

Cantax T2

Troubleshooting

2017 Versions

Publication	Problem	Affected Version	Corrected Version
Week of April 8, 2018	Schedule 566, Ontario Innovation Tax Credit (S566) - Enhanced rate for scientific research and experimental development (SR&ED) qualified expenditures incurred after March 27, 2018	Version 17.2.3xx.126	Version 18.1.3xx.100
Week of April 8, 2018	Schedule 508, Ontario Research and Development Tax Credit (S508) - Increase in the rate of the tax credit for eligible SR&ED expenditures incurred after March 27, 2018, when the eligible SR&ED expenditures incurred in the year are over \$1,000,000	Version 17.2.3xx.126	Version 18.1.3xx.100
Week of March 4, 2018	Schedule 8, Capital Cost Allowance - All Other Classes (S8OTHER) - Incorrect calculation on line 205, Adjustments, when an amount is calculated on line (C), ITC adjustments this year's Sch8/T661/Sch12/Sch1, in Schedule 31-S, ITC Carried Forward/reduction of tax payable and UCC (S31-S)	Version 17.2.3xx.126	Version 18.1.3xx.100
Week of February 25, 2018	Schedule 5, Tax Calculation Supplementary - Corporations (S5) - Extension of the British Columbia book publishing tax credit	Version 17.2.3xx.126	Version 18.1.3xx.100
Week of January 14, 2018	Client Letter and Client EFILE Letter templates - Incorrect mailing address for filing the following foreign reporting forms: <ul style="list-style-type: none"> • T106, Information Return of Non-arm's Length Transactions with 	Version 17.2.3xx.126	Version 18.1.3xx.100

Publication	Problem	Affected Version	Corrected Version
	<p>Non-residents (T106SUM) and T106 Slip (T106#01)</p> <ul style="list-style-type: none"> • T1134, Information Return Relating to Controlled and Not-Controlled Foreign Affiliates (T1134SUM) and T1134 Supplement (T1134S#01) • T1135, Foreign Income Verification Statement (T1135) <p>Help Topic Refunds and Balance Due - Federal - Incorrect mailing address indicated to make income tax payments by cheque to the Canada Revenue Agency (CRA)</p>		
Week of December 3, 2017	AT1 Schedule 14, Alberta Cumulative Eligible Capital Deduction (AT1-S14) - Incorrect calculation on line 024 for a taxation year that includes December 31, 2016, and ends on or after January 1, 2017	Version 17.2.3xx.126	Version 18.1.3xx.100
Week of September 17, 2017	Schedule 427, British Columbia Corporation Tax Calculation (S427) - The reduction for the credit unions deduction is abolished starting in 2017	Versions 17.1.3xx.100 and 17.1.3xx.109	Version 17.2.3xx.126
Week of August 13, 2017	Schedule 8OTHER - Capital Cost Allowance (CCA) - All other classes (S8OTHER) - The carried forward amount on line 8, "CCA claimed with respect to this UCC balance in preceding taxation years" under the "Class 14.1- Information" tab for a CCA class 14.1 is incorrect when the file being carried forward relates to a shorten taxation year ending on or after January 1, 2017	Versions 17.1.3xx.100 and 17.1.3xx.109	Version 17.2.3xx.126

Federal

Schedule 8, Capital Cost Allowance - All Other Classes (S8OTHER) - Incorrect calculation on line 205, Adjustments when an amount is calculated on line (C), ITC adjustments this year's Sch8/T661/Sch12/Sch1, in Schedule 31-S, ITC Carried Forward/reduction of tax payable and UCC (S31-S)

Problem:

When an amount is calculated or entered directly on line (C), *ITC adjustments this year's Sch8/T661/Sch12/Sch1* (hereafter referred to as line (C)), in Schedule 31-S for a valid CCA class, this amount has to reduce the capital cost of the property in this CCA class. *Cantax T2* should update this amount as a negative amount to line 205 of Schedule 8 OTHER for the corresponding CCA class and presently, it does not.

Schedule 31-S

ITCs USED TO REDUCE UCC SCH.8 / R&D T661 / PRE-PROD.MINNING SCH12 / APPRENTICESHIP SCH 1						
	Class 43.1	Class	Class	Class	Class	Class
ITC this year (A)	0	0	0	0	0	0
ITC claimed in immediately prior taxation year (B)	15,000	0	0	0	0	0
ITC adjustments this year's Sch8/T661/Sch12/Sch 1 (C)	15,000	0	0	0	0	0
ITC adjustments subsequent year's Sch8/T661/Sch12/Sch 1 (D)	0	0	0	0	0	0

Schedule 8 OTHER

Class *	200	43.1	0.0	0.0
Class 1 rates, other than 4%		0	0	0
Description **				
UCC - start of year	201	127,500	0	0
Cost of additions ***	203	0	0	0
Adjustments	205	0	0	0
Proceeds of disposition ****	207	0	0	0
UCC - pre allowance		127,500	0	0
1/2 of net additions	211	0	0	0
Reduced UCC		127,500	0	0
CCA rate (%)	212	30.000	0.000	0.000
Recapture of CCA	213	No	No	No
Recapture of CCA	213	0	0	0
Terminal loss	215	No	No	No
Terminal loss	215	0	0	0
Maximum allowable CCA		38,250	0	0
CCA claimed	217	38,250	0	0
UCC - end of year	220	89,250	0	0

Solution:

- A- For each CCA class entered in Schedule 31-S and for which the CCA is calculated in Schedule 8 OTHER, if an amount is calculated or entered directly on line (C), use an override and enter this amount as a negative amount on line 205 in the corresponding CCA class column in Schedule 8 OTHER.

	1	2	3	Total
Class *	200 43.1	0.0	0.0	
Class 1 rates, other than 4%	0	0	0	
Description **				
UCC - start of year	201 127,500	0	0	127,500
Cost of additions ***	203 0	0	0	0
Adjustments	205 -15,000	0	0	-15,000
Proceeds of disposition ****	207 0	0	0	0
UCC - pre allowance	112,500	0	0	112,500
1/2 of net additions	211 0	0	0	0
Reduced UCC	112,500	0	0	112,500
CCA rate (%)	212 30.000	0.000	0.000	
Recapture of CCA	213 No	No	No	
Recapture of CCA	213 0	0	0	0
Terminal loss	215 No	No	No	
Terminal loss	215 0	0	0	0
Maximum allowable CCA	33,750	0	0	33,750
CCA claimed	217 33,750	0	0	33,750
UCC - end of year	220 78,750	0	0	78,750

If an amount had already been entered on line 205 in Schedule 8 OTHER for a CCA class concerned, subtract the amount on line (C) in Schedule 31-S from the amount on line 205 and enter the result on line 205, using an override.

This problem will be corrected in *Cantax T2* 18.1.3.xx.100.

Client Letter and Client EFILE Letter templates - Incorrect mailing address for filing the following foreign reporting forms:

- T106, Information Return of Non-arm's Length Transactions with Non-residents (T106SUM) and T106 Slip (T106#01)
- T1134, Information Return Relating to Controlled and Not-Controlled Foreign Affiliates (T1134SUM) and T1134 Supplement (T1134S#01)
- T1135, Foreign Income Verification Statement (T1135)

Help Topic Refunds and Balance Due - Federal - Incorrect mailing address indicated to make income tax payments by cheque to the Canada Revenue Agency (CRA)

Problem:

Following the restructuring of the CRA's tax centres, the mailing address to use to file Forms T106, T1134 and T1135 or to make income tax payments by cheque to the CRA is no longer that of the Ottawa Technology Centre on Heron Road anymore.

The new mailing address to file the T106, T1134 and T1135 forms is:

**Winnipeg Taxation Centre
Data Assessment & Evaluation Programs
Validation & Verification Section
Foreign Reporting Returns
66 Stapon Road
Winnipeg MB R3C 3M2**

The new mailing address to make income tax payments by cheque to the CRA for the current year following the electronic transmission of a T2 return as well as instalment payments is:

**Canada Revenue Agency
P.O. Box 3800, Station A
Sudbury ON P3A 0C3**

Currently, the old mailing address of the Ottawa Technology Centre is still used in both the Client Letter and Client EFILE Letter template (which are accessible by clicking **Client Letter** or **Client EFILE Letter** under the **Goto** menu) for the paragraphs relating to filing the T106, T1134 and T1135 forms.

In addition, the help topic **Refunds and Balance Due - Federal** does not indicate the correct address to make payments by cheque to the CRA.

Note that the T106, T1134 and 1135 forms as well as payments by cheque that were mailed to the old address, as used in the program, in both the Client Letter templates and in the Help, will be automatically redirected by the CRA to the correct tax centre.

Solution:

To print the correct address in the client letter and client EFILE letter to file the T106, T1134 and T1135 forms, the address must be changed in all relevant sections of both letter templates by editing each template and clicking the **Unmerge** button.

The following two paragraphs in the Client Letter template pertaining to the T106 and T1134 forms should read:

A copy of each T106 Supplementary Form should be attached to the signed copy of the T106 Summary Form and filed, separate from the federal return, with the **Winnipeg Taxation Centre, Data Assessment & Evaluation Programs Validation & Verification Section, Foreign Reporting Returns, 66 Stapon Road, Winnipeg MB R3C 3M2.**

A copy of each T1134 Supplementary Form should be attached to the signed copy of the T1134 Summary Form and filed, separate from the federal return, with the **Winnipeg Taxation Centre, Data Assessment & Evaluation Programs Validation & Verification Section, Foreign Reporting Returns, 66 Stapon Road, Winnipeg MB R3C 3M2.**

The following three paragraphs in the Client EFILE Letter template pertaining to the T106, T1134 and T1135 forms should read:

A copy of each T106 Supplementary Form should be attached to the signed copy of the T106 Summary Form and filed, separate from the federal return, with the **Winnipeg Taxation Centre, Data Assessment & Evaluation Programs Validation & Verification Section, Foreign Reporting Returns, 66 Stapon Road, Winnipeg MB R3C 3M2.**

A copy of each T1134 Supplementary Form should be attached to the signed copy of the T1134 Summary Form and filed, separate from the federal return, with the **Winnipeg Taxation Centre, Data Assessment & Evaluation Programs Validation & Verification Section, Foreign Reporting Returns, 66 Stapon Road, Winnipeg MB R3C 3M2.**

Please sign and send a duly completed copy of Form T1135 to the following address: **Winnipeg Taxation Centre, Data Assessment & Evaluation Programs Validation & Verification Section, Foreign Reporting Returns, 66 Stapon Road, Winnipeg MB R3C 3M2.**

To facilitate these changes when you used an unmodified version of both templates, the following template files containing the corrected addresses are available for download:

[CLIENT](#)

[EFILE](#)

To install these files, proceed as follows:

- 1- Access the **T2 Cantax 2017-2** folder on your computer. After the installation, the default location is usually the following: **My Documents\CCH\Cantax\T2 Cantax 2017-2\Data\Templates\.**
- 2- Download the two files and copy them to this location. When prompted to replace the existing files, answer "Yes."

Once these new templates are copied to the relevant location, they will be applied to any returns that are printed subsequently.

This problem will be corrected in *Cantax T2* 18.1.xxx.100.

Schedule 80THER - Capital Cost Allowance (CCA) - All other classes (S80THER)

- The carried forward amount on line 8, "CCA claimed with respect to this UCC balance in preceding taxation years" under the "Class 14.1- Information" tab for a CCA class 14.1 is incorrect when the file being carried forward relates to a shorten taxation year ending on or after January 1, 2017

Problem:

When carrying forward a file which relates to a shorten taxation year (hereafter called the original file) of a corporation ending on or after January 1, 2017, and where a CCA amount has been claimed on line 217, *CCA claimed* for a CCA class 14.1 in Schedule 80THER, the carried forward amount on line 8, *CCA claimed with respect to this UCC balance in preceding taxation years* under the "Class 14.1 - Information" tab is incorrect because it does not take into account the proration of the CCA calculated at 5% on property that was acquired before January 1, 2017 for this Class 14.1. Note that this problem **does not occur** when line 217, *CCA claimed* was overridden in the original file.

Original file:

Under the "Class 14.1 - Information" tab:

UCC balance for property acquired before January 1, 2017 used to calculate the additional deduction	10,000	7
CCA claimed with respect to this UCC balance in preceding taxation years	700	8
Total CCA adjustments under subsection 13(39) ITA in preceding taxation years	0	9
Total CCA adjustments under subsection 13(39) ITA in the current taxation year	0	10
Rate applicable to the additional deduction (%)	2.000	11
Additional deduction for the current taxation year (note 3)	92	12

On Schedule 80THER:

Maximum allowable CCA	323	0	0	323
CCA claimed	217	323	0	323
UCC - end of year	220	8,977	0	8,977

Carried forward file:

Under the "Class 14.1 - Information" tab:

UCC balance for property acquired before January 1, 2017 used to calculate the additional deduction	10,000	7
CCA claimed with respect to this UCC balance in preceding taxation years	1,257	8
Total CCA adjustments under subsection 13(39) ITA in preceding taxation years	0	9
Total CCA adjustments under subsection 13(39) ITA in the current taxation year	0	10
Rate applicable to the additional deduction (%)	2.000	11
Additional deduction for the current taxation year (note 3)	175	12

Solution:

There are two possibilities:

A - The CCA class 14.1 in the original file holds only property acquired before January 1, 2017.

In the original file, add the amount entered on line 8 under the "Class 14.1 - Information" tab and the amount entered on line 217 for the CCA Class 14.1 in Schedule 80THER. Enter the result manually on line 8 in the carried forward file.

Example:

$$\text{CCA} = \$700 + \$323 = \$1023$$

Carried forward file:

Under the “Class 14.1 - Information” tab:

UCC balance for property acquired before January 1, 2017 used to calculate the additional deduction	10,000	7
CCA claimed with respect to this UCC balance in preceding taxation years	1,023	8
Total CCA adjustments under subsection 13(39) ITA in preceding taxation years	0	9
Total CCA adjustments under subsection 13(39) ITA in the current taxation year	0	10
Rate applicable to the additional deduction (%)	2.000	11
Additional deduction for the current taxation year (note 3)	180	12

B -The CCA class 14.1 in the original file holds property acquired before January 1, 2017, and property acquired after December 31, 2016.

1. Do the following calculation using the amounts in the original file:

$$A = \frac{[B - (C + 3 \times (D + E))] \times 5\% \times F}{365} + G + C$$

Where:

B = amount on line 7, *UCC balance for property acquired before January 1, 2017 used to calculate the additional deduction*

C = Amount on line 8, *CCA claimed with respect to this UCC balance in preceding taxation years*

D = Amount on line 9, *Total CCA adjustments under subsection 13(39) ITA in preceding taxation years*

E = Amount on line 10, *Total CCA adjustments under subsections 13(39) ITA in the current taxation year*

F = Number of days in the tax year (line located under line 061, *Tax year-end* in the “Corporate Profile” (T2-ID))

G = amount entered on line 12, *Additional deduction for the current taxation year*

Note that all amounts, except F, are located on the “Class 14.1 - Information” tab.

Original file:

In the “Corporate Profile”:

TAX YEAR:	Date (YYYY/MM/DD)	Time * (HHMM)
Tax year start	060 2017/02/01	
Tax year-end	061 2017/07/31	
Number of days in tax year (maximum of 371 days)	181	

Under the “Class 14.1 - Information” Tab:

UCC balance for property acquired before January 1, 2017 used to calculate the additional deduction	10,000	7
CCA claimed with respect to this UCC balance in preceding taxation years	700	8
Total CCA adjustments under subsection 13(39) ITA in preceding taxation years	0	9
Total CCA adjustments under subsection 13(39) ITA in the current taxation year	250	10
Rate applicable to the additional deduction (%)	2.000	11
Additional deduction for the current taxation year (note 3)	85	12

Example:

$$A = [(\$10,000 - (\$700 + 3 \times (\$0 + \$250))) \times 5\% \times 181/365] + \$85 + \$700 = \$997$$

2. Enter the positive amount A calculated on line 8 in the carried forward file

Carried forward file:

UCC balance for property acquired before January 1, 2017 used to calculate the additional deduction	10,000	7
CCA claimed with respect to this UCC balance in preceding taxation years	997	8
Total CCA adjustments under subsection 13(39) ITA in preceding taxation years	250	9
Total CCA adjustments under subsection 13(39) ITA in the current taxation year	0	10
Rate applicable to the additional deduction (%)	2.000	11
Additional deduction for the current taxation year (note 3)	165	12

This problem will be corrected in *Cantax T2 17.2.3xx.126*.

Ontario

Schedule 566, Ontario Innovation Tax Credit (S566) - Enhanced rate for scientific research and experimental development (SR&ED) qualified expenditures incurred after March 27, 2018

Problem:

In its March 28, 2018 Budget, the Government of Ontario has announced the rate enhancement of the Ontario innovation tax credit (OITC) for SR&ED qualified expenditures incurred after March 27, 2018.

For SR&ED qualified expenditures incurred after March 27, 2018, if a company qualifies for the OITC at the following rates, has a ratio of SR&ED expenditures to gross revenues that is:

- 10% or less, the company would remain eligible for the OITC at the 8% rate;
- Between 10% to 20%, the company would be eligible for an enhanced OITC rate that would increase from 8% to 12% on a straight-line basis as the company's ratio of SR&ED expenditures to gross revenue increases from 10% to 20%;
- 20% and above, the company would be eligible for the OITC at a 12% rate.

In addition, both the gross revenues and SR&ED expenditures must be attributable to Ontario operations. Also, gross revenues and SR&ED expenditures attributable to Ontario operations of associated corporations would be aggregated.

Where the taxation year straddles March 28, 2018, the rate enhancement will be prorated to the number of days after March 27, 2018, on the number of days in the taxation year.

For more precisions on this change, consult page 289 of the document *A Plan for Care and Opportunity*, available on the Government of Ontario Web site at:

<http://budget.ontario.ca/2018/budget2018-en.pdf>

Currently, *Cantax T2* does not take this new measure into account.

Solution:

Based on our understanding, if the corporation qualifies for the OITC and it has SR&ED qualified expenditures incurred after March 27, 2018, override line 712 in Part 7 with the result of the following calculation:

current amount on line 712 in Part 7

+

result obtained by the following calculation:

Proportion of line s in Part 7 relating to SR&ED qualified expenditures incurred after March 27, 2018	X	The rate determined according to the instructions mentioned in the problem less the current rate of 8%	X	Number of days in the taxation year after March 27, 2018	
					Number of days in the taxation year

Example:

The corporation’s taxation year ends on April 30, 2018, and it qualifies for the OITC. The SR&ED qualified expenditures for the taxation year are \$155,000 and SR&ED qualified expenditures after March 27, 2018, are \$55,000. In addition, the corporation’s ratio of SR&ED expenditures to gross revenue is 25%.

Amount on line 712 in Part 7 (\$155,000 X 8%) = \$12,400

+

\$55,000 X (12% - 8%) X (34/365) = \$205

Therefore, override line 712 in Part 7 with \$12,605.

Subtotal (amount V plus amount Y.1)	155,000	+	0	=	702	155,000	Z
Expenditure limit (from line 415, 440, or 445, whichever applies)						3,000,000	r
Lesser of amount Z and r	155,000	+	0	=	707	155,000	s
Ontario innovation tax credit for tax years starting after May 31, 2016 (amount s x 8.00 %)	8.00				712	12,605	AA

We invite you to remain on the lookout for updates that will be announced hereafter by the Government of Ontario concerning this new measure. If required, adjust the amount on line 712 in Part 7 based on the information that will be provided by the Government of Ontario.

This measure will be integrated in Cantax T2 18.1.3xx.100.

Schedule 508, Ontario Research and Development Tax Credit (S508) - Increase in the rate of the tax credit for eligible SR&ED expenditures incurred after March 27, 2018, when the eligible SR&ED expenditures incurred in the year are over \$1,000,000

Problem:

In its March 28, 2018 Budget, the Government of Ontario has announced that the rate of the tax credit for research and development is enhanced by 2%, thus increasing from 3.5% to 5.5% for eligible SR&ED expenditures incurred after March 27, 2018. To qualify for this enhanced rate, the eligible SR&ED expenditures for the current taxation year must be over \$1,000,000 and must represent at least 90% of the eligible SR&ED expenditures for the prior taxation year. In addition, the enhanced rate must be prorated for taxation years that straddle March 28, 2018.

These changes affect the amount on line 202 of Part 3.

For more precisions on this change, consult page 288 of the document *A Plan for Care and Opportunity*, available on the Government of Ontario Web site at: <http://budget.ontario.ca/2018/budget2018-en.pdf>.

Currently, *Cantax T2* does not take this new measure into account.

Solution:

To qualify for the enhanced rate, the corporation must comply with the following three conditions. If the corporation does not comply with the following three conditions, the 3.5% rate applies and no modification needs to be made.

- Verify if the corporation incurred eligible SR&ED expenditures after March 27, 2018.
- Verify if the corporation incurred over \$1,000,000 in eligible SR&ED expenditures in its taxation year.
- Verify that the eligible SR&ED expenditures for the current taxation year represent at least 90% of eligible SR&ED expenditures for the prior taxation year. To do so, divide the amount on line 120 in Part 1 of the current taxation year by the amount on line 120 of the prior taxation year.

To determine the amount of the tax credit to be indicated on line 202, proceed as follows:

- 1) Determine the portions of the amount on line 120 that relate to the eligible SR&ED expenditures incurred before March 28, 2018, and after March 27, 2018.
- 2) Multiply the eligible SR&ED expenditures incurred in the taxation year by 3.5%.
- 3) Multiply the portion of the eligible SR&ED expenditures incurred after March 27, 2018, by 2%.
- 4) Multiply the result obtained at step 3 by the number of days in the taxation year after March 27, 2018, then divide by the number of days in the taxation year.
- 5) Add the results obtained at steps 2 and 4.
- 6) Override line 202 in Part 3 with the total obtained at step 5.

Example:

- A corporation with a taxation year from May 1, 2017, to April 30, 2018, completes Schedule 508.
- The amount indicated on line 120 is \$1,500,000, of which \$200,000 relate to eligible SR&ED expenditures incurred after March 27, 2018.
- The amount indicated on line 120 of the prior taxation year is \$1,600,000.

Conditions:

- Yes, the corporation incurred SR&ED expenditures after March 27, 2018.
- Yes, the corporation incurred over \$1,000,000 in eligible SR&ED expenditures in its taxation year.

- Yes, the eligible SR&ED expenditures for the current taxation year represent at least 90% of eligible SR&ED expenditures for the prior taxation year
 $(\$1,500,000 / \$1,600,000 = 93.75\% \geq 90\%)$.

The eligibility conditions of the enhanced rate are complied with, and therefore, you must proceed as follows:

- 1) The portion of the amount on line 120 that relates to eligible SR&ED expenditures incurred before March 28, 2018, is \$1,300,000 and the portion of the amount on line 120 that relates to eligible SR&ED expenditures incurred after March 27, 2018, is \$200,000.
- 2) $\$1,500,000 \times 3.5\% = \$52,500$
- 3) $\$200,000 \times 2\% = \$4,000$
- 4) $\$4,000 \times 34/365 = \373
- 5) $\$52,500 + \$373 = \$52,873$
- 6) Enter \$52,873 on line 202 using an override.

For tax years that start after May 31, 2016			
Ontario SR&ED expenditure pool (amount G in Part 1)	1,500,000	x 3.50 % =	202 52,873 U
ORDTC allocated to the corporation by a partnership of which it is a member (other than a specified member) for a fiscal period that ends in the corporation's tax year *	207		0 V
Eligible repayments (amount L in Part 2)			0 W
The ORDTC for tax years that start after May 31, 2016 (total of amounts U to W)	232		52,873 X

We invite you to remain on the lookout for updates that will be announced hereafter by the Government of Ontario concerning this new measure. If required, adjust the amount on line 202 in Part 3 based on the information that will be provided by the Government of Ontario.

This measure will be integrated to Cantax T2 18.1.3.xx.100.

Alberta

AT1 Schedule 14, Alberta Cumulative Eligible Capital Deduction (AT1-S14) - Incorrect calculation on line 024 for a taxation year that includes December 31, 2016, and ends on or after January 1, 2017

Problem:

In a taxation year that includes December 31, 2016, and ends on or after January 1, 2017, the program calculates the current year deduction from the cumulative eligible capital balance on line 024, creating a difference between the federal and Alberta taxable income, which makes the AT1-S14 applicable while it should not.

Calculate: (line 014 + line 016 + line 018) X 3/4	020	0
Cumulative eligible capital balance (line 012 - line 020) <i>(If negative, enter "0" at lines 024 and 026 and proceed to AREA B on page 2)</i>	022	10,000
Cumulative eligible capital for a property no longer owned after ceasing to carry on that business	023	0
Current year deduction (line 022 - line 023) x 7% * Carry the sum of line 023 + line 024 to Schedule 12, line 010	024	700
Cumulative eligible capital - closing balance (line 022 - line 023 - line 024)	026	9,300

* You can claim any amount up to the maximum deduction of 7%.
 The deduction may not exceed the maximum amount prorated by the number of days in the taxation year divided by 365. If your taxation year ends after December 31, 2016, and you are using Schedule 14 and the Schedule 14 Supplemental Worksheet to calculate your CEC balance at the beginning of January 1, 2017, you are not entitled to a current year deduction.

Solution:

In this situation, enter 0 on line 024 using an override.

Cumulative eligible capital balance (line 012 - line 020) (If negative, enter "0" at lines 024 and 026 and proceed to AREA B on page 2)	022	10,000
Cumulative eligible capital for a property no longer owned after ceasing to carry on that business	023	0
Current year deduction (line 022 - line 023) x 7% * Carry the sum of line 023 + line 024 to Schedule 12, line 010	024	0
Cumulative eligible capital - closing balance (line 022 - line 023 - line 024)	026	10,000

This problem will be corrected in Cantax T2 18.1.3xx.100.

British Columbia

Schedule 5, Tax Calculation Supplementary - Corporations (S5) - Extension of the British Columbia book publishing tax credit

Problem:

As a result of the tabling of Bill 2, on February 20, 2018, the Government of British Columbia announced the extension of the British Columbia book publishing tax credit for an additional three years, i.e. until March 31, 2021.

Currently, Cantax T2 displays a diagnostic in the "Warnings" section of the **Diagnostics** pane, which indicates that the credit can only be claimed for tax years that start before April 1, 2018, when the corporation meets the following conditions:

- it has a permanent establishment in British Columbia;
- its tax year starts after March 31, 2018; and
- a base amount of Publishing support contributions received in its tax year is entered on line 886 in Part 2, "British Columbia tax payable, tax credits, and rebates" of Schedule 5.

Diagnostics	
WARNINGS	
T2-ID - Fiscal year is less than 365 days. Some amounts may be prorated.	
T2 - The corporation's final tax payment for the year is due no later than three months after the corporation's year-end.	
S5 - The British Columbia book publishing tax credit can only be claimed for a taxation year ending after September 30, 2002, and starting before April 1, 2018.	
Instal-1 - The tax year is less than 183 days. The instalments could require further adjustment (Refer to subsection 5301(3) of the Income Tax Regulations or the applicable legislation of Alberta.)	
British Columbia book publishing tax credit (amount on line 886 multiplied by 90%)	665 45,000
Base amount of Publishing support contributions received in the tax year	886 50,000

This diagnostic should not display.

Solution:

In this situation, enter the base amount of Publishing support contributions received in the tax year on line 886 of Schedule 5 and ignore the diagnostic.

This measure will be integrated into Cantax T2 18.1.3xx.100.

Schedule 427, British Columbia Corporation Tax Calculation (S427) - The reduction for the credit unions deduction is abolished starting in 2017

Problem:

In its 2017 Budget and its Bill 2, tabled on September 11, 2017, the Government of British Columbia announced that, for days after December 31, 2016, it was re-establishing the full deduction granted to credit unions for purposes of calculating eligible income at the lower tax rate. This change means that, for those days, the rate that should be applied to the deduction granted to credit unions is 100% rather than 80%. Currently, *Cantax T2* does not take this new measure into account.

Solution:

If the corporation's taxation year ends after December 31, 2016, it has a permanent establishment in British Columbia and an amount for the credit unions deduction is calculated on line 3 of Schedule 427, proceed as follows to correctly calculate the deduction amount.

Enter the result of the following calculation on line 5 using an override:


$$\left(\frac{\text{Number of days after December 31, 2015, and before January 1, 2017}}{\text{Number of days in the taxation year}} \times 80\% + \frac{\text{Number of days in the taxation year after December 31, 2016}}{\text{Number of days in the taxation year}} \times 100\% \right) \times \text{Amount 3}$$

Example:

The following calculation has to be performed for a corporation with a taxation year that starts on September 1, 2016, and ends on August 31, 2017, with the amount of \$100,000 on line 3.

$$\left(\frac{122 \text{ days}}{365 \text{ days}} \times 80\% + \frac{243 \text{ days}}{365 \text{ days}} \times 100\% \right) \times \$100,000 = \$93,315$$

For credit unions only:					
Amount D from Schedule 17, Credit Union Deductions	600,000	1			
Amount E above	500,000	2			
Subtotal (amount 1 minus amount 2, if negative, enter "0")	100,000		100,000	3	
Amount 3	0	X	Number of days in the tax year before January 1, 2016	0	=
			Number of days in the tax year	365	
Amount 3	100,000	X	Number of days in the tax year after December 31, 2015	365	X
			Number of days in the tax year	365	
					X 80.00 % =
					93,315
					5



This measure will be integrated into *Cantax T2* 17.2.3xx.126.