInvest Programs (AGRI/HAGRI) – Harmonized provinces* and British Columbia*

AgriStability and AgriInvest Programs (AGRI/HAGRI) – Ontario*

As a result of the update of the form, the “Agreement and signature” section has been added to Statement A. Therefore, a signature is now required on this form.

AgriStability and AgriInvest Programs (AGRI/HAGRI) – Alberta*

AgriStability and AgriInvest Programs (AGRI/HAGRI) – Saskatchewan*

AgriStability and AgriInvest Additional Information and Adjustment Request (HAGRI ADD)*

Ontario

Schedule 504, Ontario Resource Tax Credit and Ontario Additional Tax re Crown Royalties (S504)*

Schedule 566, Ontario Innovation Tax Credit (S566)

In accordance with the CRA’s filing requirements, lines 200, 205 and 210 have been removed. However, to be able to correctly calculate the amount on line 215, lines equivalent to lines 200, 205 and 210 have been added at the end of the Section “Schedule A - Worksheet for eligible expenditures incurred by the corporation in Ontario for the current taxation year.”

When opening a file prepared with a prior version of *Cantax T2* in which one or more overrides had been done on lines 200, 205 and/or 210, the values on these lines will be retained as overridden amounts on the equivalent lines of the above mentioned section.

Alberta

AT1 Schedule 1, Alberta Small Business Deduction (AT1-S1)*

The field “Assigned amount” has been moved from line (b) to line (d) in order to deduct any allocated amount from the business limit after the reduction for large corporations. This change reflects the recent update of [Schedule 200](#) (T2).

When opening a file prepared with a prior version of *Cantax T2* in which an amount had been overridden on line *Assigned amount*, this amount will not be retained.

As announced in the April 14, 2016 Alberta Budget, the small business deduction rate for the province will be increased from 9% to 10% on January 1, 2017. The table *Calculation of the Alberta Small Business Deduction* has been added to reflect this change.

AT1 Schedule 12, Alberta Income/Loss Reconciliation (AT1-S12)

On October 25, 2016, the federal government tabled Bill C-29. To reflect the measures set forth in this document, the line *Income inclusions under 13(38)(d)(iii) ITA* has been added to the Form AT1-S12, *Other items - Federal* and Form AT1-S12, *Other items - Alberta*.

In addition, we invite you to review the note relating to Schedule 10 (S10), which also relates to the new measures set forth in the Bill.

AT1 Schedule 13, Capital Cost Allowance (CCA) (AT1-S13)

On October 25, 2016, the federal government tabled Bill C-29. To reflect the measures set forth in this document, a tab entitled **Class 14.1 - Information (AB)**, which is accessible through the first line of the “Description” field in each column of AT1 Schedule 13, has been added.

In addition, we invite you to review the note relating to Schedule 8 (S8), which also relates to the new measures set forth in the Bill.

AT1 Schedule 14, Alberta Cumulative Eligible Capital Deduction (AT1-S14)

On October 25, 2016, the federal government tabled Bill C-29. To reflect the measures set forth in this document, the following two check boxes have been added to the form:

- The taxation year of the corporation includes January 1, 2017, or ends after that date; and
- The corporation makes the election under subparagraph 13(38)(d)(iii) ITA.

In addition, we invite you to review the note relating to Schedule 10 (S10), which also relates to the new measures set forth in the Bill.

Alberta Schedule EDI, Alberta Electronic Data Interchange (AT1-EDI)

In accordance with filing requirements of the *Alberta Tax and Revenue Administration*, the length of the field of line 041, *Email address*, has been modified: this field can now contain up to seventy characters. This same modification has been made to the equivalent field of the **Alberta** tab in the Internet Filing Setup.

Manitoba

Schedule 387, Manitoba Small Business Venture Capital Tax Credit (S387)*

Schedule 392, Manitoba Data Processing Investment Tax Credits (S392)*

British Columbia

Schedule 421, British Columbia Mining Exploration Tax Credit (S421)*

Newfoundland and Labrador

Schedule 307, Newfoundland and Labrador Corporation Tax Calculation (S307)*

New Brunswick

Schedule 366, New Brunswick Corporation Tax Calculation (S366)*

New & Revised Guides

2016 AgriStability and AgriInvest Program, Corporation/Co-operative and Special Individual Harmonized Form and Guide

Alberta AgriStability Supplementary Forms (2016) Guide

Saskatchewan Commodity Code Guide (2015)

Saskatchewan Corporations, Co-operatives, Other Entities Guide (2015)

Corrected Calculations

The following problems have been corrected in this release:

- Federal - 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
- 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%.

Filing Requirements

Requirements for Filing Corporate Returns

Please refer to the **Filing Requirements** help topic of the program for an explanation on the requirements of the various tax authorities for filing corporate returns.

A chart is also available under the **Printing - Requirements for Filing Corporate Returns** help topic, which further explains the requirements of the various tax authorities.

 **Help** 

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