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Corporate Taxprep®

Troubleshooting

Corporate Taxprep 2011 v.2.0

April 2012

The following problems have been detected in *Corporate Taxprep* 2011 v.2.0.

New Item - Week of April 15

Manitoba - MCT1, Corporation Capital Tax Return (Jump Code: MJ) - Increase in the capital tax rate for banks, trust and loan corporations with a taxation year ending after April 17, 2012

Problem:

In its 2012 Budget, the Manitoba government announced that the capital tax rate would be increased to 4% for the banks, trust and loan corporations with a taxation year ending after April 17, 2012. However, *Taxprep* is currently using a rate of 3%.

Solution:

If the corporation is a bank, a trust or a loan corporation with a taxation year ending after April 17, 2012 and is subject to the Manitoba capital tax, please override to "4%" the line *Bank, loan or trust corporations rate* in the "MCT 1 - Corporation capital tax return" section of the *Table of Rates and Values Used in the Provincial Returns* (Jump Code: RTS PROV).

Additional taxable capital rate for a corporation with a fiscal year that begins after January 1, 2010, and a taxable capital that exceeds \$10,000,000, but that does not exceed \$11,000,000	2.20 %
Bank, loan or trust corporations rate	4.00 %
Crown corporations rate	0.50 %

This new measure will be integrated into *Corporate Taxprep* 2012 v.1.0.

Federal

Schedule 53, General Rate Income Pool (GRIP) Calculation (Jump Code: 53) - Incorrect GRIP at the end of the previous tax year

Problem:

In *Corporate Taxprep* 2011 v.2.0, modifications have been made to the calculations of lines 500, 520 and 540 of Schedule 53 to ensure that the general rate factor used is the current taxation year's general rate factor. Previously, *Taxprep* incorrectly used the general rate factor of the year to which the loss was carried back in those calculations. The modifications made could have an impact on the history of Schedule 53.

Solution:

Make sure that the general rate factor used in the calculation of lines 500, 520 and 540 in Part 2 of the history copies of Schedule 53 correspond to your situation and perform the appropriate modifications, if applicable.

GRIP adjustment for specified future tax consequences to the first previous tax year (line V1 multiplied by the general rate factor for the tax year 0)	500	0
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GRIP adjustment for specified future tax consequences to the second previous tax year (line V2 multiplied by the general rate factor for the tax year 0)	520	0
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GRIP adjustment for specified future tax consequences to the third previous tax year (line V3 multiplied by the general rate factor for the tax year 0)	540	0
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Schedule 17, Credit Union Deductions (Jump Code: 17) - Wrong calculation of the preferred rate amount at the end of the tax year

Problem:

Taxprep does not use the correct multiplication factor at lines I and J in Part 4 of Schedule 17. According to the legislative proposals relating to income tax and sales and excise taxes published on October 31, 2011, the factor to use for taxation years ending after 2008 is 100/17.

Solution:

If the corporation is a credit union, it is claiming an amount with respect to the small business deduction at line 430 of Schedule 200 (Jump code: J) and/or an additional deduction for credit unions at line 650 of Schedule 17, please perform the following operation:

In the "Schedule 17 - Credit union deductions" section of the *Table of Rates and Values Used in the Returns* (Jump Code: RTS), override line *S.B.D. and additional deduction rate for credit unions* to "100/17."

Schedule 17 – Credit union deductions		
Maximum cumulative reserve rate		5.00 %
Additional deduction		
Taxation year	Days in the taxation year	
2004-01-01	0	16.00 %
2008-01-01	365	17.00 %
Maximum cumulative reserve rate at the end of the taxation year		4 / 3
S.B.D. and additional deduction rate for credit unions		100 / 17

This problem will be corrected in *Corporate Taxprep 2012 v.1.0*.

Québec

CO-1029.8.33.13, Tax Credit for the Reporting of Tips (Jump Code: 102983313) - Incorrect instructions on line 58

Problem:

The version of Form CO-1029.8.33.13 provided by *Revenu Québec* that is included in *Corporate Taxprep 2011 v.2.0* contains a text error on line 58 in Part 2.8. This error can alter the tax credit calculation and cause the amount to be higher than what the corporation is eligible for.

Solution:

On line 58, enter the employer's contributions and premiums (QPP, health services fund, QPIP and employment insurance) established on indemnities for annual leave **without taking into account** the CSST contributions.

2.8 Indemnities for annual leave (vacation pay) and related employer contributions and premiums	
Indemnities for annual leave, calculated on tips earned during the eligible taxpayer's taxation year or fiscal period, as applicable	0 57
Employer contributions and premiums (QPP, health services fund, QPIP, Employment Insurance and CSST) ^{RG} determined with respect to these indemnities, taking into account the maximum amounts applicable	0 58
Add lines 57 and 58.	
Indemnities for annual leave and related employer contributions and premiums	= 0 59

This problem will be corrected in *Corporate Taxprep 2012 v.1.0*.

CO-1029.8.36.SM, Tax Credit for the Production of Performances (Jump Code: 1029836SM) - Rise in the maximum tax credit for the production of performances regarding musical comedies

Problem:

In its 2012 Budget, the Québec government announced that the tax legislation would be amended in order for the cap on the refundable tax credit for the production of performances, to be increased to 1.25 million

regarding a qualified performance that is a musical comedy. Presently, the maximum credit calculated by *Taxprep* is \$750,000. The modification announced in the Québec Budget applies to a performance of which one of the three eligibility periods was not completed on March 20, 2012. Furthermore, in order for a performance to be considered eligible, the corporation must have received a favourable advance ruling and a certificate issued by SODEC, certifying that the performance is recognized as a qualified performance and that the performance is a musical comedy.

Solution:

If the corporation received a favourable advance ruling and a certificate issued by SODEC, certifying that the performance is recognized as a qualified performance and that the performance is a musical comedy and that one of the three eligibility periods was not completed on March 20, 2012, please override line 80 of Form CO-1029.8.36.SM to “1 250 000.”

Maximum tax credit for the production of performances. Enter \$750,000, unless the three qualifying periods had ended by June 29, 2006. In that case, enter \$262,500.	1,250,000	80
In the case of a coproduction, enter the percentage that corresponds to the corporation's share ¹² of the production costs. Otherwise, enter 100%.	x	100 % 84

This new measure will be integrated into *Corporate Taxprep* 2012 v.1.0.

CO-17, Corporation Income Tax Return (Jump Code: QJ), and CO-17.SP, Information and Income Tax Return for Non-Profit Corporations (Jump Code: QJSP) – Increase in the registration fees for taxation years ending after December 31, 2011

Problem:

The registration fees were indexed on January 1, 2012. Therefore, the amounts used to calculate line 441b of the CO-17 or the CO-17.SP returns are incorrect.

Solution:

If the corporation has a taxation year ending after December 31, 2011, it has a permanent establishment in Québec and it has registration fees to pay, please perform the following operation:

In the “Registration fees” subsection of the “Québec” section, in the *Table of Rates and Values Used in the Provincial Returns* (Jump Code: RTS PROV), override the line *Company or corporation, mutual insurance society or other* to “81,” line *Cooperative or federation of cooperatives* to “39” and *Non-profit organization, syndicate of co-ownership, fraternal benefit society* to “33.”

Registration fees	
Company or corporation, mutual insurance society or other	81
Cooperative or federation of cooperatives	39
Non-profit organization, syndicate of co-ownership, fraternal benefit society	33

This problem will be corrected in *Corporate Taxprep* 2012 v.1.0.

CO-130.A, Capital Cost Allowance (Jump Code: Q8) - Problem printing with certain printers – Québec

Problem:

With certain printers, the Q8 form might not print correctly in landscape format when the form is printed when printing the return.

Solution:

If you experience this problem, select **File/Print Form** (Ctrl+P) to print this form only. The Q8 form will then print correctly.

This problem will be corrected in *Corporate Taxprep* 2012 v.1.0.

CO-1029.8.36.7, Tax Credit for an In-House Design Activity (Jump Code: 10298367) - Incorrect calculation of the credit when the wages incurred allowed the corporation to receive another tax credit - Québec

Problem:

When Section 3, “Reduction of qualified wages due to other tax credits,” is completed, the reduced qualified wages (amount in field S.1) is not taken into account in the calculation of lines 47 and 54.

Solution:

For a corporation that is not a member of a partnership, override line 54 with the amount from line 38 in Section 4.

6 Tax credit for an in-house design activity	
Qualified wages (amount A or amount H, as applicable)	0 54

For a corporation that is a member of a partnership, override line 47 with the amount from line 38 in Section 4.

5.2 Corporation's share of the partnership's qualified wages	
Amount A calculated for the partnership	0 47
Percentage from line 41 or line 46, as applicable	0.0000 % 48
Multiply line 47 by line 48.	= H 0 49
Corporation's share of the partnership's qualified expenditures	

This problem will be corrected in *Corporate Taxprep 2012 v.1.0*.

British Columbia

Schedule 427, British Columbia Corporation Tax Calculation (Jump Code: 427) - Incorrect increase in the high rate of tax used for taxation years ending after December 31, 2011

Problem:

As a result of the repealing of the HST in British Columbia, the high rate of corporate income tax was not increased on January 1, 2012, and remains at 10%. The rate used in *Corporate Taxprep 2011 v.2.* is therefore incorrect.

Solution:

If the corporation has a taxation year ending after December 31, 2011, and has a permanent establishment in British Columbia with income subject to the high rate of tax in the year, please perform the following operation:

In subsection “British Columbia - Schedule 427” of Section “Schedules 341, 346, 366, 383, 411, 427, 443 - Corporation tax calculation” in the *Table of Rates and Values Used in the Return* (Jump Code: RTS), override the **Higher rate** column to 10.0000% for the taxation year 2012-01-01 as well as 2012-04-01.

British Columbia – Schedule 427					
Taxation year	Days in the taxation year	Amount	Higher rate	Lower rate	
2002-04-01	0	300,000	13.5000 %	4.5000 %	
2005-01-01	0	400,000	13.5000 %	4.5000 %	
2005-07-01	0	400,000	12.0000 %	4.5000 %	
2008-07-01	0	400,000	11.0000 %	3.5000 %	
2008-12-01	0	400,000	11.0000 %	2.5000 %	
2010-01-01	0	500,000	10.5000 %	2.5000 %	
2011-01-01	245	500,000	10.0000 %	2.5000 %	
2012-01-01	91	500,000	10.0000 %	2.5000 %	
2012-04-01	30	500,000	10.0000 %	0.0000 %	

This problem will be corrected in *Corporate Taxprep 2012 v.1.0*.

Schedule 427, British Columbia Corporation Tax Calculation (Jump Code: 427) - Incorrect decrease in the lower rate of tax used for taxation years ending after March 31, 2012

Problem:

In its 2012 Budget, the British Columbia government has announced that the lower tax rate would not be reduced to 0% starting April 1, 2012, contrary to what was indicated in its 2011 Budget, and that this rate would remain at 2.5%. Therefore, the rate used in *Corporate Taxprep 2011 v.2.0* is incorrect.

Solution:

If the corporation has a taxation year ending after March 31, 2012, a permanent establishment in British Columbia and earned income subject to the lower rate of tax in the year in British Columbia, please perform the following operation:

In subsection "British Columbia - Schedule 427" of Section "Schedules 341, 346, 366, 383, 411, 427, 443 - Corporation tax calculation" in the *Table of Rates and Values Used in the Return* (Jump Code: RTS), override the **Lower rate** column to 2.5000% for the 2012-04-01 period of the **Taxation year** column.

British Columbia – Schedule 427				
Taxation year	Days in the taxation year	Amount	Higher rate	Lower rate
2002-04-01	0	300,000	13.5000 %	4.5000 %
2005-01-01	0	400,000	13.5000 %	4.5000 %
2005-07-01	0	400,000	12.0000 %	4.5000 %
2008-07-01	0	400,000	11.0000 %	3.5000 %
2008-12-01	0	400,000	11.0000 %	2.5000 %
2010-01-01	365	500,000	10.5000 %	2.5000 %
2011-01-01	0	500,000	10.0000 %	2.5000 %
2012-01-01	0	500,000	12.0000 %	2.5000 %
2012-04-01	0	500,000	12.0000 %	2.5000 %

This problem will be corrected in *Corporate Taxprep 2012 v.1.0*.

Schedule 422 - T1196, British Columbia Film and Television Tax Credit (Jump Code: 1196) - Copyright percentage calculation for interprovincial co-productions

Problem:

In its February 21, 2012 Budget, the British Columbia government has announced a modification to the film and television tax credit. When the production is an interprovincial co-production, the basic credit is no longer reduced if the corporation owns less than 100% of the copyright.

Section 47 of British Columbia's Bill 21, which was in First Reading on February 21, 2012, has added some specifications to the measures announced in the 2012 budget. If the copyright percentage owned by the corporation, or by the corporation and an eligible production corporation related to the corporation or a prescribed person, with regards to an interprovincial co-production is more than 50%, the basic tax credit can be claimed and does not have to be reduced. However, the portion of the copyright that is not owned by the corporation, or by the corporation and an eligible production corporation related to the corporation or a prescribed person, must be owned by an eligible production corporation, a corporation that would be an eligible production corporation if it had a permanent establishment in British Columbia, a recognized person or a CCPC that is a party to the co-production agreement relating to the production.

On the other hand, if the copyright percentage owned by the corporation, or by the corporation and an eligible production corporation related to the corporation or a prescribed person, is 50% or less, the corporation is not eligible for this tax credit.

These new measures apply to the interprovincial co-productions for which principal photography begins after December 31, 2011.

Solution:

If you have indicated, on line 312 of Schedule T1196, that the film or video production is an interprovincial co-production, please perform the following operation:

Is the production an interprovincial co-production? 312 1 Yes 2 No

In Part 7, "Basic tax credit," override line 610 to "100%" if the percentage entered or to be entered on line AA is more than 50.000 % and the previously listed conditions are met.

Part 7 – Basic tax credit

Qualified BC labour expenditure for the tax year (amount O from Part 5) 0 x 35 % = 0 X

Interprovincial co-productions* (complete calculation below), **in any other situation, enter "100"** 610 100.000 % Y

Basic tax credit (amount X multiplied by amount Y) 620 0 Z

Copyright percentage calculation for Interprovincial co-productions

Percentage of copyright owned by the corporation 50.001 % AA

Total Copyright 100 % n

Deduct:

Percentage of copyright owned by federal and provincial agencies with a mandate to finance film or video productions in Canada 0.000 % 1

Percentage of copyright owned by non-profit organizations that have a fund used to finance film or video productions 0.000 % 2

Subtotal (amount 1 plus amount 2) 0.000 % ▶ 0.000 % o

Subtotal (amount n minus amount o) 100.000 % ▶ 100.000 % BB

Percentage of copyright owned for the purpose of the basic tax credit calculation (amount AA divided by amount BB) 50.001 % CC
(Enter amount CC at line 610 above)

* For interprovincial co-productions, the percentage of copyright owned by the corporation or by a related eligible production corporation (amount CC) must be 20% or more. If amount CC is less than 20%, you are not eligible for the tax credit.

These new measures will be integrated into *Corporate Taxprep 2012 v.1.0*.

Alberta

AT1 Schedule 9, Alberta Scientific Research & Experimental Development (SR & ED) Tax Credit (Jump Code: A9) - Tax credit modification for corporations whose taxation year is ending after March 31, 2012

Problem:

In its 2012 Budget, the Alberta government announced that the federal investment tax credit would no longer be taken into account in the calculation of the Alberta scientific research and experimental development (SR & ED) tax credit for corporations whose taxation year is ending after March 31, 2012. *Taxprep* does not currently take this modification into account.

Solution:

If the corporation’s taxation year is ending after March 31, 2012, and the corporation incurred expenditure for SR & ED in Alberta in a preceding year and there is an amount on line 015 of Alberta Schedule 9, please override line 015 to "0." Furthermore, in this situation, it is important that you do not enter amounts on lines 017 and 019 of that same schedule.

Federal investment tax credit received by the corporation in the immediately preceding taxation year (line 435 of federal T661) 015 0

Total eligible expenditures for Alberta purposes of the corporation for years in which the expenditure was incurred (line 031 less line 025 less line 011 from all relevant years) 017 0

Total federal expenditures of the corporation for the years in which the expenditure was incurred (line 559 from all relevant year's federal T661) 019 0

Calculate: Line 015 X line 017 ÷ line 019 021 0

This new measure will be integrated into *Corporate Taxprep 2012 v.1.0*.

Manitoba

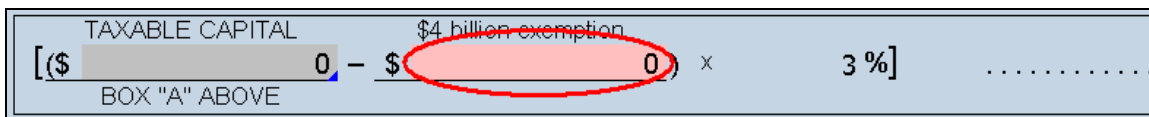
MCT1, Corporation Capital Tax Return (Jump Code: MJ) – Incorrect calculation: tax on taxable paid-up capital of a corporation that is a bank, trust or loan corporation whose taxable paid-up capital is \$4,000,000,000 or more and whose taxation year is ending after April 12, 2011

Problem:

Banks, trusts or loan corporations, whose taxation year is ending after April 12, 2011, and whose taxable paid-up capital is \$4,000,000,000 or more must pay tax on their taxable paid-up capital. Presently, *Taxprep* calculates a \$4,000,000,000 deduction on the taxable paid-up capital of those corporations, which is incorrect.

Solution:

Override the field “\$4 billion exemption” to zero when the corporation is a bank, trust or loan corporation whose taxable paid-up capital is \$4,000,000,000 or more and whose taxation year is ending after April 12, 2011.



This problem will be corrected in *Corporate Taxprep 2012 v.1.0*.

New Brunswick

NB-Capital tax, Financial Corporation Capital Tax Return (Jump Code: NB-CAP TAX) - Increase in the financial corporation capital tax rate

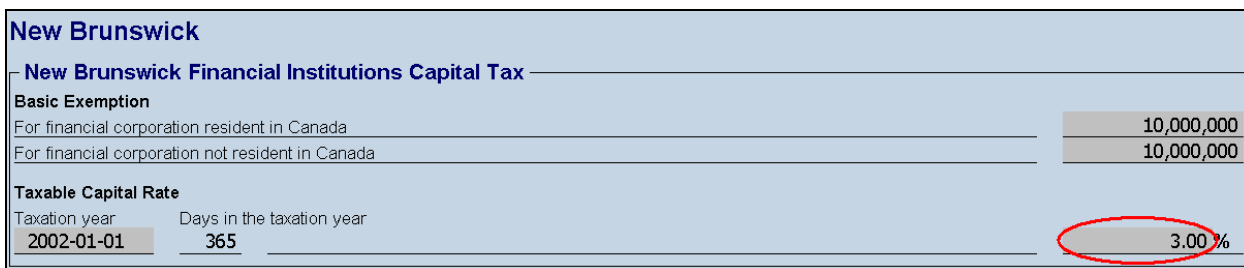
Problem:

In its 2012 Budget, the New Brunswick government announced that the financial corporation capital tax rate would be increased to 4% on April 1, 2012. *Taxprep* is currently using a rate of 3%.

Solution:

If the corporation’s taxation year is ending after March 31, 2012, and the corporation is subject to the New Brunswick financial corporation capital tax, please override the following equation result on line *Taxable Capital Rate* of the “New Brunswick Financial Institutions Capital Tax” section in the *Table of Rates and Values Used in the Provincial Returns* (Jump Code: **RTS PROV**):

$$\begin{aligned}
 & 3\% \times \text{number of days in the taxation year before April 1, 2012} / \text{number of days in the taxation year} \\
 & \quad + \\
 & 4\% \times \text{number of days in the taxation year after March 31, 2012} / \text{number of days in the taxation year}
 \end{aligned}$$



This new measure will be integrated into *Corporate Taxprep 2012 v.1.0*.

Technical problem

The application stops responding when saving transactions in the EFILE Log - technical problem

Problem:

When the user wants to archive transactions in the EFILE Log (**Add to Archive** option), as soon as the user clicks **Apply** in the **Add to Archive** dialog box, the program stops responding. This problem occurs only when the application's display language is English (**General** panel of the "Options" section in the options and settings).

Solution:

Here are three ways to bypass this problem:

- Use the previous version (2011 v.1.0) of *Corporate Taxprep* only for the purpose of archiving.
- Wait for the next program release to archive.
- Modify the program's display language when archiving transactions.

This problem will be corrected in *Corporate Taxprep* 2012 v.1.0.