Corporate Taxprep

Troubleshooting

Corporate Taxprep 2018

Client filter and customized diagnostic templates offered with the Troubleshooting Memos

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

Installing the client filter and diagnostic template

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

1- Launch *Taxprep*.

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

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

4- Verify the predefined location for the filters and diagnostics. After the installation, the default location is usually the following: **My Documents\CCH\T2 Taxprep 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 templates and diagnostics, which allows you to download them separately, depending on the troubleshooting memos and FAQs that relate to you. To download all templates in a single operation, click the **Download all templates** button, then copy all zipped files into the folder **My Documents\CCH\T2 Taxprep 2018-x\Filter and Diagnostics**.

Download all templates

Publication	Problem	Affected Version	Corrected Version	Identifier (to download the client filter and diagnostic, if applicable)
Week of April 14, 2019	Capital Cost Allowance (CCA) Workchart - The calculation on line 5b of the Alberta column is not performed correctly	Version 2018 2.1	Version 2019 1.0	T22018-016
Week of March 24, 2019	Information and Income Tax Return for Non-Profit Corporations - Line 441b does not display the correct registration fee amount for taxation years ending after December 31, 2018	Version 2018 2.1	Version 2019 1.0	T22018-015
Week of March 24, 2019	Capital Cost Allowance (CCA) Workchart - Addition of CCA classes 54 and 55 for zero-emission vehicles acquired after March 18, 2019	Version 2018 2.1	Version 2019 1.0	T22018-014
Week of March 24, 2019	Schedules 31 and 49 - The taxable income is no longer included in the SR&ED expenditure limit calculation for CCPCs with a tax year ending after March 18, 2019	Version 2018 2.0 Version 2018 2.1	Version 2019 1.0	T22018-013
Week of March 17, 2019	Schedule 366 - The calculation on line D is incorrect when the corporation is subject to the business limit reduction based on passive investment income	Version 2018 2.0	Version 2019 1.0	T22018-012
Week of March 3, 2019	Schedule 411 - Saskatchewan Corporation Tax Calculation (Jump Code: 411) - The reduction rate of the credit unions deduction is incorrect for days in 2019	Version 2018 2.0 Version 2018 2.1	Version 2019 1.0	T22018-011
Week of February 17, 2019	Schedule 428 - British Columbia Training Tax Credit (Jump Code: 428) - Extension of the British Columbia training tax credit	Version 2018 2.0 Version 2018 2.1	Version 2019 1.0	T22018-010
Week of January 27, 2019	Schedule 8 - Capital Cost Allowance (CCA) (Jump Code: 8) and AT1 Schedule 13 - Alberta Capital Cost Allowance (CCA) (Jump Code: A13) - No line relating to a CCA class displays or prints when opening a client file prepared with a prior version	Version 2018 2.1	Version 2019 1.0	T22018-009

Publication	Problem	Affected Version	Corrected Version	Identifier (to download the client filter and diagnostic, if applicable)
	that is not recalculated with the current version			
Week of January 13, 2019	Schedule 200 – T2 Corporation Income Tax Return (Jump Code: J) – Problem rolling forward the amounts for the refundable dividend tax on hand at the end of the previous tax year and the dividend refund for the previous tax year when a corporation other than a private corporation is subject to Part IV tax	Version 2018 2.0	Version 2018 2.1	T22018-008
Week of December 16, 2018	Schedule 4 – Corporation Loss Continuity and Application (Jump Code: 4) – Problem carrying forward the closing balance for non-capital losses, farm losses and restricted farm losses during rolling forward when no year-end date is entered for the tenth year in the "History of taxation years" section of Schedule 4N (Jump Code: 4N)	Version 2018 2.0	Version 2018 2.1	T22018-007
Week of September 16, 2018	CO-1029.8.33.6 – Tax Credit for an On-the-Job Training Period (Jump Code: 10298336) – Incorrect calculation of the tax credit when the training period starts after March 27, 2018, is in an eligible region, the corporation is not eligible for the increase in respect of an eligible trainee and the student is enrolled full-time in a recognized educational institution	Versions 2018 1.0 and 2018 v.1.1	Version 2018 2.0	T22018-006
Week of August 26, 2018	CO-1029.8.33.13 – Tax Credit for the Reporting of Tips (Jump Code: 102983313) – Modification to the Health Services Fund contribution (HSF) rate for the 2018 calendar year for small and medium-sized businesses with	Versions 2018 1.0 and 2018 v.1.1	Version 2018 2.0	T22018-005

Publication	Problem	Affected Version	Corrected Version	Identifier (to download the client filter and diagnostic, if applicable)
	a total payroll of less than $5.5M			
Week of August 26, 2018	CO-1029.8.36.IN – Tax credit for Investment (Jump Code: 1029836IN) – Temporary increase in the tax credit for investments for expenses incurred to acquire qualified property after August 15, 2018	Versions 2018 1.0 and 2018 v.1.1	Version 2018 2.0	T22018-004
Week of August 26, 2018	Schedule 383 – Manitoba Corporation Tax Calculation (Jump Code: 383) - The additional deduction for credit unions is reinstated as of 2017	Versions 2018 1.0 and 2018 v.1.1	Version 2018 2.0	T22018-003
Week of June 17, 2018	The network version of the Taxprep Help has not been displaying since the last Windows 7 and Windows 10 updates	Network versions	Version 2018 2.0	T22018-002
Item updated on June 7, 2018 Week of June 3, 2018	EFILE - CO-17 return - Error code 25047 when electronically filing a Québec return with the NetFile service	Versions 2015 2.0, 2016, 2017 and 2018 1.0	Versions 2015 2.0, 2016, 2017 and 2018 1.0	T22018-001

Federal

Troubleshooting Memo T22018-009

Schedule 8 - Capital Cost Allowance (CCA) (Jump Code: 8) and AT1 Schedule 13 - Alberta Capital Cost Allowance (CCA) (Jump Code: A13) - No line relating to a CCA class displays or prints when opening a client file prepared with a prior version that is not recalculated with the current version

Download the client filter and diagnostic template

Problem:

When opening a client file with *Corporate Taxprep Classic* 2018 v.2.1, if the file was prepared with a prior version and you answer “No” to the question asking if you want to recalculate the file with the current version which displays in a dialog box when you open the file, no line relating to a CCA class displays or prints in Schedule 8 and the AT1 Schedule 13.

Corporate Taxprep Classic 2018 v.2 (Jan. 2016 - May 2019)

The client file Corporation A.216 was calculated with a previous version of the program. Do you want to recalculate this file with the current version?

If you click No, the data in the open file will be locked.

More information...

Yes | No | Cancel

Schedule 8:

1 Class number 200	Description	2 Undepreciated capital cost at the beginning of the year (amount from column 12 of last year's schedule 8) 201	3 Cost of acquisitions during the year (new property must be available for use) (see note 1 below) 203	4 Adjustments and transfers (see note 2 below) 205	5 Proceeds of dispositions during the year (amount not to exceed the capital cost) 207	6 50% rule (1/2 of the amount, if any, by which the net cost of acquisitions exceeds column 5) (see notes 3 and 7 below) 211
	Totals (filter)	53,100	53,000	0	32 700	26,500
	Totals	53,100	53,000	0	32,700	26,500

AT1 Schedule 13:

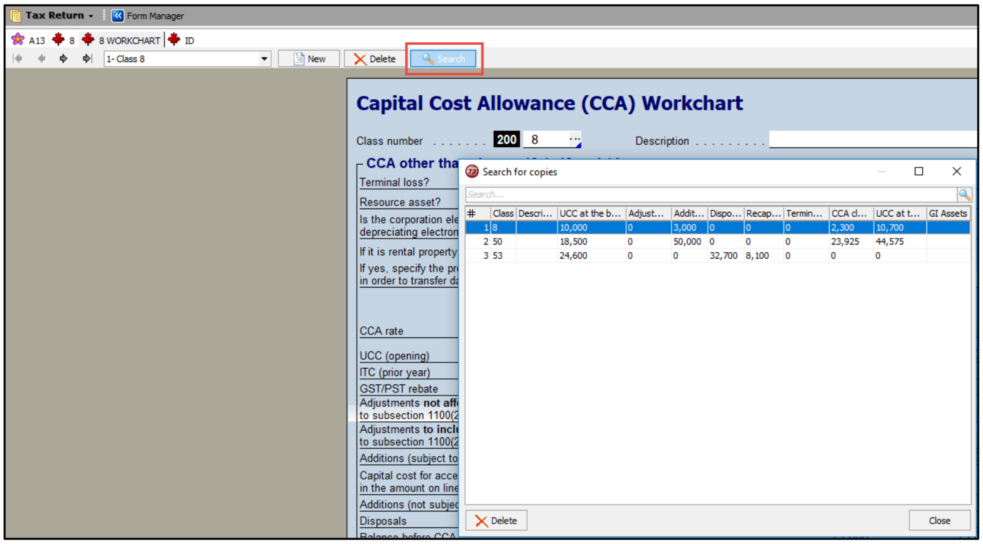
1 Class number ▪ 001	2 Undepreciated capital cost at the beginning of the year (must equal the closing balance from last year's CCA schedule) ▪ 003	3 Cost of acquisitions during the year (new property must be available for use) ▪ 005	4 Net adjustments (show negative amounts in brackets) ▪ 007	5 Proceeds of dispositions during the year (amount not to exceed the capital cost) ▪ 009	6 Undepreciated capital cost (column 2 plus column 3 plus or minus column 4 minus column 5)	7 50% rule (1/2 of the amount, if any, by which the net cost of acquisitions exceeds column 5) (note 1) ▪ 011
Total (filter)	53,100	53,000	0	32 700	73,400	26,500
Totals	53,100	53,000	0	32,700	73,400	26,500

In addition, when Schedule 8 and Schedule 8 WORKCHART, *Capital Cost Allowance (CCA) Workchart* (Jump Code: **8 WORKCHART**) are both opened and are being reviewed alternatively, empty copies of Schedule 8 WORKCHART are unnecessarily created. Note that if the client file is recalculated with version 2018 v.2.1 when it is opened, these problems do not occur.

Solution:

If you want to only review data that would normally display in Schedule 8 and the AT1 Schedule 13 without recalculating the file with the current version, you can proceed in one of the following manners:

1. Review data displayed in the copies of Schedule 8 WORKCHART. To get an overview of certain data for all classes, click the **Search** button in Schedule 8 WORKCHART, to the right of the drop-down list allowing you to select the copies of this schedule.



2. Open the return with the version of *Corporate Taxprep* with which the client file was previously prepared, in cases where this version is prior to *Corporate Taxprep* v.2.0.

You can also recalculate the file with the current version, insofar as the taxation year starts after December 31, 2015. More specifically, you must answer “Yes” to the question that displays in the dialog box when you open the file in the current version. The lines relating to each class will then display normally in Schedule 8 and the AT1 Schedule 13.

Schedule 8:

	1 Class number 200	Description	2 Undepreciated capital cost at the beginning of the year (amount from column 12 of last year's schedule 8) 201	3 Cost of acquisitions during the year (new property must be available for use) (see note 1 below) 203	4 Adjustments and transfers (see note 2 below) 205	5 Proceeds of dispositions during the year (amount not to exceed the capital cost) 207	6 50% rule (1/2 of the amount, if any, by which the net cost of acquisitions exceeds column 5) (see notes 3 and 7 below) 211
1.	8		10,000	3,000	0	0	1,500
2.	50		18,500	50,000	0	0	25,000
3.	53		24,600	0	0	32,700	0
		Totals (filter)	53,100	53,000	0	32,700	26,500
		Totals	53,100	53,000	0	32,700	26,500

AT1 Schedule 13:

	1 Class number ▪ 001	2 Undepreciated capital cost at the beginning of the year (must equal the closing balance from last year's CCA schedule) ▪ 003	3 Cost of acquisitions during the year (new property must be available for use) ▪ 005	4 Net adjustments (show negative amounts in brackets) ▪ 007	5 Proceeds of dispositions during the year (amount not to exceed the capital cost) ▪ 009	6 Undepreciated capital cost (column 2 plus column 3 plus or minus column 4 minus column 5)	7 50% rule (1/2 of the amount, if any, by which the net cost of acquisitions exceeds column 5) (note 1) ▪ 011
1	8	10,000	3,000	0	0	13,000	1,500
2	50	18,500	50,000	0	0	68,500	25,000
3	53	24,600	0	0	32 700	-8,100	0
	Total (filter)	53,100	53,000	0	32 700	73,400	26,500
	Totals	53,100	53,000	0	32,700	73,400	26,500

However, note that the data in the client file obtained as a result of the recalculation could differ from data obtained with the prior version. If you do not want to retain the new data, do not save the client file after having consulted it.

The client filter and diagnostic template available with the troubleshooting memo only contains a filter, because a diagnostic created using this template cannot be displayed when the client file is not recalculated with the current version.

This problem will be corrected in *Corporate Taxprep* 2019 v.1.0.

Troubleshooting Memo T22018-008

Schedule 200 - T2 Corporation Income Tax Return (Jump Code: J) - Problem rolling forward the amounts for the refundable dividend tax on hand at the end of the previous tax year and the dividend refund for the previous tax year when a corporation other than a private corporation is subject to Part IV tax

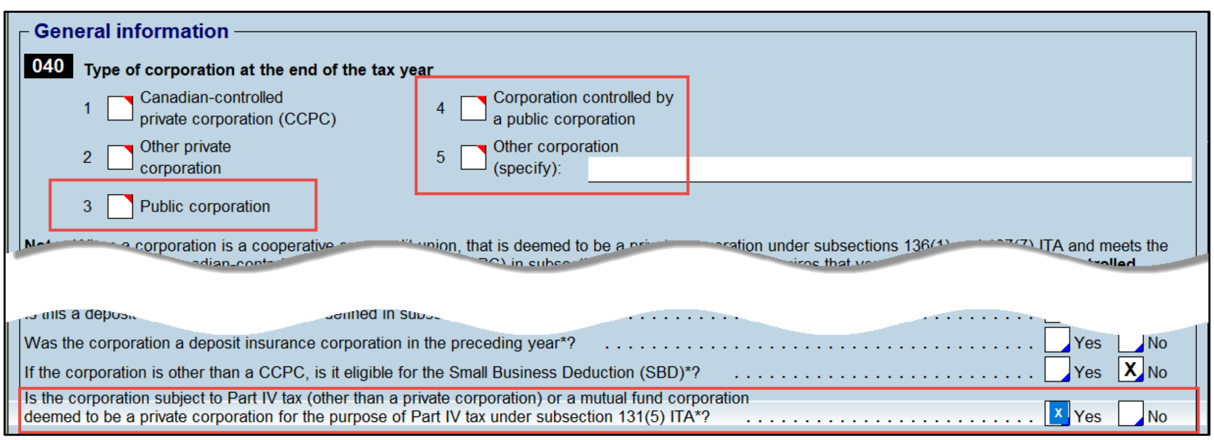
Download the client filter and diagnostic template

Problem:

When rolling forward a client file of a corporation other than a private corporation for which the answer to the question *Is the corporation subject to Part IV tax (other than a private corporation) or a mutual fund corporation deemed to be a private corporation for the purpose of Part IV tax under subsection 131(5) ITA?* is "Yes" in the "General information" section of Form ID, *Corporate Identification and Other Information* (Jump Code: **ID**), the amount on line 485, *Refundable dividend tax on hand at the end of the tax year* as well as amount U, *Dividend refund* in the T2 return should be rolled forward to lines 460 and 465 respectively. This operation is not performed when the client file is rolled forward using *Corporate Taxprep* 2018 v.2.0.

<u>Original client file</u>

Identification form


General information

040 Type of corporation at the end of the tax year

1 Canadian-controlled private corporation (CCPC)

2 Other private corporation

3 Public corporation

4 Corporation controlled by a public corporation

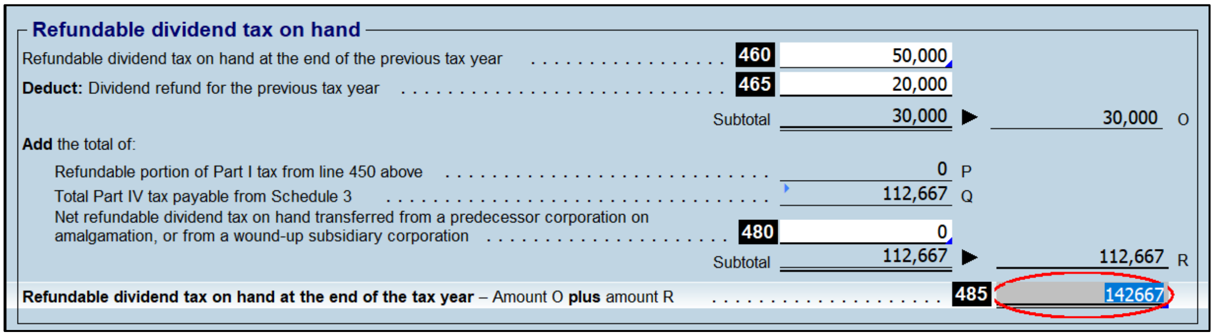
5 Other corporation (specify):

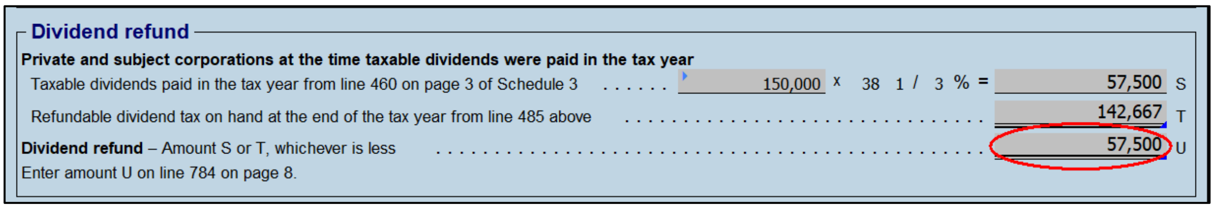
Was the corporation a deposit insurance corporation in the preceding year*? Yes No

If the corporation is other than a CCPC, is it eligible for the Small Business Deduction (SBD)*? Yes X No

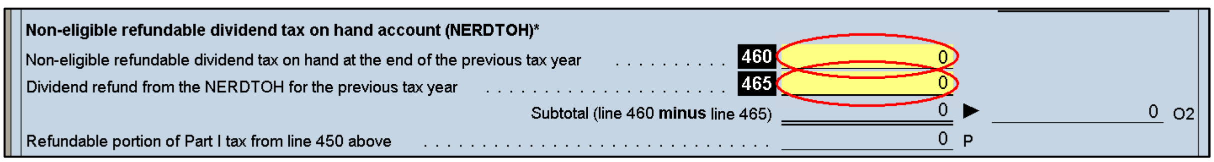
Is the corporation subject to Part IV tax (other than a private corporation) or a mutual fund corporation deemed to be a private corporation for the purpose of Part IV tax under subsection 131(5) ITA*? X Yes No

T2 return



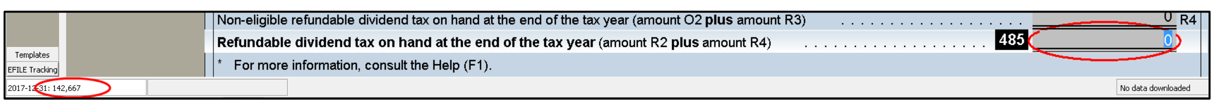


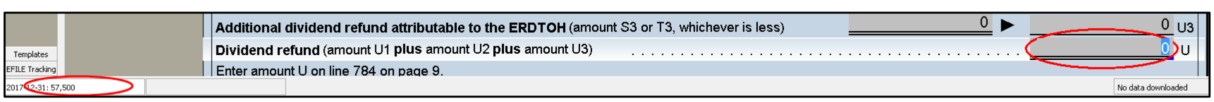
<u>File rolled forward using *Corporate Taxprep* 2018 v.2.0</u>



Solution:

To obtain the correct result, you can either roll forward again the original client file using *Corporate Taxprep* 2018 v.2.1 or manually enter the amount from line 485 and amount U of the initial client file on lines 460 and 465 respectively in the rolled forward client file. To this end, you can use the previous year value in a roll forward field that appears in the status bar located at the bottom left of the screen by selecting line 485 and amount U. To view the status bar, click **Status Bar** in the **View** menu.





This problem has been corrected in *Corporate Taxprep* 2018 v.2.1.

Troubleshooting Memo T22018-007

Schedule 4 - Corporation Loss Continuity and Application (Jump Code: 4) - Problem carrying forward the closing balance for non-capital losses, farm losses and restricted farm losses during rolling forward when no year-end date is entered for the tenth year in the “History of taxation years” section of Schedule 4N (Jump Code: 4N)

Download the client filter and diagnostic template

Problem:

If no tax year-end date was entered for the tenth year in the “History of taxation years” section of Schedule 4N (Jump Code: **4N**) and the corporation had a year-end balance of non-capital losses, farm losses or restricted farm losses in a client file that was not rolled forward, the closing balance is not updated to the lines *Non-capital loss at the end of the previous tax year, Farm losses at the end of the previous tax year* and *Restricted farm losses at the end of the previous tax year* during roll forward. The diagnostic(s) E102, E103 and E104 display.

Solution:

Enter, on the line *Non-capital loss at the end of the previous tax year*, the same amount as the amount on line 102. Diagnostic E102 will disappear.

Part 1 - Non-capital losses

Continuity of non-capital losses and request for a carryback					
Non-capital loss at the end of the previous tax year		1000	e		
Deduct: Non-capital loss expired (note 1)	100	0	f		
Non-capital losses at the beginning of the tax year (amount e **minus** amount f)	102	1,000	▶	1,000	H
Add:					

Do the same for Parts 3 and 4, and diagnostics E103 and 104 will disappear.

Part 3 – Farm losses

Continuity of farm losses and request for a carryback					
Farm losses at the end of the previous tax year		2000	a		
Deduct: Farm loss expired (note 8)	300	0	b		
Farm losses at the beginning of the tax year (amount a **minus** amount b)	302	2,000	▶	2,000	A
Add:					

Part 4 – Restricted farm losses

Continuity of restricted farm losses and request for a carryback					
Restricted farm losses at the end of the previous tax year		3000	d		
Deduct: Restricted farm loss expired (note 11)	400	0	e		
Restricted farm losses at the beginning of the tax year (amount d **minus** amount e)	402	3,000	▶	3,000	D
Add:					

This problem will be corrected in *Corporate Taxprep* 2018 v.2.1.

Québec

Troubleshooting Memo T22018-006

CO-1029.8.33.6 – Tax Credit for an On-the-Job Training Period (Jump Code: 10298336) – Incorrect calculation of the tax credit when the training period starts after March 27, 2018, is in an eligible region, the corporation is not eligible for the increase in respect of an eligible trainee and the student is enrolled full-time in a recognized educational institution

Download the client filter and diagnostic template

Problem:

The calculation of the tax credit is incorrect when the corporation claims a tax credit for an on-the-job training period in Québec and the following conditions are complied with:

- The training period starts after March 27, 2018;
- The corporation is not eligible for the increase in the tax credit rates in respect of an eligible trainee under section 1029.8.33.7.3 of the *Taxation Act*, or under the proposal of the Québec Budget tabled on March 27, 2018;
- The corporation is eligible for the increase in the tax credit rates in respect of an eligible trainee who serves an eligible training period in an establishment of an eligible employer located in an eligible region under the proposal in the Québec Budget tabled on March 27, 2018; and

- The student is enrolled full-time in a recognized educational establishment (one of boxes 13 to 16).

The training period started after March 27, 2018.	[X]
If the training period started after March 27, 2018, is the corporation eligible for the increase in the tax credit rates in respect of an eligible trainee under section 1029.8.33.7.3 of the *Taxation Act* or under the proposal in the Québec Budget tabled on March 27, 2018?	[ ] Yes [X] No
If the training period started after March 27, 2018, is the corporation eligible for the increase in the tax credit rates in respect of an eligible trainee who serves an eligible training period in an establishment of an eligible employer located in an eligible region under the proposal in the Québec Budget tabled on March 27, 2018?	[X] Yes [ ] No

The rate of the credit on line 91 should be 32% instead of 50%.

Solution:

On line 92, enter the product of the amount on line 90 multiplied by 32%, using an override. Verify each copy of the form for each trainee in that situation.

6 Tax credit for an on-the-job training period

If the trainee is an eligible employee of the qualified corporation, enter the amount from line 57, line 75 or line 82c. If the trainee is an eligible employee of the qualified partnership, enter the amount from line 87.		90	10,000
Tax credit rate[40]	x	91	50.0000 %
Multiply line 90 by line 91. **Tax credit for an on-the-job training period**	=	92	S.1 3,200

This problem will be corrected in *Corporate Taxprep* 2018 v.2.0.

Troubleshooting Memo T22018-005

CO-1029.8.33.13 – Tax Credit for the Reporting of Tips (Jump Code: 102983313) - Modification to the Health Services Fund (HSF) contribution rate for the 2018 calendar year for small and medium-sized businesses with a total payroll of less than $5.5M

Download the client filter and diagnostic template

Problem:

In the Information Bulletin 2018-7 published on August 15, 2018, the *Ministère des Finances du Québec* announced a reduction in the HSF contribution rate for small and medium-sized businesses (SMB) in the service sector for 2018.

Calculation of the HSF contribution rate for 2018

- Where the employer's total payroll for the year is $1 million or less:
  - the rate will be 2.3% in respect of wages paid or deemed paid no later than March 27, 2018;
  - the rate will be 1.95% in respect of wages paid or deemed paid from March 28, 2018, to August 15, 2018;
  - the rate will be 1.75% in respect of wages paid or deemed paid after August 15, 2018.
- Where the employer's total payroll for the year is more than $1M, but less than $5.5M:
  - the rate will be established based on the following formula in respect of wages paid or deemed paid no later than March 27, 2018:

$$1.8644\% + \left(\frac{0.4356\% \times \text{employer's total payroll for the year}}{\$1{,}000{,}000}\right)$$

  - the rate will be established based on the following formula in respect of wages paid or deemed paid from March 28, 2018, to August 15, 2018:

$$1.4367\% + \left(\frac{0.5133\% \times \text{employer's total payroll for the year}}{\$1{,}000{,}000}\right)$$

- the rate will be established based on the following formula in respect of wages paid or deemed paid after August 15, 2018:

$$1.1922\% + \frac{(0.5578\% \times \text{employer's total payroll for the year})}{\$1{,}000{,}000}$$

- In all other cases, the rate will be 4.26%.

These new calculations affect the rate on line 22 in Section 2.2, when the calendar year covered on line 07 is 2018 and the total payroll on line 20 is less than $5.5M.

For more precisions on this change, consult the "SMBs in the service and construction sectors" section at point 2 of the Information Bulletin 2018-7 at the following address:

http://www.finances.gouv.qc.ca/documents/bulletins/en/BULEN_2018-7-a-b.pdf

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

Solution:

To calculate the correct rate on line 22, proceed as follows:

1. Manually calculate the HSF contribution rates for each of the three periods according to the instructions mentioned in the problem.
2. Determine the portion of the amount of tips on line 15 attributable to the period ending on March 27, 2018, the portion attributable to the period from March 28, 2018, to August 15, 2018, and the portion attributable to the period after August 15, 2018.
3. Divide the amount of tips for the period ending on March 27, 2018, by the amount on line 15. Then, divide the amount of tips for the period from March 28, 2018, to August 15, 2018, by the amount on line 15. Then, divide the amount of tips for the period after August 15, 2018 by the amount on line 15.
4. For each of the three periods, multiply the rates obtained at step 1 by the corresponding rates obtained at step 3. Add the results of these multiplications.
5. Multiply the rate obtained at step 4 by 100.
6. Override line 22 with the result obtained at step 4.

Example:

- A corporation completes Form CO-1029.8.33.13, and the calendar year covered on line 07 is 2018.
- The amount of tips entered on line 15 is $30,000 ($5,000 for the period ending on March 27, 2018, $10,000 for the period from March 28, 2018, to August 15, 2018, and $15,000 for the period after August 15, 2018).
- The total payroll indicated on line 20 is $3M.

1. For the period ending on March 27, 2018:

$$1.8644\% + \frac{(0.4356\% \times \$3{,}000{,}000)}{\$1{,}000{,}000} = 3.1712\%$$

   For the period from March 28, 2018, to August 15, 2018:

$$1.4367\% + \frac{(0.5133\% \times \$3{,}000{,}000)}{\$1{,}000{,}000} = 2.9766\%$$

   For the period after August 15, 2018:

$$1.1922\% + \frac{(0.5578\% \times \$3{,}000{,}000)}{\$1{,}000{,}000} = 2.8656\%$$

2. $5,000 for the period ending on March 27, 2018, $10,000 for the period from March 28, 2018, to August 15, 2018, and $15,000 for the period after August 15, 2018.
3. $5,000 / $30,000 = 0.1667, $10,000 / $30,000 = 0.3333 et $15,000/ $30,000 = 0.5
4. (3.1712% x 0.1667) + (2.9766% x 0.3333) + (2.8656% x 0.5) = 0.029535

5. 0.029535 x 100 = 2.9535%

6. Override line 22 with 2.9535%.

2 Tips, contributions, premiums and indemnities

07 Calendar year[3] covered by this form ☐ **2015** ☐ **2016** ☐ **2017** ☒ **2018**

2.1 Tips

Complete line 10 of form CO-1029.8.33.13 using information entered on form TP-1019.4-V, *Register and Statement of Tips*, which employees are required to submit to their employers at the end of each pay period.

The amounts you enter on lines 10, 11, 12 and 14 of form CO-1029.8.33.13 must have been included in the remuneration of an eligible employee for a pay period ending **in the calendar year concerned**.

Tips reported to the employer		10	30,000
Tips controlled by the employer (service charges added to the customer's bill)	+	11	0
Indemnities, other than annual leave indemnities, based on the tips[4]	+	12	0
Add lines 10 through 12.	=	13	30,000
Tips allocated by the employer	+	14	0
Add lines 13 and 14. **Tips**	=	15	30,000

2.2 Contribution to the health services fund

Portion of the amount entered on line 15 relating to tips received or allocated before March 28, 2018 (taxation year that includes March 27, 2018, and ends on or after March 28, 2018)			5,000
Is the employer exempt from contributing to the HSF?			☐
Total payroll for the calendar year concerned[5]		20	3,000,000
Amount from line 15		21	30,000
Applicable rate for the calendar year concerned[6]	x	22	**2.9535** %
Multiply line 21 by line 22. **Contribution to the health services fund**	=	23	886

This measure will be integrated in *Corporate Taxprep* 2018 v.2.0.

Troubleshooting Memo T22018-004

CO-1029.8.36.IN – Tax credit for Investment (Jump Code: 1029836IN) - Temporary increase in the tax credit for investments for expenses incurred to acquire qualified property after August 15, 2018

Download the client filter and diagnostic template

Problem:

In the Information Bulletin 2018-7 published on August 15, 2018, the *Ministère des Finances du Québec* announced the temporary increase in the tax credit for investment in respect of manufacturing and processing equipment that includes a modification to the definition of the term "qualified property," the increase in the tax credit rates as well as an additional temporary increase in the tax credit for investments for qualified corporations or partnerships whose proportion of metal processing activities exceeds 50%. These measures apply in respect of expenses incurred to acquire qualified property after August 15, 2018.

Table of rates of the tax credit for investments after the temporary increase

Place where the property acquired is to be mainly used	Rate applicable after August 15, 2018, and before January 1, 2020	
	Paid-up capital of $250 million or less	Paid-up capital of $500 million or more
Remote zones	40	5
Eastern part of the Bas-Saint-Laurent administrative region	30	5
Intermediate zones	20	5

Other regions in Québec	10	5

Table of rates of the tax credit for investments by a qualified corporation in the metal processing sector or member of a qualified partnership in the metal processing sector before, with, and after the temporary increase

Place where the property acquired is to be mainly used	Rate applicable after August 15, 2018, and before January 1, 2020	
	Paid-up capital of $250 million or less	Paid-up capital of $500 million or more
Remote zones	45	5
Eastern part of the Bas-Saint-Laurent administrative region	35	5
Intermediate zones	25	5
Other regions in Québec	20	5

For more precisions on this change, consult the "Temporary increase in the tax credit for investments relating to manufacturing and processing equipment" section of the Information Bulletin 2018-7 at the following address:

http://www.finance.gouv.qc.ca/documents/bulletins/en/BULEN_2018-7-a-b.pdf

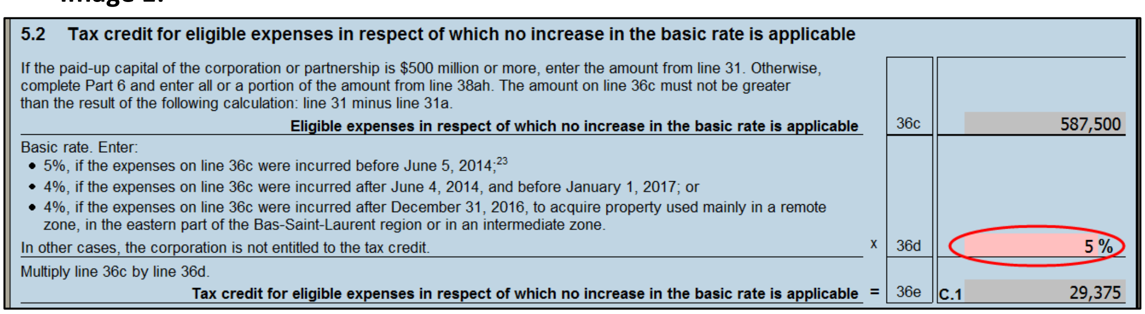
Currently, *Corporate Taxprep* does not take these new measures into account.

Solution:

To calculate the correct rate on lines 34, 35c and 36d in respect of eligible expenses incurred to acquire qualified property after August 15, 2018, proceed as follows:

- For each eligible entity, split the eligible expenses incurred in respect of qualified property based on the dates on which they were incurred and group them on two separate copies of the form:
  a. Group all eligible expenses incurred after December 31, 2016, and before August 16, 2018, on one copy of Form CO-1029.8.36.IN.
  b. Group all eligible expenses incurred after August 15, 2018, on another copy of Form CO-1029.8.36.IN.
- The following points apply to copies on which eligible expenses have been incurred **after** August 15, 2018:
  - Enter 5% on line 36d of Section 5.2 using an override:

  Image 1:



5.2 Tax credit for eligible expenses in respect of which no increase in the basic rate is applicable

If the paid-up capital of the corporation or partnership is $500 million or more, enter the amount from line 31. Otherwise, complete Part 6 and enter all or a portion of the amount from line 38ah. The amount on line 36c must not be greater than the result of the following calculation: line 31 minus line 31a.

Eligible expenses in respect of which no increase in the basic rate is applicable 36c 587,500

Basic rate. Enter:
- 5%, if the expenses on line 36c were incurred before June 5, 2014;[23]
- 4%, if the expenses on line 36c were incurred after June 4, 2014, and before January 1, 2017; or
- 4%, if the expenses on line 36c were incurred after December 31, 2016, to acquire property used mainly in a remote zone, in the eastern part of the Bas-Saint-Laurent region or in an intermediate zone.

In other cases, the corporation is not entitled to the tax credit. x 36d 5 %

Multiply line 36c by line 36d.

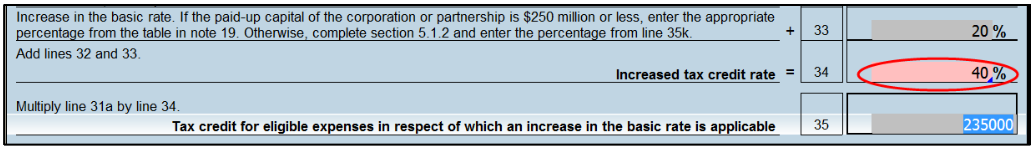
Tax credit for eligible expenses in respect of which no increase in the basic rate is applicable = 36e C.1 29,375

- For an entity that **<u>is not an eligible entity</u>** of the metal processing sector:

A. For remote zones:

1. If the paid-up capital is $250M or less, enter 40% on line 34 using an override.

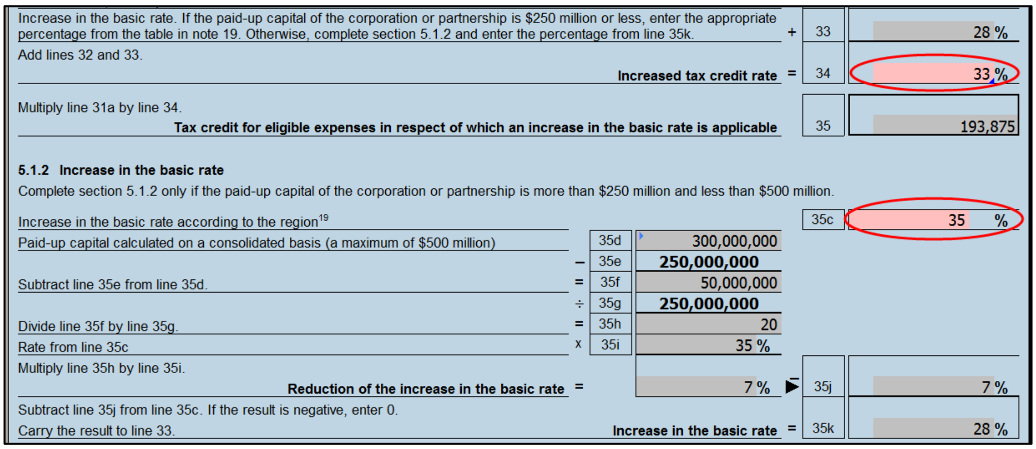
Image 2:



Increase in the basic rate. If the paid-up capital of the corporation or partnership is $250 million or less, enter the appropriate percentage from the table in note 19. Otherwise, complete section 5.1.2 and enter the percentage from line 35k.	+	33	20 %
Add lines 32 and 33. **Increased tax credit rate**	=	34	40 %
Multiply line 31a by line 34. **Tax credit for eligible expenses in respect of which an increase in the basic rate is applicable**		35	235000

2. If the paid-up capital is more than $250M, but less than $500M, enter 35% on line 35c using an override, then add the percentage indicated on line 33 to the basic rate of 5% and enter the result on line 34 using an override.

Image 3:



Increase in the basic rate. If the paid-up capital of the corporation or partnership is $250 million or less, enter the appropriate percentage from the table in note 19. Otherwise, complete section 5.1.2 and enter the percentage from line 35k.	+	33	28 %
Add lines 32 and 33. **Increased tax credit rate**	=	34	33 %
Multiply line 31a by line 34. **Tax credit for eligible expenses in respect of which an increase in the basic rate is applicable**		35	193,875

5.1.2 Increase in the basic rate

Complete section 5.1.2 only if the paid-up capital of the corporation or partnership is more than $250 million and less than $500 million.

Increase in the basic rate according to the region[19]				35c	35 %
Paid-up capital calculated on a consolidated basis (a maximum of $500 million)		35d	300,000,000		
	–	35e	**250,000,000**		
Subtract line 35e from line 35d.	=	35f	50,000,000		
	÷	35g	**250,000,000**		
Divide line 35f by line 35g.	=	35h	20		
Rate from line 35c	x	35i	35 %		
Multiply line 35h by line 35i. **Reduction of the increase in the basic rate**	=		7 %	35j	7 %
Subtract line 35j from line 35c. If the result is negative, enter 0. Carry the result to line 33. **Increase in the basic rate**	=			35k	28 %

B. For the Eastern part of the Bas-Saint-Laurent administrative region:
   1. If the paid-up capital is $250M or less, enter 30% on line 34 using an override. (See Image 2)
   2. If the paid-up capital is more than $250M, but less than $500M, enter 25% on line 35c using an override, then add the percentage indicated on line 33 to the basic rate of 5% and enter the result on line 34 using an override. (See Image 3)

C. For intermediate zones:
   1. If the paid-up capital is $250M or less, enter 20% on line 34 using an override. (See Image 2)
   2. If the paid-up capital is more than $250M, but less than $500M, enter 15% on line 35c using an override, then add the percentage indicated on line 33 to the basic rate of 5% and enter the result on line 34 using an override. (See Image 3)

D. For other regions in Québec:
   1. If the paid-up capital is $250M or less, enter 10% on line 34 using an override. (See Image 2)
   2. If the paid-up capital is more than $250M, but less than $500M, enter 5% on line 35c using an override, then add the percentage indicated on line 33 to the basic rate of 5% and enter the result on line 34 using an override. (See Image 3)
   3. Do not take into account diagnostic E1360 on line 09.

- For an entity that **is an eligible entity** of the metal processing sector:

A. For remote zones:
   1. If the paid-up capital is $250M or less, enter 45% on line 34 using an override. (See Image 2)
   2. If the paid-up capital is more than $250M, enter 40% on line 35c using an override, then add the percentage indicated on line 33 to the basic rate of 5% and enter the result on line 34 using an override. (See Image 3)

B. For the Eastern part of the Bas-Saint-Laurent administrative region:
   1. If the paid-up capital is $250M or less, enter 35% on line 34. (See Image 2)

2. If the paid-up capital is more than $250M, but less than $500M, enter 30% on line 35c using an override, then add the percentage indicated on line 33 to the basic rate of 5% and enter the result on line 34 using an override. (See Image 3)

C. For intermediate zones:

1. If the paid-up capital is $250M or less, enter 25% on line 34. (See Image 2)
2. If the paid-up capital is more than $250M, but less than $500M, enter 20% on line 35c using an override, then add the percentage indicated on line 33 to the basic rate of 5% and enter the result on line 34 using an override. (See Image 3)

D. For other regions in Québec:

1. If the paid-up capital is $250M or less, enter 20% on line 34. (See Image 2)
2. If the paid-up capital is more than $250M, but less than $500M, enter 15% on line 35c using an override, then add the percentage indicated on line 33 to the basic rate of 5% and enter the result on line 34 using an override. (See Image 3)
3. Do not take into account diagnostic E1360 on line 09.

These measures will be integrated in *Corporate Taxprep* 2018 v.2.0.

Note that the problem mentioned below is now solved.

(Note published on June 6, 2018)

Troubleshooting Memo T22018-001

EFILE - CO-17 return - Error code 25047 when electronically filing a Québec return with the NetFile service

Problem:

When filing a CO-17 return using the *NetFile Québec* electronic filing services with *Corporate Taxprep,* the error code 25047, “You must use a newer version of this software” displays.

Solution:

Revenu Québec is currently experiencing difficulties with their system. Therefore, the error code 25047 is generated by error. We are in constant communication with them to resolve the issue. As soon as the situation is restored, we will advise you so that you can retransmit your Québec CO-17 returns.

British Columbia

Troubleshooting Memo T22018-010

Schedule 428 - British Columbia Training Tax Credit (Jump Code: 428) - Extension of the British Columbia training tax credit

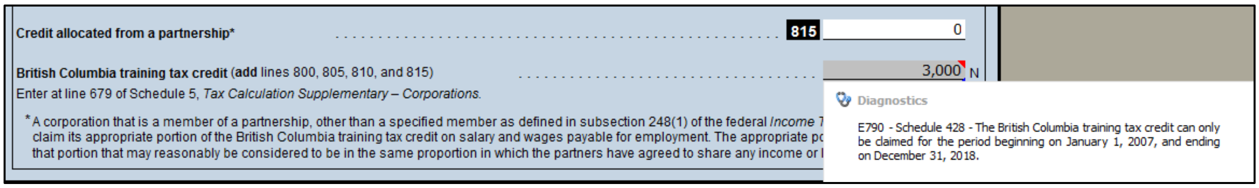
Download the client filter and diagnostic template

Problem:

As a result of the tabling of the February 19, 2019 Budget, the Government of British Columbia announced that it would extend by one year the availability of the British Columbia training tax credit, i.e., until December 31, 2019. For more information, see section 25 of Bill – 5, *Budget Measures Implementation Act, 2019*.

Currently, *Corporate Taxprep* displays diagnostic E790, indicating that this tax credit can only be claimed for the period beginning on January 1, 2007, and ending on December 31, 2018, if the corporation meets the following conditions:

- It has a permanent establishment in British Columbia.
- Its tax year starts after December 31, 2018.
- An amount is entered on line N of Schedule 428.


Credit allocated from a partnership* 815 0

British Columbia training tax credit (**add** lines 800, 805, 810, and 815) . . . . 3,000 N

Enter at line 679 of Schedule 5, *Tax Calculation Supplementary – Corporations.*

* A corporation that is a member of a partnership, other than a specified member as defined in subsection 248(1) of the federal *Income T* claim its appropriate portion of the British Columbia training tax credit on salary and wages payable for employment. The appropriate po that portion that may reasonably be considered to be in the same proportion in which the partners have agreed to share any income or l

Diagnostics

E790 - Schedule 428 - The British Columbia training tax credit can only be claimed for the period beginning on January 1, 2007, and ending on December 31, 2018.

This diagnostic should not display when the tax year ends before January 1, 2020.

Solution:

In this situation, retain the data entered in Schedule 428 and ignore diagnostic E790.

This measure will be integrated into *Corporate Taxprep* 2019 v.1.0.

Saskatchewan

Troubleshooting Memo T22018-011

Schedule 411 - Saskatchewan Corporation Tax Calculation (Jump Code: 411) - The reduction rate of the credit unions deduction is incorrect for days in 2019

Download the client filter and diagnostic template

Problem:

The reduction rate of the credit unions deduction is incorrect. The rate used should be 50% for days in 2018 and 25% for days in 2019, while the rate currently used is 50% for the entire period after December 31, 2017. As a result, the additional amount entitled to the lower tax rate for credit unions calculated on line G2 is incorrect. This problem affects any corporation that has a permanent establishment in Saskatchewan, a taxation year ending after December 31, 2018, and that is entitled to the credit unions deduction (this means that an amount is indicated on line F2 of Schedule 411).

Solution:

If the corporation is in the above-mentioned situation, enter the result of the following calculation on line G2, using an override:

$$\text{Amount F2} \times \left(\frac{\text{Number of days in the taxation year in 2018}}{\text{Number of days in the taxation year}} \times 50\% + \frac{\text{Number of days in the taxation year in 2019}}{\text{Number of days in the taxation year}} \times 25\% \right)$$

Example:

A corporation has a taxation year ending on March 31, 2019, and an amount of $250,000 is indicated on line F2 of its Schedule 411. Therefore, the amount on line G2 is $125,000:

Period after December 31, 2017

For the period after December 31, 2017, calculate the income subject to Saskatchewan lower and higher tax rates as follows:

Taxable income for Saskatchewan *			850,000	A2
Income eligible for Saskatchewan lower tax rate:				
Amount from line 400 of the T2 return***		850,000 B2		
Amount from line 405 of the T2 return		850,000 C2		
Amount from line 427 of the T2 return	500,000 x 600,000 / 500,000 =	600,000 D2		
Amount B2, C2, or D2, whichever is the least		600,000 ▶	600,000	E2
For credit unions only:				
Amount 2C from Schedule 17, Credit Union Deductions	850,000 3			
Amount E2	600,000 4			
Subtotal (amount 3 **minus** amount 4, if negative, enter "0")	250,000 ▶	250,000 F2		
Amount F2 250,000 x 50 %		=	125,000	G2
Total (amount E2 **plus** amount G2)			725,000	H2
Amount H2 725,000 x Taxable income for Saskatchewan * / Taxable income for all provinces **		850,000 / 850,000 =	725,000	I2
Income subject to Saskatchewan higher tax rate (amount A2 **minus** amount I2)			125,000	J2

The result of the following calculation should be entered on line G2, using an override:

$$\$250{,}000 \times \left(\frac{275 \text{ days}}{365 \text{ days}} \times 50\% + \frac{90 \text{ days}}{365 \text{ days}} \times 25\% \right) = \$109{,}589$$

Period after December 31, 2017

For the period after December 31, 2017, calculate the income subject to Saskatchewan lower and higher tax rates as follows:

Taxable income for Saskatchewan *			850,000	A2
Income eligible for Saskatchewan lower tax rate:				
Amount from line 400 of the T2 return***		850,000 B2		
Amount from line 405 of the T2 return		850,000 C2		
Amount from line 427 of the T2 return	500,000 x 600,000 / 500,000 =	600,000 D2		
Amount B2, C2, or D2, whichever is the least		600,000 ▶	600,000	E2
For credit unions only:				
Amount 2C from Schedule 17, Credit Union Deductions	850,000 3			
Amount E2	600,000 4			
Subtotal (amount 3 **minus** amount 4, if negative, enter "0")	250,000 ▶	250,000 F2		
Amount F2 250,000 x 50 %		=	109,589	G2
Total (amount E2 **plus** amount G2)			709,589	H2
Amount H2 709,589 x Taxable income for Saskatchewan * / Taxable income for all provinces **		850,000 / 850,000 =	709,589	I2
Income subject to Saskatchewan higher tax rate (amount A2 **minus** amount I2)			140,411	J2

This problem will be corrected in *Corporate Taxprep* 2019 v.1.0.

Manitoba

Troubleshooting Memo T22018-003

Schedule 383 – Manitoba Corporation Tax Calculation (Jump Code: 383) – The additional deduction for credit unions is reinstated as of 2017

Download the client filter and diagnostic template

Problem:

In Bill 34, tabled on June 25, 2018, the Government of Manitoba announced that, for days after December 31, 2016, it was reinstating the full deduction for credit unions for purposes of calculating income eligible for the lower tax rate. This change means that, for those days, the rate that should be applied to the deduction for credit unions is 100% instead of 0%. Currently, *Corporate Taxprep* does not take this new measure into account.

For more precisions on this change, consult subsection 11(6) of Manitoba Bill, at the following address:

https://web2.gov.mb.ca/bills/41-3/pdf/b034.pdf

Solution:

If the corporation's taxation year ends after December 31, 2016, it has a permanent establishment in Manitoba, is a credit union and has taxable income on line A in Part 1 of Schedule 383, proceed as follows to correctly calculate the deduction amount.

1. Manually recalculate the preferred-rate amount at the start of the year for Manitoba in accordance with subsection 11(6) of Bill 34.
2. Enter the result of step 1 on line U in Part 6 of Schedule 17 (Jump Code: **17**).
3. In Part 5 of Schedule 17, the calculation of the deduction for credit unions is calculated correctly when the corporation has a permanent establishment in Ontario or British Columbia. You can then modify the province of residence to Ontario or British Columbia on line 750 of Form Identification (Jump Code: **ID**). Then, note the amount indicated on line N in Part 5 of Schedule 17. Thereafter, enter this amount on line 1 in Part 1 of Schedule 383 using an override.
4. Re-enter the correct value on line 750 of Form Identification and on line U in Part 6 of Schedule 17.

Example:

The corporation is a credit union, its taxation year starts after December 31, 2016, it has a permanent establishment in Manitoba and has taxable income of $6,100,000. The preferred-rate amount at the end of the preceding taxation year is $500,000.

1. Enter $500,000 on line U in Part 6 of Schedule 17.

Part 6 – Preferred-rate amount at the end of the tax year for other provinces

To complete if the corporation has a permanent establishment in Ontario or in British Columbia

Preferred-rate amount at the end of the previous tax year for the other provinces (enter the amount from line Y of Schedule 17 from the previous tax year, if applicable)	500,000	U		
Preferred-rate amount transferred on amalgamation/wind-up	0	V		
Subtotal (line U **plus** line V)	500,000	▶	500,000	W

2. Modify the province of residence to Ontario on line 750 of Form Identification. Therefore, the amount on line N in Part 5 of Schedule 17 will be $766,667.

Part 5 – Additional deduction for other provinces

To complete if the corporation has a permanent establishment in Ontario or in British Columbia

Taxable income for the tax year (from line 360 of the *T2 Corporation Income Tax Return*)	6,100,000	K
4 / 3 x maximum cumulative reserve at the end of the tax year	1,266,667	L
Minus:		
Preferred-rate amount at the end of the previous tax year for other provinces (amount W below)	500,000	
Total (line L **minus** the preferred-rate amount at the end of the previous tax year for other provinces, if negative, enter "0")	766,667	M
Amount K or M, whichever is less	766,667	N

Then, enter this amount on line 1 in Part 1 of Schedule 383 using an override.

Part 1 – Income subject to Manitoba lower and higher tax rates

Taxable income for Manitoba *				6,100,000	A
Income eligible for the Manitoba lower tax rate:					
Amount from line 400 of the T2 return **			6,100,000		B
Amount from line 405 of the T2 return			6,100,000		C
Amount from line 427 of the T2 return	500,000 x	450,000 / 500,000 =	450,000		D
Amount B, C, or D, whichever is the least			450,000		E
For credit unions only:					
Amount D from Schedule 17, *Credit Union Deductions*		766,667 (1)			
Amount E		450,000 (2)			
Subtotal (amount 1 **minus** amount 2, if negative, enter "0")		316,667 ▶	316,667		F
Subtotal (amount E **plus** amount F)			766,667		G
Amount G	766,667 x	Taxable income for Manitoba * 6,100,000 / Taxable income for all provinces *** 6,100,000 =		766,667	H
Note: amount H cannot exceed amount A					
Income subject to Manitoba higher tax rate (amount A **minus** amount H)				5,333,333	I

3. Remove the $500,000 from line U in Part 6 of Schedule 17 and re-enter Manitoba on line 750 of Form Identification.

This measure will be integrated in *Corporate Taxprep* 2018 v.2.0.

Network Version

Troubleshooting Memo T22018-002

The network version of the *Taxprep* Help has not been displaying since the last Windows 7 and Windows 10 updates

Problem:

Three updates performed by Microsoft on May 8, 2018, had repercussions on the use of Help files when the latter are used from a network location. Therefore, the Help no longer displays correctly if you are using a Windows 7 or Windows 10 operating system.

Solution:

To use the *Taxprep* Help, copy your network CHM Help files to your local disk. However, note that the contextual Help will no longer be available with this solution.

This situation will be corrected in future version of *Taxprep*.