Corporate Taxprep

Frequently Asked Questions

2018 Versions

Client filter and customized diagnostic templates now offered with the Frequently Asked Questions

To assist you in identifying clients that could be affected by the described subjects, a downloadable client filter and customized diagnostic template is now associated with certain questions. These templates allow you to display a diagnostic in the returns that have tax situations that were the subject of an FAQ and provide access to a list of clients affected by the problems described.

Installing the client filter and diagnostic template

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

1. Launch *Taxprep*.
2. On the **Tools** menu, click **Options and Settings**.
3. Under **Options**, click **File Locations**.
4. Verify the predefined location for the filters and diagnostics. After the installation, the default location is usually the following:
   My Documents\CCH\T2 Taxprep 2018-x\Filter and Diagnostics.
5. Copy the downloaded file to this location.
   The client filter will be available in the Client Manager, while the diagnostic will display in the relevant returns.

Note: The table below lists all of the client filter and diagnostic templates, which allows you to download them separately, depending on the troubleshooting memos and FAQs that relate to you. To download all templates in a single operation, click the **Download all templates** button, then copy all zipped files into the folder **My Documents\CCH\T2 Taxprep 2018-x\Filter and Diagnostics**.

Download all templates

Publication	Subject/Question	Affected Version	Identifier (to download the client filter and diagnostic template, if applicable)
March 2019	Changes at Revenu Québec: Request your Représentant PRO + accreditation without being a member of a professional order	Not applicable	FT22018-001
March 2018	Schedule 7, Aggregate Investment Income and Active Business Income (Jump Code: 7) - Schedule 7 is not applicable where the corporation's Canadian active business income (ABI) eligible for the small business deduction (SBD) is nil in some situations	Version 2017 2.0	FT22017-003
August 2017	Schedule 8 WORKCHART, Capital Cost Allowance (CCA) Workchart (Jump Code: 8 WORKCHART) - Creation of a CCA class 14.1 for taxation years that include January 1, 2017	Version 2017 1.0	FT22017-002
December 2016	Schedule 89, Request for Capital Dividend Account Balance Verification (Jump Code: 89) - Disposition of an eligible capital property and the capital dividend account	Version 2016 2.0	FT22016-001
January 2016	Electronic filing with the Canada Revenue Agency (CRA) - Using a Web Access Code (WAC)	Version 2015 2.0	FT22015-004
January 2016	CO-17 bar code returns filed with version 2015 2.0	Version 2015 2.0	FT22015-003
September 2015	Electronic filing with the federal government - Returns filed in EDI format using versions prior to Corporate Taxprep 2009 v.1.0	Version 2008 2.0 and previous versions	FT22015-002

Publication	Subject/Question	Affected Version	Identifier (to download the client filter and diagnostic template, if applicable)
June 2015	CO-17.A.1, Net Income for Income Tax Purposes (Jump Code: Q1) - Amount calculated on line 54 and implementation of Form CO-17.B, Adjustment of Income from One or More Partnerships (Jump Code: CO17B)	Version 2015 1.1	FT22015-001
February 2015	InfoConnect functionality	Version 2014 2.0	FT22014-025
October 2014	Filing of the annual updating declaration with the Registraire des entreprises du Québec, and registration fee exemption	Version 2014 1.0 and later	FT22014-023
May 2014	Schedule 88 - Internet Business Activities (Jump Code: 88) - Filing the form	Version 2014 1.0 and later	FT22014-022
February 2014	EFILE CO-17 - Error code 13965 and Corporate Taxprep versions that can be used for electronic filing with “Clic Revenu” or “NetFile Québec”	Version 2013 2.0 and later	FT22014-021
June 2013	Schedule 71, Income Inclusion for Corporations that Are Members of Single-Tier Partnerships (Jump Code: 71), and Schedule 72, Income Inclusion for Corporations that Are Members of Multi-Tier Partnerships (Jump Code: 72) - Current fiscal period of the partnership	Version 2013 1.0 and later	FT22014-019
January 2013	Internet filing of Québec tax return prepared by tax preparers	Version 2012 2.0 and later	FT22014-017
February 2012	CO-1136, Calculation of Paid-Up Capital (Jump Code: 1136) - Filing of the form	Version 2011 2.0 and later	FT22014-016
January 2011	Electronic Filing and balance payment	Version 2010 2.0 and later	FT22014-015

Publication	Subject/Question	Affected Version	Identifier (to download the client filter and diagnostic template, if applicable)
January 2011	Electronic Filing and balance payment	Version 2010 2.0 and later	FT22014-014
January 2011	Electronic Filing and balance payment	Version 2010 2.0 and later	FT22014-013
June 2010	Notes, Notes to the Financial Statements (Jump Code: NOTES) - Diagnostic N11	Version 2010 1.0 and later	FT22014-012
Before 2010	T661, Scientific Research and Experimental Development (SR&ED) Expenditures Claim (Jump Code: 661) - Calculations of line 429b and 429b2	Versions 2009 and later	FT22014-011
Before 2010	T661, Scientific Research and Experimental Development (SR&ED) Expenditures Claim (Jump Code: 661) Part 2, Project information (Jump Code: 661 PART 2)	Versions 2009 and later	FT22014-010
Before 2010	Schedule 141, Notes Checklist (Jump Code: G141) - Parts 1 and 4	Versions 2009 and later	FT22014-009
Before 2010	Schedule 13, Continuity of reserves (Jump Code: 13) - Section “Financial statement reserves (not deductible) (federal)”	Versions 2009 and later	FT22014-007
Before 2010	Schedule 24, question 100, type of operation that applies to the corporation	Versions 2009 and later	FT22014-006
Before 2010	Returns Filed Without a Business Number (BN)	Versions 2009 and later	FT22014-005
Before 2010	Québec Returns Filed Without an Identification Number	Versions 2009 and later	FT22014-004
Before 2010	Schedule 546, Corporations Information Act Annual Return for Ontario Corporations (Jump Code: 546) - Schedule filing	Versions 2009 and later	FT22014-003

Publication	Subject/Question	Affected Version	Identifier (to download the client filter and diagnostic template, if applicable)
Before 2010	GIFI – Non-resident Corporations	Versions 2009 and later	FT22014-002

Federal

Question FT22017-003

(Published in March 2018 and applicable to the current version)

Schedule 7, Aggregate Investment Income and Active Business Income (Jump Code: 7) – Schedule 7 is not applicable where the corporation's Canadian active business income (ABI) eligible for the small business deduction (SBD) is nil in some situations

QUESTION

Why is the CRA asking corporations to file Schedule 7 when it is not applicable in the T2 return filed with *Corporate Taxprep*?

ANSWER

Corporate Taxprep establishes the applicability of Schedule 7 based on criteria set forth on line 207 of Schedule 200, *T2 Corporation Income Tax Return* (Jump Code: **J**). These applicability criteria are:

i) Is the corporation claiming the small business deduction and reporting:

   a) Income or loss from property (other than dividends deductible on line 320 of the T2 return),
   b) Income from a partnership,
   c) Income from a foreign business,
   d) Income from a personal services business,
   e) Income referred to in clause 125(1)(a)(i)(C) or 125(1)(a)(i)(B) ITA, or
   f) Business limit assigned under subsection 125(3.2) ITA;

Or

ii) Does the corporation have aggregate investment income at line 440 of the T2 return?

After the implementation of rules set forth in the 2016-2017 Federal Budget and intended to preclude the multiplication of access to the SBD, with respect to specified partnership income and specified corporate income and taking into account the above-mentioned applicability criteria, Schedule 7 is currently not applicable in two specific situations:

The corporation's ABI eligible for the SBD calculated on line Z in Part 5 is nil (therefore, the corporation is not claiming the SBD on line 430 of the T2 return) **and**:

1. The corporation only received corporate income described under clause 125(1)(a)(i)(B) ITA, which is entered on line 610 in the table of Part 6 and no business limit was assigned to it on line 620 in the same table; **or**
2. The corporation only received income generated as a designated member of a partnership, which is entered on line 311 in table 1 of Part 3 and no specified partnership business limit is assigned to it under subsection 125(8) ITA on line 420 of table 3 in the same part.

In these two situations, the CRA's assessment agents will generally ask corporations to file a Schedule 7 because they cannot determine the reasons why the corporation's ABI eligible for the SBD is nil.

In spring 2018, the CRA should release an updated version of the T2 return in which the applicability criteria set forth on line 207 will be updated. At that time, and as soon as *Corporate Taxprep* 2018 v.1.0 is released, Schedule 7 will be automatically applicable in the two situations described above.

Question FT22017-002

(Published in August 2017 and applicable to the current version)

Schedule 8 WORKCHART, Capital Cost Allowance (CCA) Workchart (Jump Code: 8 WORKCHART) – Creation of a CCA class 14.1 for taxation years that include January 1, 2017.

QUESTIONS

For some time now, the creation of a CCA class 14.1 in Schedule 8 WORKCHART has raised many questions from our clients, the most frequent being:

1. Why does the program automatically create a CCA class 14.1?
2. What data is transferred from Schedule 10 (Jump Code: **10**) to class 14.1?
3. Where do I enter data relating to eligible capital property (ECP) for the year straddling January 1, 2017?
4. Why does the program calculate the CEC deduction in Schedule 10 even though it is no longer applicable? And why is version 2017 of Schedule 10 not included in *Corporate Taxprep* 2017 v.1.1?
5. Why does the CCA calculated in Schedule 8 differ from the CEC deduction amount calculated in Schedule 10?
6. As the program automatically creates CCA class 14.1, are there any situations in which lines of class 14.1 are not completed?

ANSWERS

1. *Why does the program automatically create a CCA class 14.1?*

Following the tabling of the March 22, 2016 Federal Budget and Bill C-29, which was given Royal Assent on December 15, 2016, the rules relating to eligible capital property (ECP) set out in section 14 of the *Income Tax Act* (ITA) have been repealed and replaced by the rules relating to depreciable capital property of section 13 ITA and by the new class 14.1 in Schedule II of the *Income Tax Regulations*, effective January 1, 2017.

Therefore, on this date, property that was ECP becomes depreciable property and expenditures and receipts that were subject to the rules relating to ECP will be subject to the rules for depreciable capital property.

As a result, the program automatically creates a CCA class 14.1 when the corporation's taxation year straddles January 1, 2017. In cases where the taxation year starts on January 1, 2017, the class will be created when the client file is rolled forward.

2. *What data is transferred from Schedule 10 (Jump Code: **10**) to class 14.1?*

The data entered in Part 2 and in the *Table of CEC deductions from income of previous years* of Schedule 10, as the case may be, as well as data entered in the *Cumulative Eligible Capital Deduction Workchart* (Jump Code: **10 WORKCHART**) are used to calculate lines G to J in the "Information relating to class 14.1" section of Schedule 8 WORKCHART. Note that a separate class 14.1 will be created for each different business name entered in Schedule 10 WORKCHART. All copies of Schedule 10 WORKCHART not containing a business name will be grouped in a single copy for class 14.1.

The undepreciated capital cost (UCC) opening balance on line 201 of the new class 14.1 is equal to the CEC closing balance on December 31, 2016.

In addition, for each copy of the *Eligible Capital Property Additions and Dispositions Workchart* (Jump Code: **10 WORKCHART ADD**) created, a corresponding copy of the *Additions and Dispositions Workchart* (Jump Code: **8 WORKCHART ADD**) will be created.

3. *Where do I enter data relating to eligible capital property (ECP) for the year straddling January 1, 2017?*

Because class 14.1 is created on January 1, 2017, all ECP-related transactions must be entered in Schedule 10 when the transaction date is prior to January 1, 2017, and in class 14.1 of Schedule 8 WORKCHART when the transaction date is after December 31, 2016.

4. *Why does the program calculate the CEC deduction in Schedule 10 even though it is no longer applicable? And why is version 2017 of Schedule 10 not included in Corporate Taxprep 2017 v.1.1?*

While at present, Schedule 10 is no longer applicable for taxation years ending after December 31, 2016, we kept the calculations on screen so as to allow you to identify where the amounts in the new class 14.1 are transferred from. However, all amounts calculated in that class are not transmitted to the CRA nor are they included in the calculations of any other federal schedules, including Schedule 1 (Jump Code: **1**).

The 2017 version of Schedule 10 released by the CRA, which includes two new sections used to perform calculations related to ECP on January 1, 2017, as well as instructions relating to the calculation of the CEC deduction, will be applicable for the taxation year of a corporation straddling January 1, 2017. However, because the CRA assessment system is not able to receive new lines in this section of Schedule 10 and because they will only be included when the system is updated in the fall of 2017, this version of the schedule will only be available in the next version of *Corporate Taxprep*, scheduled to be released in December 2017, and changes will be performed to follow the instructions entered on this new version of the schedule.

Note: Two parts have been added to Schedule 10 in *Corporate Taxprep* 2017 v.2.0 for the taxation year that includes December 31, 2016, and ends on or after January 1, 2017:

- Part 3 calculates the undepreciated capital cost (UCC) of new class 14.1 on January 1, 2017.
- Part 4 allows you to make the two elections provided for under the transitional rules set out in paragraph 13(38)(d) of the ITA and calculates the adjustments required in the T2 return.

Also note that, for the year straddling January 1, 2017:

- The CEC deduction and the CEC closing balance in Part 1 of Schedule 10 will no longer be calculated.

- Data in Schedule 10 will be included in the T2-Bar codes and will be transmitted electronically to the CRA.

5. *Why does the CCA calculated in Schedule 8 differ from the CEC deduction amount calculated in Schedule 10?*

The regular rate for CCA class 14.1 is 5%.

As well, for taxation years ending before 2027, you can deduct:

- An additional CCA of 2% applicable on the UCC balance on January 1, 2017, (net of all CCA deduction relating to this UCC claimed for taxation years ending after 2016), bringing the total rate at 7%; and
- Up to $500 of CCA when the total of the "regular" CCA of 5% and the additional CCA of 2% is less than $500.

The program calculates the additional CCA in order to maximize the deduction, which can explain the difference. The difference can also be the result of an addition or a disposition of eligible capital property after December 31, 2016.

6. *As the program automatically created CCA class 14.1, are there any situations in which lines in class 14.1 are not completed?*

When several CCA class 14.1 are created by the program on January 1, 2017, because several business names are entered in the copies of Schedule 10 WORKCHART, certain fields will be input fields in the "Information relating to class 14.1" section of Schedule 8 WORKCHART. However, diagnostics will prompt you to enter relevant data for each class 14.1.

In addition, when the *Eligible Capital Property Additions and Dispositions Workchart* is not used, diagnostics will prompt you to complete the *Additions and Dispositions Workchart* corresponding to the new class 14.1. These non-mandatory diagnostics, which appear only in the taxation year that includes January 1, 2017, were implemented so you can allocate a capital cost to each property part of the class and this way comply with the rules enacted by paragraph 13(38)(b) ITA. If you do not want to track the capital cost of each property in the class, simply do not take the diagnostics into account.

To obtain more information on this topic and on the calculations in the program, refer to the section relating to eligible capital property (class 14.1) in the program Help (F1), accessible under the topic **Schedule 8, Capital Cost Allowance (CCA)**.

For more information on the legislation, refer to subsections 13(34) to 13(42) of the *Income Tax Act*, subparagraph 1100(1)(a)(xii.1) and paragraph 1100(1)(c.1) of the *Income Tax Regulations* as well as to the *Explanatory Notes Relating to the Income Tax Act, Excise Tax Act, Excise Act, 2001 and Related Texts*, published by the Minister of Finance on October 21, 2016.

Question FT22016-001

Schedule 89, Request for Capital Dividend Account Balance Verification (Jump Code: 89) - Disposition of an eligible capital property and the capital dividend account

(Published in December 2016 and applicable to the current version)

QUESTION

Why can’t the non-taxable portion of eligible capital property sales for the current year (line L), calculated under paragraph c.2 of the “capital dividend account” definition set out in subsection 89(1) ITA, be paid out of the capital dividend account (CDA) during the taxation in which the disposition occurred?

ANSWER

For a taxation year ending after October 17, 2000, and before January 1, 2017, the non-taxable portion of eligible capital property sales is added to the CDA at the end of the taxation year.

However, the interaction between paragraph 83(2)(a) ITA and paragraph c.2 of the “capital dividend account” definition set out in subsection 89(1) ITA do not allow for the payment of the capital dividend out of the CDA account when the disposition of an eligible property occurred during the year.

If the corporation pays a dividend out of its CDA, which includes the non-taxable portion of eligible capital property sales for the year during which the disposition occurred, the corporation will have made an excessive dividends payment and will be subject to Part III tax of the ITA. In Schedule 89, custom line L indicates the non-taxable portion of eligible capital property sales for the current year. As for custom line M, it displays the CDA balance up to which a capital dividend can be paid.

In the example below, there has been disposition of an eligible property during the taxation year, and no CDA balance is available (line M). Therefore, the corporation cannot pay a capital dividend during the taxation year.

Part 4 – CDA balance

Include the non-taxable portion of capital gains (including the non-taxable portion of capital gains from a trust after September 15, 2016) and the non-deductible portion of capital losses (total of column 2 in Part 1; if negative enter "0")	0	A
Capital dividends received (total of column 3 in Part 1)	0	B
Eligible capital property for taxation years ending before January 1, 2017 (as calculated per former paragraphs 89(1)(c), (c.1) and (c.2); if negative, enter "0")	25,000	C
Life insurance proceeds (total of column 4 in Part 1; if negative, enter "0")	0	D
Life insurance CDA (Note 7)	0	E
Non-taxable portion of capital gains from a trust before September 16, 2016 (total of column 5 in Part 1)	0	F
Capital dividends from a trust (total of column 6 in Part 1)	0	G
Amounts from predecessor and subsidiary corporations (Note 8)	0	H
Subtotal (total of amounts A to H)	25,000	I
Capital dividends that previously became payable (total of column 7 in Part 1)	0	J
CDA balance (amount I **minus** amount J)	25,000	K
Deduct: Non-taxable portion of eligible capital property sales for the current year	25,000	L
CDA balance up to which a capital dividend can be paid (amount K **minus** amount L). For more details, consult the Help.	0	M
Balance of the capital dividend account at the end of the previous taxation year	0	

Note that when the corporation’s taxation year straddles January 1, 2017, and the corporation makes the election under subparagraph 13(38)(d)iii) ITA in Schedule 10 (Jump Code: **10**), the corporation can immediately use the non-taxable portion of eligible capital property sales for the current year in order to pay a capital dividend to its shareholders out of its CDA. Therefore, the amount on line L will be equal to zero.

Question FT22015-004

(Published in January 2016 and applicable to the current version)

Electronic filing with the Canada Revenue Agency (CRA) – Using a Web Access Code (WAC)

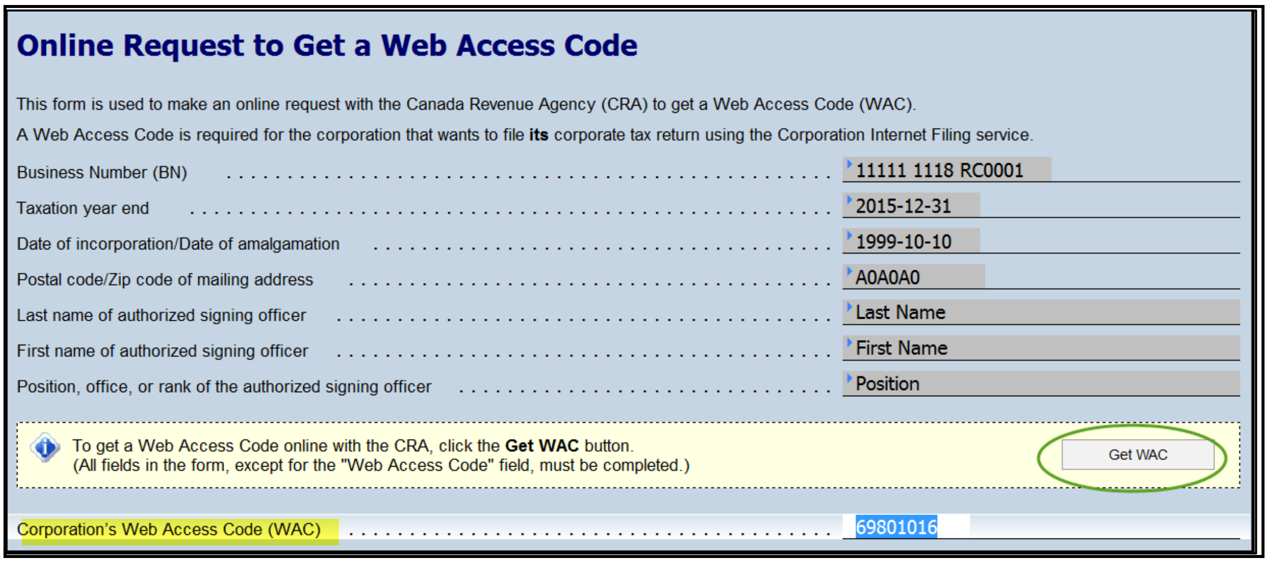
QUESTION

How can I use a WAC to electronically file T2 returns with the CRA?

ANSWER

To electronically file a T2 return using a WAC, follow the steps below:

1. In version 2014 1.0 and future versions of *Corporate Taxprep*, you can use Form *Online Request to Get a Web Access Code* (Jump Code: **WAC**) directly in the software. To get a WAC, click the **Get WAC** button in this form. The program will then transmit the information displayed in the form, and the WAC will display on the line *Corporation's Web Access Code (WAC)* once the information is validated by the CRA.



Online Request to Get a Web Access Code

This form is used to make an online request with the Canada Revenue Agency (CRA) to get a Web Access Code (WAC).
A Web Access Code is required for the corporation that wants to file **its** corporate tax return using the Corporation Internet Filing service.

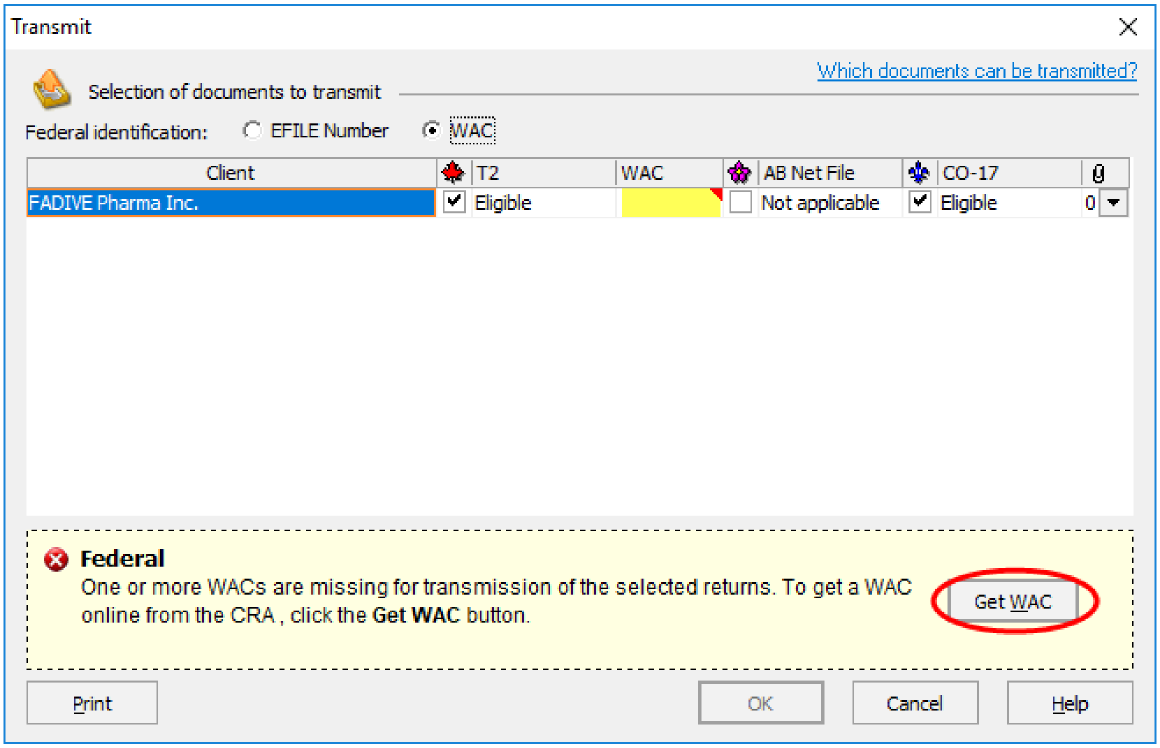
Business Number (BN)	11111 1118 RC0001
Taxation year end	2015-12-31
Date of incorporation/Date of amalgamation	1999-10-10
Postal code/Zip code of mailing address	A0A0A0
Last name of authorized signing officer	Last Name
First name of authorized signing officer	First Name
Position, office, or rank of the authorized signing officer	Position

To get a Web Access Code online with the CRA, click the **Get WAC** button.
(All fields in the form, except for the "Web Access Code" field, must be completed.)

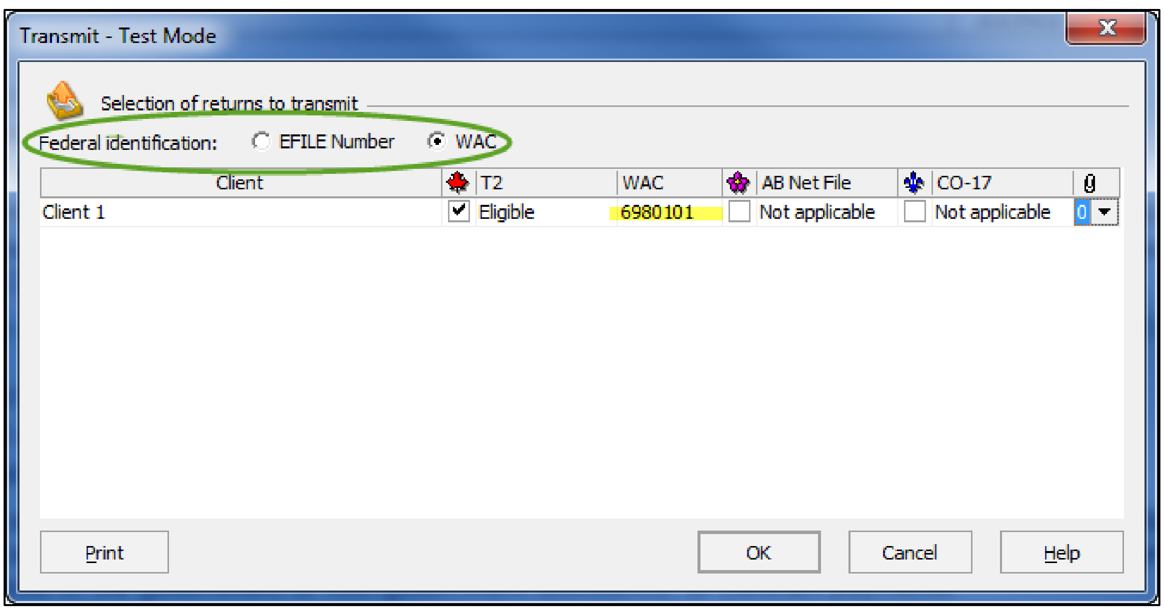
Get WAC

Corporation's Web Access Code (WAC)	69801016

Note that if the WAC form contains all of the information required to get a WAC and you want to get a WAC to file one or more returns, you can request a WAC in a single step when filing the applicable returns via the Internet by clicking the **Get WAC** button in the **Transmit** dialog box.



2. Then, in the **Transmission** menu, click **Transmit** to display the **Transmit** dialog box. The program will prompt you to save the return before continuing if you have not already done so after getting the WAC. You have to manually select "WAC" by choosing the option box in the right portion of the **Transmit** dialog box to use the WAC and not the EFILE number. The WAC is selected for filing when the number is shown in the WAC column.



3. Finally, click **OK** in order to electronically file the T2 return.

If you are using a version prior to *Corporate Taxprep* 2014 v.1.0 or if you do not want to use the WAC form, you can obtain a WAC from the CRA online or by phone (consult the Disclaimer - Online Web access code page of the CRA for more information). You will then need to enter the number obtained in the **WAC** column of the **Transmit** dialog box.

Because a WAC number is unique to each corporation, each tax year end and each transmission, you will have to use the above-described procedure for each T2 return that you want to electronically file with the CRA.

Question FT22015-002

(Published in September 2015 and applicable to the current version)

Electronic filing with the federal government - Returns filed in EDI format using versions prior to Corporate Taxprep 2009 v.1.0

QUESTION

Is it true that beginning in October 2015, the Canada Revenue Agency's (CRA) Corporation Internet Filing (CIF) page will no longer accept the T2 returns filed in EDI format?

ANSWER

Yes. Beginning on October 19, 2015, the CRA's Corporation Internet Filing (CIF) page will no longer accept T2 returns filed in EDI format. This format has been replaced in 2009, but the CIF page continued accepting returns in EDI format.

Corporate Taxprep was using the EDI format for the electronic transmission of returns until version 2008 2.0 inclusively. Therefore, beginning on October 19, 2015, the CRA's CIF page will reject returns transmitted using versions prior to *Corporate Taxprep* 2009 v.1.0 by issuing message no. 40: "We no longer accept returns in the format of the attached file. Please file your return on paper."

However, you will be able to use *Corporate Taxprep* 2009 v.1.0 and later versions to electronically file returns whose taxation year start and end dates are supported.

If this solution is impossible, you will have to print the bar codes and file them with CRA in paper version.

Question FT22014-022

(Published in May 2014 and applicable to the current version)

Schedule 88 - Internet Business Activities (Jump Code: 88) - Filing the form

QUESTION

When does a corporation that earned income on the Internet have to file Schedule 88 with its T2 return?

ANSWER

The Canada Revenue Agency (CRA) has extended the filing date for Schedule 88.

According to the CRA's latest guidelines, if the corporation earns income from one or more Web pages or Web sites, you are required to file the new Schedule 88, *Internet Business Activities* along with your corporation income tax return (T2) for tax years where your filing due date **is after December 31, 2014**.

When Schedule 88 is applicable, data it contains will be included in the *T2 – Bar Codes* return and in the transmission file.

For more information on Schedule 88, please visit the Web page "Reporting Internet business activities" of the CRA Web site at: https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/e-commerce/e-commerce.html.

Question FT22014-019

(Published in June 2013 and applicable to the current version)

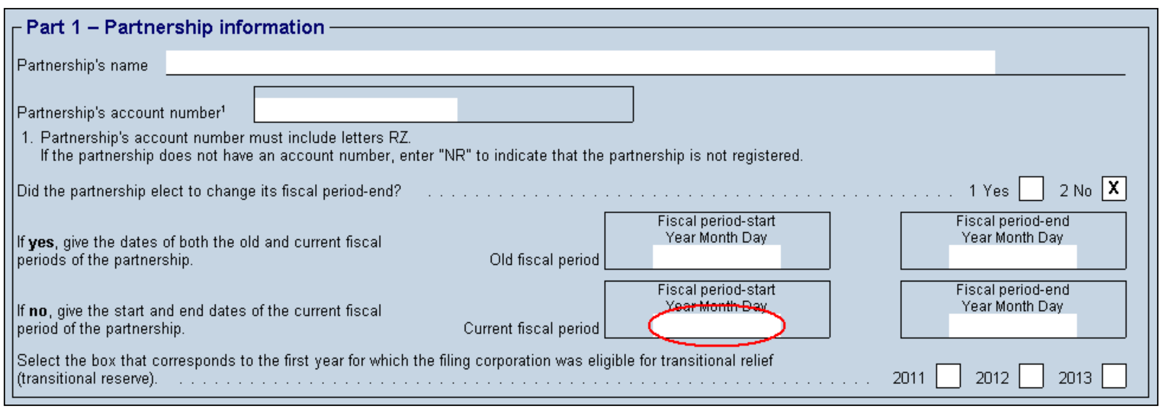
Schedule 71, Income Inclusion for Corporations that Are Members of Single-Tier Partnerships (Jump Code: 71), and Schedule 72, Income Inclusion for Corporations that Are Members of Multi-Tier Partnerships (Jump Code: 72) - Current fiscal period of the partnership

QUESTION

In the calculation of the Adjusted Stub Period Accrual in Part 3 of Schedule 71 and/or Schedule 72, why is the number of days in the stub period calculated by *Taxprep* greater than the number of days in the fiscal period(s) of the partnership that end in the corporation's taxation year?

ANSWER

As noted in the *Troubleshooting Memo* of *Corporate Taxprep* 2012 v.2.0 issued in January 2013, the CRA has indicated that the current fiscal period of the partnership to be entered in Part 1 of Schedule 71 and/or Schedule 72 should be the fiscal period that **starts** in the corporation's taxation year and that **ends** after the end of the corporation's taxation year. The calculations in Schedules 71 and 72 of *Corporate Taxprep* 2013 v.1.0 were adjusted to reflect this requirement.



If the current fiscal period of the partnership shown in Part 1 is the fiscal period that ends in the corporation's taxation year, instead of the fiscal period that starts in the corporation's taxation year and that ends after the end of that same taxation year, the number of days in the stub period will be calculated incorrectly. Ensure that the appropriate current fiscal period is entered in Part 1 in order for the correct calculation to be performed in Part 3, which relates to the Adjusted Stub Period Accrual.

If an Alberta and/or a Québec copy have been created for Schedule 71 and/or Schedule 72, you will have to make the same modifications in those copies as was made in the federal copy.

Question FT22014-015

(Published in January 2011 and applicable to the current version)

Electronic Filing and balance payment

QUESTION

How can I pay the balance due when I electronically file a corporate tax return?

ANSWER

We invite you to consult the Canada Revenue Agency (CRA) Web site at the following address to become familiar with the different methods to pay a balance due when a return is electronically filed with the federal government:

https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/corporations/corporation-payments/make-a-payment.html.

If you electronically file a CO-17 return, we invite you to consult the *Revenu Québec* Web site at the following address to become familiar with the different methods to pay a balance due when a return is electronically filed with the Québec government: https://www.revenuquebec.ca/fr/entreprises/impots/impot-des-societes/paiement-de-limpot-des-societes/paiement-du-solde-dimpot-dune-societe/

If you electronically file an AT1 return, we invite you to consult the *Alberta Treasury Board and Finance* Web site at the following address to become familiar with the different methods to pay a balance due when a return is electronically filed with the Alberta government: http://www.finance.alberta.ca/publications/tax_rebates/making-payments.html#epay.

Question FT22014-012

(Published in January 2010 and applicable to the current version)

Notes, Notes to the Financial Statements (Jump Code: NOTES) - Diagnostic N11

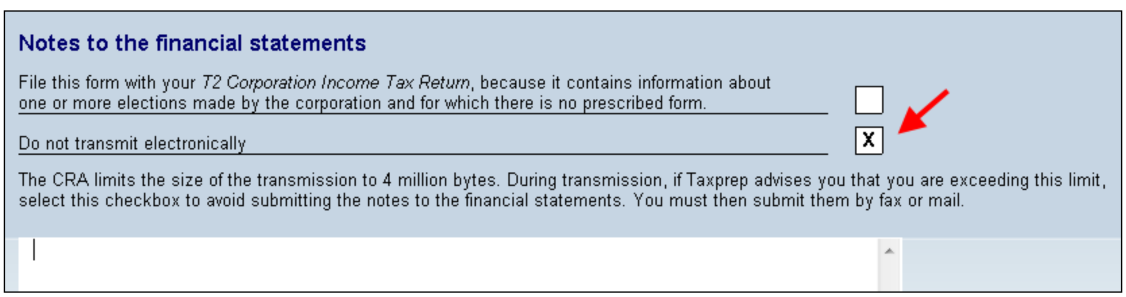
QUESTION

How can I clear the diagnostic N11 when I am not transmitting electronically the notes to the financial statements with the Notes form?

N11 - Schedule 141 - The return has been selected for Corporation Internet Filing and you have answered "Y" to the question on line 141101. However, there are no notes in the GIFI Notes form.

ANSWER

In the Notes form, select the box **Do not transmit electronically**.



Notes to the financial statements

File this form with your *T2 Corporation Income Tax Return*, because it contains information about one or more elections made by the corporation and for which there is no prescribed form. ☐

Do not transmit electronically ☒

The CRA limits the size of the transmission to 4 million bytes. During transmission, if Taxprep advises you that you are exceeding this limit, select this checkbox to avoid submitting the notes to the financial statements. You must then submit them by fax or mail.

Question FT22014-011

(Published before 2010 and applicable to the current version)

T661, Scientific Research and Experimental Development (SR&ED) Expenditures Claim (Jump Code: 661) - Calculations of line 429b and 429b2

QUESTION

How can I ensure that the program is correctly calculating the amounts at lines 429b and 429b2 of Form T661 in respect of the Ontario innovation tax credit and the Ontario research and development tax credit?

ANSWER

Here are the steps to follow to ensure that the program correctly calculates the amounts at lines 429b and 429b2 of Form T661:

Step 1: Complete Form T661.

Step 2: Complete Schedule 508, *Ontario Research and Development Tax Credit* (Jump Code: **508**), but don't enter any amount at line 105 of the schedule.

Step 3: Complete Schedule 566, Ontario Innovation Tax Credit (Jump Code: **566**), but don't enter any amount at line Government assistance, non-government assistance or a contract payment in respect of eligible expenditures of Schedule A located at the bottom of the schedule.

Step 4: Enter, at line 105 of Schedule 508, the government assistance, non-government assistance or a contract payment amount for eligible expenditures, but exclude the amounts calculated at lines 513b2 and 514b2 of Form T661.

Step 5: Enter, at line 514b2 of Form T661, the portion of the Ontario Research and Development Tax Credit (Schedule 508) attributable to the capital expenditures. For more details on the calculation that has to be done, please consult section 38 of the *Taxation Act, 2007* (Ontario) and the SR&ED application policy 2005-02 available on the CRA Web site at the following address: https://www.canada.ca/en/revenue-agency/services/scientific-research-experimental-development-tax-incentive-program/assistance-contract-payments-policy.html.

Step 6: Enter, in Schedule A of schedule 566, the government assistance, non-government assistance or a contract payment for eligible expenditures for the current expenditures and capital expenditures, but exclude the amounts calculated at lines 513b, 513b1 and 513b2 of Form T661 for the current expenditures, and the lines 514b, 514b1 and 514b2 for the capital expenditures.

Step 7: Repeat steps 4, 5 and 6.

Step 8: Repeat step 7 until the results stay unchanged to the nearest dollar.

Question FT22014-010

(Published before 2010 and applicable to the current version)

T661, Scientific Research and Experimental Development (SR&ED) Expenditures Claim (Jump Code: 661) Part 2, Project information (Jump Code: 661 PART 2)

QUESTION

Why doesn't *Taxprep* respect the maximum word limitation for fields 242, 244 and 246 as mentioned on the CRA Form T661, *Scientific Research and Experimental Development (SR&ED) Expenditures Claim*?

ANSWER

A limited number of words for fields 242, 244 and 246 is specified on the CRA Form T661; however, the CRA requires that software developers meet the following requirements instead:

fields 242 and 246 must contain a maximum of 50 lines and field 244 must contain a maximum of 100 lines. Note that the CRA also requires that each line contain a maximum of 78 characters.

Question FT22014-009

(Published before 2010 and applicable to the current version)

Schedule 141, Notes Checklist (Jump Code: G141) – Parts 1 and 4

QUESTION

What are the requirements to meet when completing Parts 1 and 4 of the GIFI Schedule 141?

ANSWER

If the person that prepares the tax return **is also** the person that prepared or reported the financial statements, he must complete Parts 1 and 4 (lines 101 to 108).
If the person that prepares the tax return **is not** the person that prepared or reported the financial statements, he must complete Parts 1 and 4 (lines 101 to 108). Furthermore, he must answer on line 110 **only** if he has a professional designation.

Question FT22014-007

(Published before 2010 and applicable to the current version)

Schedule 13, Continuity of reserves (Jump Code: 13) - Section "Financial statement reserves (not deductible) (federal)"

QUESTION

How can I take into account my reserves from financial statements if they are negative?

ANSWER

The reserves from financial statements entered on Schedule 13 will be carried forward to Schedule 1 in order to make the necessary adjustments to the net income. However, the CRA specifications do not allow any negative amounts in Schedule 1. Thus, if your reserves from financial statements are negative in Schedule 13, none of the amounts from these reserves will be carried forward to Schedule 1.

If this is the case, you can use the lines in the "Miscellaneous other additions" and "Miscellaneous other deductions" sections from Schedule 1 to readjust your net income with the reserves from financial statements. However, since the lines in these sections do not allow you to enter negative amounts, you will have to proceed by addition.

Financial statement reserves (not deductible) (federal)

	Description	Balance at the beginning of the year	Transfer on amalgamation or wind-up of subsidiary	Add	Deduct	Balance at the end of the year
1		0	0	0	0	0
	Reserves from Section 2 below	0	0	0	0	0
	Totals	0	0	0	0	0

The total of the amounts at lines "Totals" of the **Balance at the beginning of the year** and **Transfer on amalgamation or wind-up of subsidiary** columns will have to be entered as a <u>positive amount</u> in the "Miscellaneous other additions" section of Schedule 1. The same way, the negative amount calculated on the total line of the **Balance at the end of the year** column will have to be entered as a <u>positive amount</u> in the "Miscellaneous other deductions" section of Schedule 1.

Question FT22014-006

(Published before 2010 and applicable to the current version)

Schedule 24, question 100, type of operation that applies to the corporation

QUESTION

For a new corporation, what "type of operation that applies to the corporation" code should I use when answering question 100 in Schedule 24?

ANSWER

The CRA has recently explained to us that an improper use is being made of the codes for the "type of operation that applies to a corporation" that are found in question 100 of Schedule 24, *First time filer after incorporation, amalgamation, or winding-up of a subsidiary into a parent*.

Many people have been using code 9, "Investment Corporation," by error instead of using code 99, "Other – if none of the previous descriptions apply." Code 9 applies to the definition given in subsection 130(3) concerning a corporation that must first of all be a public corporation and that also meets several other conditions.

The CRA has asked us to advise you to pay particular attention to the code that is used when answering this question. Note that most of these codes refer to specific requirements that are defined in the Canadian *Income Tax Act*.

Question FT22014-005

(Published before 2010 and applicable to the current version)

Returns Filed Without a Business Number (BN)

QUESTION

Is it necessary to have a business number to file a corporation income tax return with the Canada Revenue Agency (CRA)?

ANSWER

In order to meet the CRA requirements, *Corporate Taxprep* allows you to print returns only if a business number is entered in the ID form, *Corporate Identification and Other Information* (Jump Code: **ID**) of the corporations' returns. The purpose of this requirement is to diminish the processing delay of those returns.

For more information on how to obtain a business number, visit the CRA Web site at the following address: https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/registering-your-business.html.

Québec

Question FT22018-001

(Published in March 2019)

Changes at Revenu Québec: Request your Représentant PRO + accreditation without being a member of a professional order

QUESTION

What are the changes made by *Revenu Québec* to the accreditation criteria for the *Représentant PRO* + group of services?

ANSWER

You no longer need to be a member of a professional order to change from the *Représentant PRO* to the *Représentant PRO* + group of services in My Account for professional representatives.

With the *Représentant PRO +* group of services, you can create, manage and carry out mandates online as well as represent your clients. You can also:

- view and file consumption tax returns;
- view and file source deductions and employer contributions returns;
- view the summary of the tax obligations connected with your mandates and see deadlines and balances due.

For more information on everything *Représentant PRO +* has to offer and to request the change, go to https://www.revenuquebec.ca/fr/representants/mon-dossier-cest-quoi/representant-pro-1/ (available in French only).

Question FT22015-003

(Published in January 2016 and applicable to the current version)

CO-17 bar code returns filed with version 2015 2.0

QUESTION

Why are the CO-17 returns filed with version 2015 2.0 of *Corporate Taxprep* rejected by *Revenu Québec*?

ANSWER

Those returns are rejected, because we had not yet received *Revenu Québec's* certification at the time version 2015 2.0 was released. Diagnostic C144 had been included in version 2015 2.0 to inform you of the situation.

Diagnostic
C144 — Québec corporation income tax returns - Because of delays in Revenu Québec's certification process, this version of Corporate Taxprep does not have the authorizations required to be able to transmit corporate income tax returns with the Québec government. A certified version by Revenu Québec should be available in mid-December 2015, and you will be able to use this version to file income tax returns with the Québec government. Until this version is available, you can start completing the appropriate Québec schedules, but you must not try to transmit them to Revenu Québec. Note that this situation only affects income tax returns that must be submitted to the Québec government: the software program is certified for the transmission of tax returns and forms to the other tax authorities.

You will have to file the affected returns again using version 2015 2.1, which is certified by *Revenu Québec*. This version has been available since December 16, 2015.

Question FT22015-001

(Published in June 2015 and applicable to the current version)

CO-17.A.1, Net Income for Income Tax Purposes (Jump Code: Q1) - Amount calculated on line 54 and Implementation of Form CO-17.B, Adjustment of Income from One or More Partnerships (Jump Code: CO17B)

Download the client filter and diagnostic template

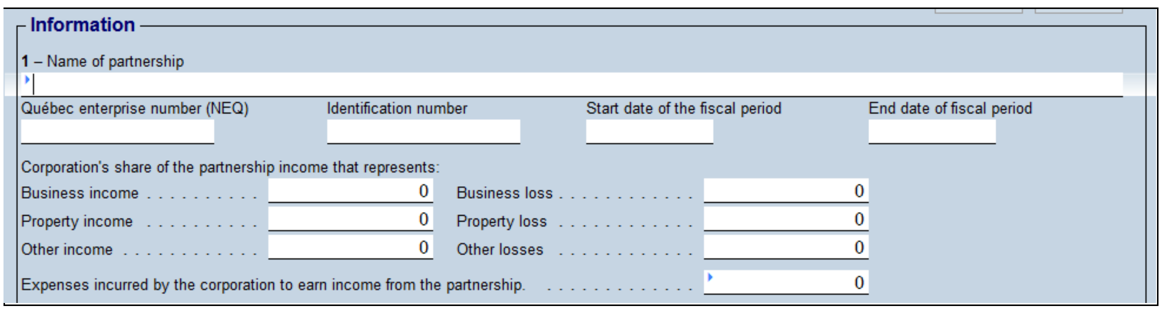
QUESTION

Why is the amount on line 129 of federal Schedule 1 (Jump Code: **1**) no longer included on line 54 of Form CO-17.A.1 in *Corporate Taxprep* 2015 v.1.1?

ANSWER

As a result of the implementation of Form CO-17.B, the amount corresponding to the corporation's share in the partnership's income or loss must now be entered on line 30B of the form for each partnership of which the corporation is a member. In addition, this amount must be allocated based on the source of the income or the loss (business, property or other) in Part 6 of that form. The amount on line 54 of Form CO-17.A.1 is now calculated using the amounts entered in Form CO-17.B.

Therefore, you must now enter the income or losses of a partnership, allocated based on their source, as well as the other relevant information relating to the partnerships, in Form *Information About Partnerships* (Jump Code: **QSP**) in order for the amounts of Form CO-17.B and of line 54 of Form CO-17.A.1 to be calculated correctly.



Information

1 – Name of partnership

Québec enterprise number (NEQ) | Identification number | Start date of the fiscal period | End date of fiscal period

Corporation's share of the partnership income that represents:

Business income	0	Business loss	0
Property income	0	Property loss	0
Other income	0	Other losses	0

Expenses incurred by the corporation to earn income from the partnership. 0

A client filter and a diagnostic are provided with this FAQ to allow you to identify the client files that are affected by this change.

Question FT22014-023

(Published in October 2014 and applicable to the current version)

Filing of the annual updating declaration with the *Registraire des entreprises du Québec*, and registration fee exemption

QUESTION

Does the annual updating declaration to the *Registraire des entreprises du Québec* need to be filed when there is no registration fee payable and box 39 of Form CO-17, *Corporation Income Tax Return* (Jump Code: **QJ**) is empty?

ANSWER

When the corporation has no registration fee payable and, consequently, does not select box 39 of the CO-17 return, it is still required to file an annual updating declaration with the *Registraire des entreprises du Québec*, using the online service to that effect. For more information, please consult the *Registraire des entreprises du Québec* Web site at: http://www.registreentreprises.gouv.qc.ca/en/.

Question FT22014-021

(Published in February 2014, updated in November 2018 and applicable to the current version)

EFILE CO-17 - Error code 13965 and Corporate Taxprep versions that can be used for electronic filing with "Clic Revenu" or "NetFile Québec"

QUESTION

Why do I receive an error code 13695 when I file a return with the *Clic Revenu* or *NetFile Québec* electronic services (Web services)?

ANSWER

When a tax return is filed electronically by *Corporate Taxprep,* the version of the program is automatically associated to a specific version of the Web service, as illustrated below:

Corporate Taxprep version number	Release date	Taxation year beginning on or after:	Taxation year ending on or before:	Web services version numbers
2018 v.2.0	November 2018	January 1, 2016	May 31, 2019	18.11.09.0
2018 v.1.0	May 2018	January 1, 2016	October 31, 2018	17.11.10.0
2017 v.2.0	November 2017	January 1, 2015	May 31, 2018	17.11.10.0
2017 v.1.0	May 2017	January 1, 2015	October 31, 2017	16.11.11.0
2016 v.2.0	December 2016	January 1, 2014	May 31, 2017	16.11.11.0

If the version of the program uses a version of the Web service **that is not included in the three most recent versions**, the preparer receives the 13965 error code from *Revenu Québec*.

For example, since the update of *Revenu Québec's* Web service is in the fall of 2018, two versions of *Corporate Taxprep*, i.e. 2015 v.2.0 and 2016 v.1.0, no longer allow you to file corporate tax returns electronically. As for version 2018 2.0, it has been added to the list of versions allowing for electronic filing. Therefore, returns whose fiscal year begins **before January 1, 2014**, must be paper-filed and mailed. In addition, when version 2019 1.0 is released in the spring of 2019, it will be added to this list. The version of the Web service changes each fall, i. e. at the time version 2.0 of *Corporate Taxprep* is released.

Note that the version numbers of the Web services will be displayed in the "Version Coverage" help topic stating with version 2014 1.0.

Question FT22014-017

(Published in January 2013 and applicable to the current version)

Internet filing of Québec tax return prepared by tax preparers

QUESTION

Do tax preparers have to electronically file Québec tax returns like they have to for federal tax returns?

ANSWER

The Québec government has specified, in its Information Bulletin 2012-6, that Québec's tax legislation will be amended to incorporate the federal measures relating to electronic filing of tax returns prepared by tax preparers.

The Québec definition of a "tax preparer" is the same as the federal definition. Therefore, it consists of a person or partnership that prepares, in a given calendar year and for consideration, more than 10 corporate tax returns or more than 10 income tax returns for individuals.

Like the federal amendments, the changes made in Québec will apply to income tax returns for the 2012 and subsequent taxation years that are filed after 2012.

For more information, please consult the Information Bulletin 2012-6 at the following address:

http://www.finances.gouv.qc.ca/documents/bulletins/en/BULEN_2012-6-a-b.pdf.

Question FT22014-014

(Published in January 2011 and applicable to the current version)

Electronic Filing and balance payment

QUESTION

How can I pay the balance due when I electronically file a corporate tax return?

ANSWER

We invite you to consult the CRA Web site at the following address to become familiar with the different methods to pay a balance due when a return is electronically filed with the federal government:
https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/corporations/corporation-payments/make-a-payment.html.

If you electronically file a CO-17 return, we invite you to consult the *Revenu Québec* Web site at the following address to become familiar with the different methods to pay a balance due when a return is electronically filed with the Québec government:
https://www.revenuquebec.ca/fr/entreprises/impots/impot-des-societes/paiement-de-limpot-des-societes/paiement-du-solde-dimpot-dune-societe/

If you electronically file an AT1 return, we invite you to consult the *Alberta Treasury Board and Finance* Web site at the following address to become familiar with the different methods to pay a balance due when a return is electronically filed with the Alberta government:

http://www.finance.alberta.ca/publications/tax_rebates/making-payments.html#epay.

Question FT22014-004

(Published before 2010 and applicable to the current version)

Québec Returns Filed Without an Identification Number

QUESTION

Is it necessary to have an identification number to file a Québec corporation income tax return with *Revenu Québec*?

ANSWER

In order to meet *Revenu Québec's* requirements, *Corporate Taxprep* allows you to print Québec returns only if an identification number (XXXXXXXXXX IC 0001) is entered in the ID form, *Corporate Identification and Other Information* (Jump Code: **ID**) of the corporations' returns. The purpose of this requirement is to diminish the processing delay of those returns.

For more information on how to obtain an identification number, visit *Revenu Québec's* Web site at the following address: https://www.revenuquebec.ca/en/businesses/life-cycle/starting-a-business/registering-with-revenu-quebec/

Question FT22014-016

(Published in February 2012 and applicable to the current version)

CO-1136, Calculation of Paid-Up Capital (Jump Code: 1136) - Filing of the form

QUESTION

Should Form CO-1136 be filed when the corporation's taxation year begins after December 31, 2010, and the corporation does not have capital tax payable?

ANSWER

Form CO-1136 should be filed when the corporation's taxation year begins after December 31, 2010, even if the corporation does not have capital tax payable.

Form CO-1136 is used to determine the paid-up capital for the purpose of calculating capital tax, but it is also used to determine the paid-up capital for the purpose of establishing the eligibility and calculation of certain deductions, exemptions and credits, and to perform the calculation. Although in most cases, the paid-up capital to be used for those calculations corresponds to the paid-up capital for the preceding year, *Revenu Québec* requires that form CO-1136 be filed with the income tax return each year.

Please note that the same rule applies for corporations that have to complete Form CO-1140, *Calculation of the Paid-Up Capital of a Financial Institution* (Jump Code: **1140**).

Ontario

Question FT22014-003

(Published before 2010 and applicable to the current version)

Schedule 546, Corporations Information Act Annual Return for Ontario Corporations (Jump Code: 546) - Schedule filing

QUESTION

Does Schedule 546 have to be filed annually?

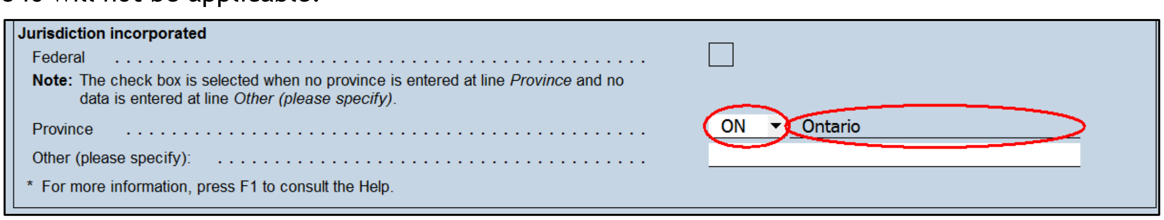
ANSWER

For tax years ending after December 31, 2008, every corporation that is incorporated, continued, or amalgamated in Ontario and subject to the *Business Corporations Act* or the *Corporations Act*, except for registered charities under the federal *Income Tax Act*, must file Schedule 546 annually.

The form will be applicable when the answer to the question *Is the corporation incorporated in Ontario under the Business Corporations Act or the Corporations Act?*, located above Part 1 of Schedule 546, is "Yes."

By default, the answer to this question is "Yes" when it is indicated that the corporation is incorporated under the Ontario laws in Form *Corporate Identification and Other Information* (Jump Code: **ID**).

If you've never answered this question, the jurisdiction will default to "Federal" and Schedule 546 will not be applicable.



Please note that a corporation that is incorporated, continued, or amalgamated in a jurisdiction outside Canada with a licence under the *Extra-Provincial Corporations Act* to carry on a business in Ontario must file Schedule 548*, Corporations Information Act Annual Return for Foreign Business Corporations* (Jump Code: **548**) and not Schedule 546.

Alberta

Question FT22014-013

(Published in January 2011 and applicable to the current version)

Electronic Filing and balance payment

QUESTION

How can I pay the balance due when I electronically file a corporate tax return?

ANSWER

We invite you to consult the CRA Web site at the following address to become familiar with the different methods to pay a balance due when a return is electronically filed with the federal government:
https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/corporations/corporation-payments/make-a-payment.html.

If you electronically file a CO-17 return, we invite you to consult the *Revenu Québec* Web site at the following address to become familiar with the different methods to pay a balance due when a return is electronically filed with the Québec government:
https://www.revenuquebec.ca/fr/entreprises/impots/impot-des-societes/paiement-de-limpot-des-societes/paiement-du-solde-dimpot-dune-societe/

If you electronically file an AT1 return, we invite you to consult the *Alberta Treasury Board and Finance* Web site at the following address to become familiar with the different methods to pay a balance due when a return is electronically filed with the Alberta government:
http://www.finance.alberta.ca/publications/tax_rebates/making-payments.html#epay.

InfoConnect

Question FT22014-025

(Published in February 2015 and applicable to the current version)

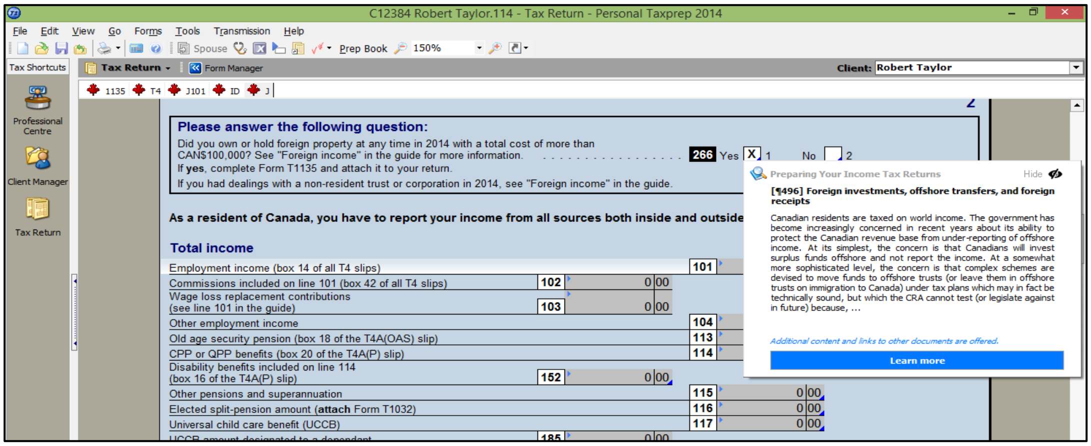
InfoConnect functionality

QUESTION

What is **InfoConnect**?

ANSWER

InfoConnect is a functionality that displays, for the current field or form in *Taxprep*, an excerpt of the *Income Tax Act* or Wolters Kluwer's tax research material, such as *Preparing Your Income Tax Returns*, available from the *IntelliConnect* platform:



Click the **InfoConnect** insight to instantly access your subscriptions in *IntelliConnect* using your Web browser.

Free 15-day trial of IntelliConnect

If you are not already a subscriber, complete the sign-up form that displays after clicking the **InfoConnect** insight. You will then receive a confirmation e-mail with an activation link that will allow you to benefit from a free trial of *IntelliConnect*.

See the video (1:02)

Already an IntelliConnect subscriber?

To access your *IntelliConnect* subscriptions from the **InfoConnect** insight, proceed as follows:

1. In *Taxprep*, select **Tools/Options and Settings/Options/Tax Research**.
2. Clear the **Free trial** check box.
3. Enter your *IntelliConnect* User ID and Password.

See the video (0:38)

General Index of Financial Information (GIFI)

Question FT22014-002

(Published before 2010 and applicable to the current version)

GIFI - Non-resident Corporations

QUESTION

Do non-resident corporations have to use the General Index of Financial Information (GIFI)?

ANSWER

Non-resident corporations can use the GIFI when they are reporting in unconsolidated Canadian funds. Exceptions to this are non-resident corporations that are filing under section 115 of the *Income Tax Act* only because of section 116, and treaty-based exempt corporations.

All corporations, with the exception of insurance companies, must submit their financial statements in GIFI format for taxation years ending in 2000 or later.