T2 Data Connection

About the T2 Data Connection

The T2 Data Connection is a feature unique to *Corporate Taxprep* that helps you minimize duplicate data entry, ensure consistency and assist you in optimizing tax positions when preparing returns for related and associated corporations.

There are several functions that form part of the T2 Data Connection and you can use any or all of these functions to help you prepare your returns.

T2 Data Connection – What's Right for You?

Using the features of the T2 Data Connection you can:

- Transfer data from the R&A workchart in one return to the R&A workchart in another return

- Link data files so that the R&A workchart in one return is automatically updated with the information from actual data file of the associated corporation

- Use the Allocation Scenarios on the allocation forms to help determine the optimal allocations based on the actual data in the linked returns.

Depending on your situation and that of the corporate group, it may not be practical or even necessary to use all of these features for a given corporate group.

In the following pages, we will present three different scenarios that you may encounter and suggest how you can use the T2 Data Connection to help prepare these returns.

Scenario #1 – Associated Corporations

You need to prepare the returns for three corporations that are associated CCPCs and all three have a December 31 year end.

Corporation Name	Taxable income	Taxable capital for the year	Prior Yr Taxable Capital	Total assets	Total Revenue
Associated Corporation #1	$319,000	$647,000	$575,000	$826,000	$700,000
Associated Corporation #2	$227,000	$3,176,000	$3,976,000	$3,291,000	$6,500,000
Associated Corporation #3	$86,000	$1,362,000	$1,800,000	$1,707,000	$3,500,000
	$632,000	$5,185,000	$6,351,000	$5,824,000	$10,700,000

Suggested Approach:

Step 1 – Prepare each return in the group

Roll forward and prepare each of the tax returns in the group as far as possible aside from the information on related and associated corporations.

Step 2 - Establish links to the various returns in the group

Pick one of the returns to use as the initial return for purposes of identifying all of the returns in the group.

Access the R&A Workchart (Jump Code: 9 WORKCHART).

For each corporation already listed in the workchart, click … beside the field for the "Location and name of the linked file," and then select the appropriate file for the current tax year.

Taxprep will post a warning message when you attempt to link to a return that has a year end in different calendar year to help ensure that you do not accidentally select the wrong return.

If you need to create a new copy of the R&A workchart, *Taxprep* will automatically prompt you to create the link to the appropriate data file.

Importing Data

When you link the return, the Create Link Wizard will then display the data that will be imported into the R&A workchart for that corporation.

The "Current Value" field will display any existing data in the R&A workchart for the fields being imported. The "Imported Value" field displays the data that will be imported.

You can choose not to import any of the data displayed by suppressing any of the data by removing the check mark.

TIP

You can view a list of data that was imported via the T2 Data Connection by using the "Imported Data" filter in Xpress.

F.Y.I.

When you establish a link to another Corporate Taxprep data file, the link is unidirectional (i.e. one way). The link is used to access information contained in the source return (i.e. the data file that you selected when you established the link) while you are working in the current data file.

Step 3 – Complete the R&A Workchart for each corporation

When you link the returns, *Taxprep* will automatically import relevant information from these returns into the *Related and Associated Corporations Workchart*.

If there are any corporations that were not in the prior year file, you will need to identify the relationship between those corporations and the filing corporation as well as provide any details for the percentage of shares owned by the filing corporation for Schedule 9 purposes.

Step 4 - Determine the allocations between the returns in the group

For each relevant form applicable to the corporate group (e.g. Schedules 23, 49, CO-771.1.3, etc.), allocate the amounts for each corporation, if applicable.

If you have established links to the other returns in the corporate group, then you can take advantage of the Allocation Scenario calculations on various allocation schedules to view the impact of a proposed allocation for the entire corporate group.

To use an Allocation Scenario, enter a proposed allocation in the appropriate column (i.e. the column with the input fields) and then click **Calculate**.

|	1 Names of associated corporations	2 Business Number of associated corporations	3 Asso-ciation code	4 Business limit for the year (before the allocation) $	5 Percentage of the business limit %	6 Business limit allocated* $
	100	**200**	**300**		**350**	**400**
1	Associated Corporation #1	33333 3334 RC0001	1	500,000	34.0000	170,000
2	Associated Corporation #2	88888 8880 RC0001	1	500,000	33.0000	165,000
3	Associated Corporation #3	55555 5556 RC0001	1	500,000	33.0000	165000
				Total	100.0000	500,000 A

When you click the **Calculate** button, the linked files will be temporarily recalculated with the values from the allocation scenario determined in the current file. The results of these calculations will then be displayed in the following table. Note that the linked files are not modified during this process. **Calculate**

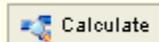|	Names of associated corporations	Percentage required to maximize the SBD %	Reduced business limit	Unused business limit	SBD	Part I tax payable	Closing balance of the general rate income pool (GRIP)
1	Associated Corporation #1	34.3000	170,000	0	28,900	31,118	1,020
2	Associated Corporation #2	63.8000	165,000	0	28,050	37,410	104,720
3	Associated Corporation #3	17.2000	165,000	79,000	14,620	0	0
	Total		500,000	79,000	71,570	68,528	105,740

Taxprep will apply the proposed allocation to the data in each linked return and do a pro-forma calculation to determine the effect of that proposed allocation.
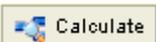
If another user has one of the corporate group files open when you click **Calculate**, *Taxprep* will use the values in the last saved version of the file.

The results of this calculation are posted to the allocation scenario portion of the applicable allocation form.

The results of the Allocation Scenario calculation appear in the current return for information purposes only –the linked returns are not affected by this process at all.

You can modify the proposed allocations and recalculate the results as many times as necessary until you have determined your optimal allocation.

	1 Names of associated corporations	2 Business Number of associated corporations	3 Asso-ciation code	4 Business limit for the year (before the allocation) $	5 Percentage of the business limit %	6 Business limit allocated* $
	100	**200**	**300**		**350**	**400**
1	Associated Corporation #1	33333 3334 RC0001	1	500,000	36.2000	181,000
2	Associated Corporation #2	88888 8880 RC0001	1	500,000	63.8000	319,000
3	Associated Corporation #3	55555 5556 RC0001	1	500,000	0.0000	
				Total	100.0000	500,000 A

When you click the **Calculate** button, the linked files will be temporarily recalculated with the values from the allocation scenario determined in the current file. The results of these calculations will then be displayed in the following table. Note that the linked files are not modified during this process.

[Calculate]

	Names of associated corporations	Percentage required to maximize the SBD %	Reduced business limit	Unused business limit	SBD	Part I tax payable	Closing balance of the general rate income pool (GRIP)
1	Associated Corporation #1	34.3000	181,000	9,500	29,155	30,998	0
2	Associated Corporation #2	63.8000	319,000	0	54,230	25,090	0
3	Associated Corporation #3	17.2000	0	0	0	0	42,840
	Total		500,000	9,500	83,385	56,088	42,840

The following schedules include Allocation Scenarios:

Jump Code	Title and Description	Type
23	Sch. 23 - Agreement among associated CCPCs to allocate the business limit	Federal forms
49	Sch. 49 - Agreement among associated CCPCs corporations to allocate the expenditure limit	Federal forms
77113	CO-771.1.3 - Associated corporation's agreement respecting the allocation of the business limit and calculation of the business limit	Québec forms
1029836HF	CO-1029.8.36.HF - Agreement concerning the annual limit of the tax credit for the modernization of a tourist accommodation establishment	Québec forms
1029836ID	CO-1029.8.36.ID - Cumulative limit allocation agreement for the tax credit for investment	Québec forms
1029836RP	CO-1029.8.36.RP - Agreement respecting the base amount for assistance granted in the resource regions	Québec forms
1029836RQ	CO-1029.8.36.RQ - Agreement respecting the tax credit for job creation in the resource regions, the Vallée de l'aluminium, Gaspésie and certain maritime regions of …	Québec forms
1137E	CO-1137.E - Agreement respecting the $1 million deduction	Québec forms
11381	CO-1138.1 - Agreement and election respecting the deduction for farming corporations and fishing corporations	Québec forms
102978	RD-1029.7.8 - Agreement between associated corporations regarding the expenditure limit	Québec forms
A9	AB Sch. 9 - Scientific research & experimental development (SR&ED) tax credit	Alberta forms
MJ	MCT1 - Corporation capital tax return	Manitoba forms
343	NS Sch. 343 - Tax on large corporations – agreement among related corporations	Nova Scotia forms
566	ON Sch. 566 - Innovation tax credit	Ontario forms
568	ON Sch. 568 - Business-research institute tax credit	Ontario forms
43	Sch. 43 - Calculation of parts IV.1 and VI.1 taxes	Specialized information (SI) module
39	Sch. 39 - Agreement among related financial institutions - part VI tax	SI module: capital tax
306	NL Sch. 306 - Capital tax on financial institutions – agreement among related corporations	SI module: capital tax
MB-CREDIT UNIONS	MB-Credit Unions - Credit unions and caisses populaires tax return	SI module: credit unions

When you click [Calculate] , the allocation scenario results are updated in all of the various allocation schedules, not just the schedule that you are currently viewing.

Step 5 – Save and close the return

Save and close the initial return in which you entered the links and determined the allocations.
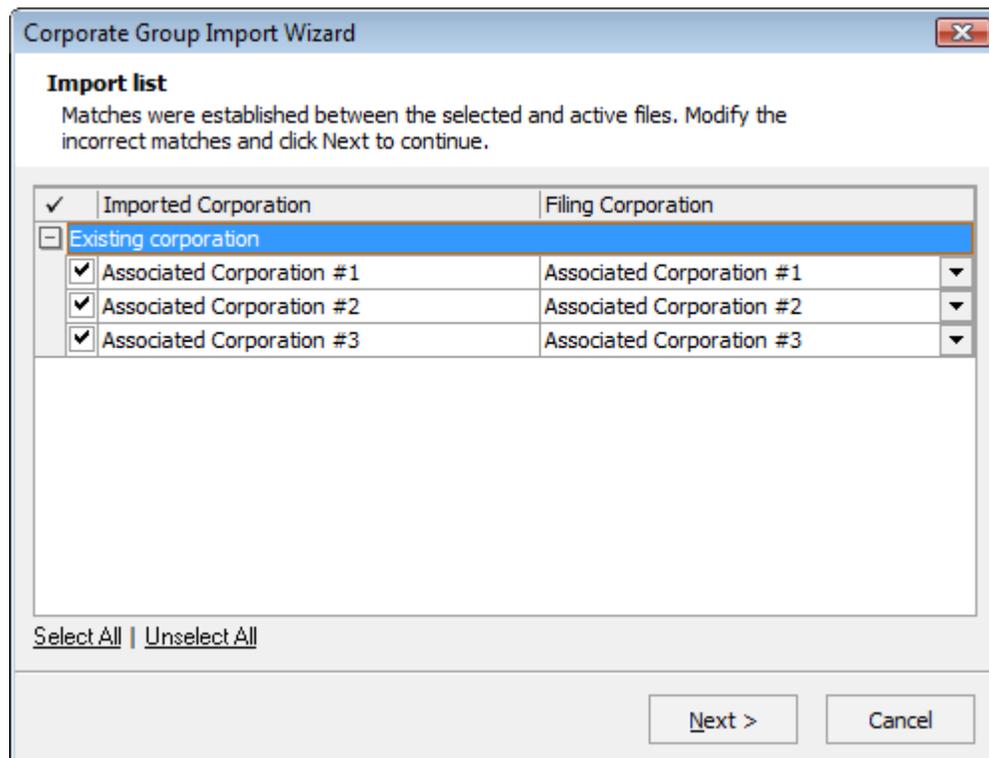
Step 6 – Import the data into the remaining returns

Open the next return in the group.

Click **Import Data/Corporate Group** on the **File** menu.

Select the return that you updated in Steps 1-5.

Taxprep will display the list of the related and associated corporations in the group.

If the current file already contains a list of related and associated corporations (e.g. rolled forward from the prior year), *Taxprep* will attempt to match up the remaining corporations using the BN, the name and the tax year.

Even if the current file does not yet list any related or associated corporations, at a minimum, *Taxprep* will identify which corporation in the list is now the filing corporation, using the BN and the tax year.
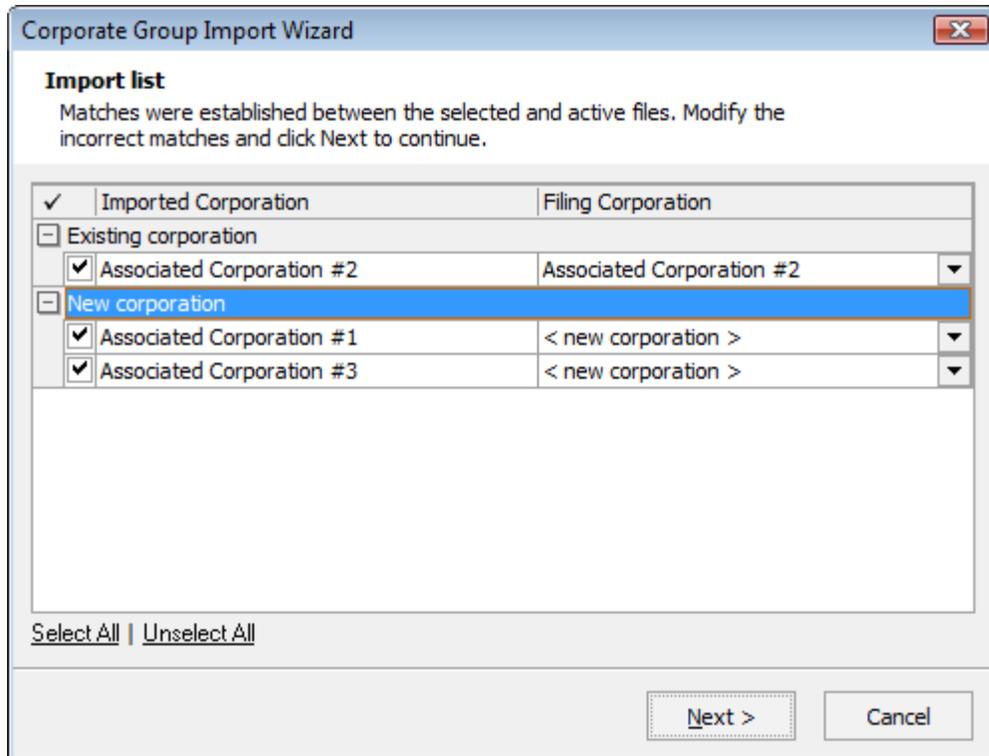
TIP

Any links that you have established in the R&A Workchart will be imported along with the other data in the R&A workchart when the **Import Data/Corporate Group** *command is used.*

Therefore, you can set up the links for all of the corporations in the group in one data file and then use the command **Import Data/Corporate Group** *to copy all of these links to another data file.*

Step 7 – Save the return

Step 8 - Repeat Step 6-7 for all remaining returns

TRUC

After importing data for each of the files in the group of related or associated corporations, click **Recalculate** on the **Tools** menu to refresh the diagnostics related to the T2 Data Connection. Note that the source files for each of the linked corporations are used to validate the values in the active file and to display these diagnostics.

Scenario #2 – Related Corporations

You are preparing the corporate returns for several members of a corporate group in which the corporations are related but not associated. In addition, the list of related corporations changes from year to year. You need to provide the list of related corporations in each return being filed.

Suggested Approach:

Step 1 – Update the list of related corporations in the R&A Workchart

Pick one of the returns to use as the "master" return for purposes of updating the list of related corporations.

TIP *If you have a corporate group in which certain corporations are related to some corporations but not to others, then you may wish to pick the corporation with the largest number of related corporations as your initial return, to allow you to enter as much of the corporate group information as possible within the initial return.*

If you are also preparing the returns for the related corporations, you can update the information by linking to the relevant data file (e.g. if it is a new corporation and you want to import the name, BN and year end) as described in Scenario #1 – Step 1.

Alternatively, you may choose to simply manually update the list of related corporations in the first return rather than acquiring the information by linking the returns.

You will need to manually enter the information for any related corporations for which you are not preparing the tax return.

TIP *If you will not be linking to any returns, you may wish to disable the T2 Data Connection on the 1st copy of the 9 Workchart:*

> ┌─ T2 Data Connection ─────────
> │ Enable T2 Data Connection   [X]
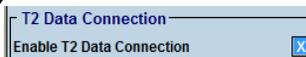
When this option is disabled, Taxprep will no longer prompt for a link to a file when you create a new copy of the R&A Workchart.

Step 2 – Save the return

Step 3 – Import the updated R&A Workchart into the other returns

1) Open the next related corporation return
2) Click **Import Data/Corporate Group** on the **File** menu.
3) Select the return that you updated in Step 1 as your source file.

Taxprep will display the list of the related and associated corporations that were entered in the source return (as well as the source return).

✓	Imported Corporation	Filing Corporation	
	Existing corporation		
✓	Cdn Film Production Services	Cdn Film Production Services	▼
✓	Halak Productions	Halak Productions	▼
✓	Brier Patch Productions	Hurray Hard Productions	▼
✓	Poutine Films	Poutine Films	▼
✓	Chicken Canon Films	Chicken Canon Films	▼
✓	Bocce Baby Films	Bocce Baby Films	▼
	New corporation		
✓	Double-Double Productions	< new corporation >	▼
✓	Giant Inflatable Moose Films	< new corporation >	▼

Corporate Group Import Wizard

Import list
Matches were established between the selected and active files. Modify the incorrect matches and click Next to continue.

Select All | Unselect All

Next >   Cancel

If the current file already contains a list of related and associated corporations, *Taxprep* will attempt to match up the remaining corporations using the BN, the name and the tax year.

A corporation from the source file that is matched to a corporation found in the current file will be listed as an "Existing corporation" for the current filing corporation. Any other corporations will be displayed in the "New corporation" list.

If *Taxprep* was unable to correctly match a corporation (e.g. because the BN was incorrect or not entered), click the down arrow to display the list of corporations in the current file and select the matching corporation.

If applicable, click to remove the check mark beside any corporations that are not related to the current corporation.

F.Y.I.

The command **Import Data/Corporate Group** *does not delete any corporations from the R&A Workchart. Therefore, if you have rolled forward the file and have corporations listed that are no longer related, you will need to manually delete them from the R&A workchart.*

4) Once you have identified the corporations, click **Next** to continue.

5) Click **Next** and then **Finish** to import the selected data.

6) If you have imported information for any corporations that were not previously listed in the R&A Workchart, then you will also need to enter:

- the Relationship code for that corporation; and

- the relevant information in the section for Schedule 9 (if applicable).

This data reflects the relationship between the current filing corporation and that specific related corporation, so this information may vary from return to return depending on the corporate structure. As a result, this information is not imported when you use the **Import Corporate Group** command.

If a corporation was listed in the R&A workchart last year, then the Relationship code and Schedule 9 information (where applicable) will be rolled forward automatically from the prior year and only needs to be reviewed for any changes in the corporate group ownership.

Step 4 – Update the R&A Workchart for the remaining returns

Repeat step 3 for each additional tax return in the group that you are preparing.

Scenario #3 – Different Year Ends

You are preparing the returns for a corporate group that consists of a large parent company and several smaller associated corporations. The taxable capital of the group exceeds $10 million and the corporation is subject to capital tax in several provinces. In addition, some of the corporations have different year ends.

Suggested Approach:

In this case, you may want to use different T2 Data Connection features depending on whether or not you are preparing the first return in the calendar year, the last return in the calendar year or one in between.

Step 1 – Roll Forward the returns with the earliest year end

The R&A workchart includes cells to track prior year information to better handle situations in which there are different year ends. This allows *Taxprep* to roll forward the relevant information from the prior year R&A workchart.

Taxable Capital Employed in Canada

For example, both the taxable capital in the current year, as well as the prior year taxable capital are now tracked.

When you roll forward the filing corporation return, the current year taxable capital information on each copy of the R&A workchart will be rolled forward to the line *Taxable capital employed in Canada in the last taxation year*.

Where the taxation year end of the related or associated corporation ends after the year end of the filing corporation, *Taxprep* will automatically use the prior year taxable capital amount (because the relevant amount is that of the last taxation year ending in the filing corporation's tax year).

Step 2 – Complete the returns for the first year end

In addition to completing the return for the filing corporation, if any of the related and associated corporations have the same year end as the filing corporation, you may require some information from the current tax return (e.g. current year taxable capital).

If this information has already been entered in the relevant data files, you can link to those data files as described in Scenario #1 – Step 2 so that this information is imported into the R&A Workchart. Otherwise, you can enter the relevant information manually.

Step 3 – Determine allocations

While you will need to enter any applicable allocations in the first return filed in the calendar year, in this situation, the Allocation Scenarios may not be relevant because:

- the allocations may be straightforward (e.g. 100% to the parent corporation),

and/or

- the information in the later returns may not be sufficiently complete to provide meaningful results.

Step 4 – Save the Return

Step 5 – Import the data into the remaining returns

If there are other returns with the same year end as the filing corporation, you can complete the R&A Workchart in these returns using the command **Import Data/Corporate Group** on the **File** menu as described in Scenario #1.

Step 6 – Roll Forward and prepare subsequent returns

Later in the year, as they come up, roll forward and prepare the returns for the later year ends aside from the R&A Information.

Step 7 – Import Allocations and other information from previously filed returns

Use the **Import Data/Corporate Data** function to import the R&A information, including the links and the allocations from the returns already prepared. This will help you ensure that all returns have consistent information and that your subsequent returns utilize the allocation elections made for that calendar year.

TRUC

After importing data for each of the files in the group of related or associated corporations, click **Recalculate** on the **Tools** menu to refresh the diagnostics related to the T2 Data Connection. Note that the source files for each of the linked corporations are used to validate the values in the active file and to display these diagnostics.

Subsequent Changes in Linked Returns

If any data affecting the R&A Workchart is modified in any of the linked returns after the data has been transferred, you can update the data from all of those returns using the command **Update Links to Corporations** from the **Tools** menu.

Taxprep will display any data items that differ between the source files and the current file that you are viewing. You can select to transfer any or all of the modified data.

*The allocations are not transferred when you use the **Update Links to Corporations** command with existing linked returns, to ensure that you do not accidentally overwrite your optimized allocations.*

Identifying Corporate Group Files

You can use the field for the "Name of the Related/Associated Corporation Group" that appears on the first copy of the R&A workchart to help identify the files that form part of each corporate group.

When you import the corporate group data from one return to another, the name of the corporate group will be imported as well.

In order to ensure that all members of the corporate group can be easily identified, the corporate group name should be consistent across all of the corporations in the group. We therefore recommend that you do not change the original corporate group name that you imported from the initial return. If you do need to change the name, then you should ensure that it is changed in all of the files.

The Corporate Group Name is an optional column in any of the Client Manager views (other than File Data). To add the Corporate Group Name to your view, click the column header and click **Customize Columns**. Then drag and drop the Corporate Group Name to the desired location in the view.

By adding this column to your views, you can sort, filter or group based on the corporate group name.

*To open all of the returns in a corporate group at the same time, filter on the corporate group name, press **Ctrl+A** (to Select All) then press **Ctrl+O** (to open the files).*

Tips for Managing your Corporate Group Files

In order to minimize the amount of updating required to ensure that all of the data in the group is consistent, you may wish to consider the following tips:

Try to complete all relevant R&A data before using the import

While it may not be possible to complete all returns in a group at the same time (e.g. due to different year ends), if you can roll forward the files and enter the current year data that impacts on the R&A workchart for each corporation prior to linking the files, then you can minimize the number of times that you may need to subsequently update the data.

If possible, determine allocations prior to import

If you can determine your optimal allocations prior to using the **Import Data/Corporate Group** command, then you can save time as the allocations will be imported along with any corporate file links and the other data on the R&A workchart.

Encourage all preparers to save their corporate group returns to a shared folder whenever possible.

If they make changes to a return and only save it locally, you will be unable to access that data when updating the other returns in the group.

Select a single file to be used to optimize the allocations.

If the allocations are optimized in more than one file, you may spend time reconciling discrepancies between the files. If there are a number of preparers involved, you may even wish to use a customized status (e.g. "Allocations Optimized") to identify which return contains the optimized allocations.

T2 Data Connection – Frequently Asked Questions

Import Data / Corporate Group vs. Linking Files

Question:

If there are only two corporations that are associated, do I still need to use the **Import Data/Corporate Group** command if I have linked the files?

Answer:

Not necessarily. You have two alternatives.

In both cases, you would start in Corporation #1 and establish a link to Corporation #2 (which will import the relevant R&A information from Corporation #2 to Corporation #1).

Then open the return for Corporation #2 and either:

1) Use the **Import Data/Corporate Group** command to import the R&A workchart from Corporation #1 (which will also establish the link to Corporation #1).

   or

2) In the R&A Workchart access copy #2 and click then establish the link to Corporation #1 which will then import the relevant R&A data from Corporation #1.

Import Data / Corporate Group vs. Update Links

Question:

What is the difference between using the command **Import Data/Corporate Group** on the **File** menu and **Update Links to Corporations** on the **Tools** menu?

Answer:

The **Import Data/Corporate Group** command imports all of the information from the R&A workchart in the source file; including any links established to returns in the group as well as any relevant allocations that are in the R&A workchart.

The **Update Links to Corporations** command uses the links established to access each source file and check that the information in the current R&A workchart reflects the most recent version of the source return. Any differences will be displayed in the list of data to be imported (other than allocations, which are not affected by the update). If there was no link established, or the file cannot be found in the location indicated, then *Taxprep* will prompt you to create a link, unless the option to link to that specific corporation has been disabled (e.g. in the case of a related corporation for which you do not prepare the return).

Accessing Files

Question:

I have established links between the returns in the corporate group. If I am in one of the returns in the group, is there a command that allows me to jump to one of the other returns in the group?

Answer:

Yes. Press **Shift+F6** from one of the cells that is linked to the source file (e.g. an allocation cell).

If there is a difference between the value for that cell in the current return and the source return, then you will be asked whether or not you wish to update the value. If you want to view the source file but not transfer an amount, press **Shift+ F6** and answer No to the question shown below. The linked file will be opened, but no amount will be transferred.

This command also appears on the shortcut (right-click) menu.

Rolling Forward Files

Question:

If I link the corporate group returns in the current year, are these links retained when I roll forward the file?

Answer:

No. The link is made to the tax return for a specific year end. Therefore, the link used last year would be to last year's return. Once you roll forward your files, you will need to select the data file that represents the current year data file.

> *If you have a large number of corporations listed in the R&A workchart, you may find it faster to create your links using the command **Update Links to Corporations** on the **Tools** menu. This command will prompt you for a link for each corporation listed in the R&A workchart*

TIP

Moving Files

Question:

What happens if I established a link to an associated corporation return and then that return was subsequently moved to a different location?

Answer:

If you move a return, then when you open a data file that has a link to that return, or use the commands **Import Data/Corporate Group**, **Update Links to Corporations** or **Calculate**, you will be prompted to re-establish or remove any "broken" links.

Question:

If the link is broken, will I lose the data that was transferred into the R&A workchart?

Answer:

No. Any data that is already in the R&A workchart will not be affected when a link is "broken," regardless of whether the data was entered manually or was imported.

If you no longer require the link (i.e. because the current return has been completed), then you may wish to remove the check mark beside the check box **Always keep the link and offer to restore it when in error** for that return. That way you will not be prompted again to correct the link.

Turning Off the Prompt to Link Files

Question:

I am entering information for a number of new related corporations, but I don't prepare those returns so I will not be linking to them. Is there a way that I can stop *Taxprep* from prompting me to link to the file every time I click **New**?

Answer:

Yes. If you have a data file in which you will not be linking to other returns, you can override to remove the "X" beside "Enable T2 Data Connection" in the first copy in the R&A workchart, and *Corporate Taxprep* will no longer prompt for a link when creating any subsequent R&A workchart copies in that file.

If you want to turn off the prompt to link returns for all of your data files, then disable the check box **Enable T2 Data Connection** in the "Options – Return" section of the *Preparer Profile*.

However, in either case, if you find that you want to link a specific file, you can still click ⋯ beside the field "Location and name of the linked file" to add a link for a specific corporation.

> *Even if the T2 Data Connection is disabled, you can still use the* **Import Data/Corporate Group** *command to import corporate group data from one return to another.*

Password Protection

Question:

Can I link to a password-protected file?

Answer:

Yes, but you will be prompted to provide the password when *Taxprep* tries to link to the file. You can avoid this request by entering the relevant passwords in your password list in the **General** pane of the **Options and Settings** dialog box.