



Personal Taxprep®

Troubleshooting

T1/TP1 version 3.1 - 2011

August 2012

The following problems have been detected in *Personal Taxprep* 2011 v.3.1.

New Item - Week of July 29

Ontario - 2012 Ontario tax rates and brackets in Planner mode

Problem:

On June 20, 2012, the Legislative Assembly of Ontario adopted Bill 114 (S.O. 2012, c. 9), which modifies the *Taxation Act, 2007* (S.O. 2007, c. 11, Sched. A) in order to introduce a new 12.6% tax rate, for the portion of income in excess of \$500,000. Because this Bill was introduced the same day it was passed, we could not take this new rate into account in version 3.1 of *Personal Taxprep* 2011.

The tax rates and brackets for 2012 are the following:

Taxable Income Brackets	Tax Rates
Up to \$39,020	5.05%
Greater than \$39,020 up to \$78,043	9.15%
Greater than \$78,043 up to \$500,000	11.16%
Greater than \$500,000	12.16%

Solution:

If the taxable income does not exceed \$500,000 (line 31 of Form ON428), the calculation performed in Form ON428 remains accurate. However, if the taxable income exceeds \$500,000, override the amount calculated on line 39 of Form ON428 to the result of the following calculation:

$$\$52,632 + ((\text{Taxable income} - \$500,000) \times 12.16\%).$$

This tax change will be implemented in *Personal Taxprep* 2012 v.1.0.

Federal

Rolling forward the employee and partner GST/HST rebate calculated on Form GST370 for 2010 - Incorrect roll forward if the amounts in Area B were overridden

Problem:

If overrides were performed in Area B of Form GST370 in *Personal Taxprep* 2010 to allocate expenses eligible for the employee and partner GST/HST rebate, the rebate amounts will not be rolled forward into *Personal Taxprep* 2011.

Area B – Rebate calculation (to be completed by claimant)				
GST rebate for eligible expenses on which you paid the GST				
Eligible expenses, other than CCA , on which you paid the GST			0.00	1
Eligible CCA on motor vehicles, musical instruments, and aircraft for which you paid the GST			0.00	2
Total eligible expenses for the GST rebate (line 1 plus line 2)	6485		0.00	3
				0.00 4
Eligible GST – multiply line 3 by 5/105				
HST rebate for eligible expenses on which you paid the HST				
	3B – 12% HST	3C – 13% HST	3D – 15% HST	
Eligible expenses, other than CCA , on which you paid the HST	0.00	0.00	0.00	5
Eligible CCA on motor vehicles, musical instruments, and aircraft for which you paid the HST	0.00	0.00	0.00	6
Total (add lines 5 and 6 in each of columns 3B, 3C, and 3D)	0.00	0.00	0.00	7
Total eligible expenses for the HST rebate (add the totals of column 3B, 3C, and 3D together from line 7)		6487		8
				0.00 9
Multiply Column 3B line 7 by 12/112				0.00 10
Multiply Column 3C line 7 by 13/113				0.00 11
Multiply Column 3D line 7 by 15/115				0.00 12
Total (add lines 9, 10, and 11). For more information to complete this section, see Guide RC4091 or Guide T4044.				0.00 12

Note: If no override was performed in Area B of Form GST370 in *Personal Taxprep* 2010, the rebate amounts will be correctly rolled forward into *Personal Taxprep* 2011.

Solution:

If overrides were performed in Area B of Form GST370, ensure that the total on lines 4 and 12 of Form GST370 for 2010 has been rolled forward to one of the lines or into one of the following forms and correct the amount, if required:

- for the employment expenses for employees: line 104;
- for the employment expenses for partners: line 130 or a statement of business income (T2125, T2042 or T2121);
- for the capital cost allowance (CCA) on motor vehicles: Form T777 Auto or the “Auto” form corresponding to the statement of business income.

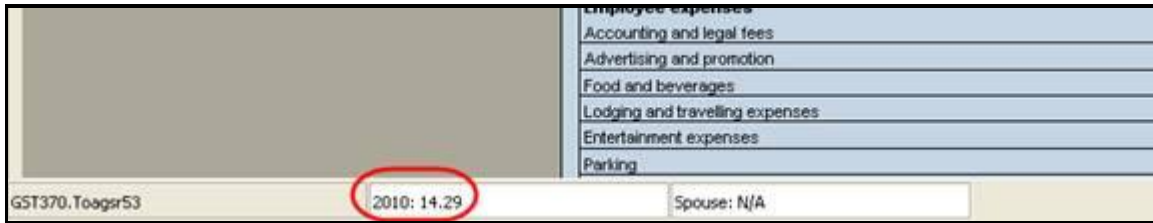
A quick way to verify the rebate amount that was applied for last year in Form GST370 is to use the status bar to display last year’s data.

Example:

1. In Form GST370 of the 2011 client file, put the cursor on line 4:

Area B – Rebate calculation (to be completed by claimant)				
GST rebate for eligible expenses on which you paid the GST				
Eligible expenses, other than capital cost allowance (CCA) , on which you paid the GST			0.00	1
Eligible CCA on motor vehicles, musical instruments, and aircraft for which you paid the GST			0.00	2
Total eligible expenses for the GST rebate (line 1 plus line 2)	6485		0.00	3
				0.00 4
Eligible GST – multiply line 3 by 5/105				
HST rebate for eligible expenses on which you paid the HST				
	3B – 12% HST	3C – 13% HST	3D – 15% HST	
Eligible expenses, other than CCA , on which you paid the HST	0.00	0.00	0.00	5

2. Last year's calculated value will be displayed in the status bar at the bottom of the screen:



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

T2125, T2121 and T2042 - Certain motor vehicle expenses are incorrectly deemed eligible for the GST/HST rebate

Problem:

When a partner in a partnership claims a GST/HST rebate on his or her motor vehicle expenses in Forms T2042 AUTO, T2121 AUTO or T2125 AUTO, the following expenses are incorrectly deemed eligible for the GST/HST rebate:

- insurance premiums;
- licence and registration fees;
- interest;
- interest with respect to a motor vehicle other than an automobile.

In Form GST370, the GST/HST rebate for motor vehicle expenses is calculated on all of the expenses, which is incorrect.

Solution:

When motor vehicle expenses are eligible for the GST/HST rebate, the total of the vehicle expenses is updated to the “GST/HST rebate for partners” section of Form T2125, T2121 or T2042. This amount is taken into account when calculating the GST/HST rebate in Form GST370.

Example:

T1 version – FormT2125

GST/HST rebate for partners			
The taxpayer is eligible for a tax rebate	GST/HST <input checked="" type="checkbox"/>		
Eligible expenses included on lines 9943 and 9945 (including taxes)			
Form GST370 – Eligible expenses	CCA on motor vehicles	Motor vehicle expenses other than CCA	Expenses other than motor vehicle expenses
Total expenses	0 00	750 00	0 00
Chart A – GST 5%	0 00	750 00	0 00
Chart B – HST 12%	0 00	0 00	0 00
Chart C – HST 13%	0 00	0 00	0 00
Chart D – HST 15%	0 00	0 00	0 00
Total	0 00	750 00	0 00

TP1 version– Form T2125

GST/HST rebate for partners			
The taxpayer is eligible for a tax rebate			
Eligible expenses included on lines 9943 and 9946 (including taxes)			
	GST/HST <input checked="" type="checkbox"/>	QST <input checked="" type="checkbox"/>	
Form GST370 – Eligible expenses	CCA on motor vehicles	Motor vehicle expenses other than CCA	Expenses other than motor vehicle expenses
Total expenses	0 00	750 00	0 00
Chart A – GST 5%	0 00	750 00	0 00
Chart B – HST 12%	0 00	0 00	0 00
Chart C – HST 13%	0 00	0 00	0 00
Chart D – HST 15%	0 00	0 00	0 00
Total	0 00	750 00	0 00
Form VD-358 – Eligible expenses			
QST	0 00	750 00	0 00

* Minus: meals and entertainment expenses

T1/TP1 versions - Form T2125 AUTO

T2125 – Calculating Business Use of a Motor Vehicle

Name of business: _____

The taxpayer and his/herspouse share the deduction

Identification

	1	2	3
Make of vehicle	AUTO #1		
Partnership's vehicle	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Km driven for business purposes	1,000	0	0
Total kilometres driven in year	2,000	0	0
Date of acquisition			
Date of disposition (Only, if the date is			

Total expenses incurred

Fuel and oil	0 00	0 00	0 00
Maintenance and repairs	100 00	0 00	0 00
Insurance	200 00	0 00	0 00
Licence and registration fees	300 00	0 00	0 00
Interest	400 00	0 00	0 00
Interest with respect to a motor vehicle other than an automobile	500 00	0 00	0 00
Leasing costs	0 00	0 00	0 00
Other:			
	0 00	0 00	0 00
CCA claim	0 00	0 00	0 00
Subtotal	1,500 00	0 00	0 00
Allowable portion (line 1 ÷ line 2 × line 12)	750 00	0 00	0 00
Reimbursements/rebates	0 00	0 00	0 00
Parking fees	0 00	0 00	0 00
Business use of a motor vehicle	750 00	0 00	0 00
Total of business use of a motor vehicle (sole owner)			750 00
Total of business use of a motor vehicle (partnership)			0 00

These expenses are not eligible for the GST/HST rebate

In the above example, the amount of \$750 must be overridden. It must be replaced by the motor vehicle expenses amount excluding the insurance premiums, licence and registration fees, interest and interest with respect to a motor vehicle other than an automobile.

In our example, only the maintenance and repairs amount, i.e. \$50 when taking into account the business use, is eligible for the GST/HST rebate.

Therefore, the override amount in Form T2125 is \$50.00.

Note: If the taxpayer is also eligible for the QST rebate (Form VD-358), the amount eligible for the QST rebate will have to be modified in Form T2125.

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

Québec

Québec - TP-1029.8.36.EC - Incorrect tax credit amount for the acquisition or lease of a new energy-efficient vehicle for certain categories of vehicles

Problem:

The tax credit amount for the acquisition or lease of a new energy-efficient vehicle used by the program is incorrect for the following categories of vehicles:

- extended-range rechargeable hybrid vehicles acquired or leased after March 17, 2011, for which the credit must be \$7,769, if the vehicle is equipped with a 16 kWh-capacity battery, or \$8,000, if the vehicle is equipped with a 17 kWh-capacity battery or greater;
- vehicles with gasoline consumption of 0.01 to 2.99 l/100 km acquired or leased after March 17, 2011, for which the credit must be \$7,769;
- vehicles with diesel fuel consumption of 0.01 to 2.57 l/100 km acquired or leased after March 17, 2011, for which the credit must be \$7,769;
- vehicles with gasoline consumption of 3.00 to 5.27 l/100 km, for which the credit must be \$1,500;
- vehicles with diesel fuel consumption of 2.58 to 4.54 l/100 km, for which the credit must be \$1,500.

Solution:

To overcome this problem, override line 18 of Form Q1029.8.36.EC, to the credit amount that corresponds to the category of vehicle (based on the amounts above).

New credit for tax paid to another province

Problem:

In its Information Bulletin 2011-5, the *ministère des Finances du Québec* announced the introduction of a new credit entitled “credit for tax paid to another province,” which is applicable to the 2011 taxation year.

This credit is for a taxpayer who is in the following situation:

– the taxpayer is **deemed to have resided in Québec throughout the year** for the reason that he or she sojourned for one or more periods totalling 183 days or more in the year while he or she ordinarily resided outside of Canada;

– the taxpayer resides in a country other than Canada and, under a tax treaty between Canada and that country, is **deemed not to reside in Canada** for the year for the purposes of the federal tax system.

This new credit is not calculated by *Personal Taxprep* 2011.

Solution:

You must perform the calculation of this credit yourself and override line 409 of Schedule E to the credit amount.

However, note that line 409 already displays the foreign tax credit. Therefore, if a foreign tax credit is claimed for the individual and he or she is also eligible for the credit for tax paid to another province, you will have to add the amount of each of those credits and enter the result on this line using an override.

In addition, note that because of the difference between the federal and Québec tax systems with respect to the residence status of a taxpayer in this situation, two separate client files must be created for the taxpayer in order for *Personal Taxprep* to be able to correctly calculate the return. The first file will be used to calculate federal tax payable, and the taxpayer’s residence status in this file will be “deemed non-resident.” The second file will be used to calculate Québec tax payable, and the taxpayer’s residence status will be “deemed resident - 183 days or more in the year.”

Here is an example showing how the credit for tax paid to another province should be calculated:

A taxpayer who is resident of a country with which Canada signed a tax treaty sojourned in Québec for at least 200 days in 2011. He or she earned \$10,000 in employment income in Québec and \$15,000 in Ontario.

In his or her federal tax return, this taxpayer has an Ontario provincial tax payable of \$481.65.

In his or her Québec tax return, this taxpayer has a Québec tax payable of \$1,704.80.

The taxpayer will be eligible for a credit for tax paid to another province of \$481.65 in the Québec tax return:

Credit for tax paid to another province				
Income tax paid for the year to the government of Ontario			481,65	A
Income tax paid for the year in Québec	1 704,80	x	Employment income in Canada in a province other than Québec	
			15 000,00	
			25 000,00	
			=	1 022,88
				B
Credit for tax paid to another province (lesser of lines A and B)				481,65
				Enter this amount on line 409 of the Scedule E

For more information, consult the Information Bulletin 2011-5 of the *ministère des Finances du Québec*, issued December 21, 2011.

This calculation will be integrated into *Personal Taxprep 2012 v.1.0*.

Non-residents and deemed residents who sojourned 183 days or more in Québec in 2011 - Refund of Québec Parental Insurance Plan (QPIP) premiums claimed in the T1 return instead of the TP1 return

Problem:

The refund of QPIP premiums withheld at source (box 55 of the T4 slip and box H of the RL-1 slip) is wrongly claimed on line 450 of the federal return when the taxpayer:

- is not subject to employment insurance; and
- is a non-resident of Canada who was employed in Québec in the year, or is a deemed resident of Québec because he or she resided in Québec 183 days or more in the year.

In this situation, the taxpayer is not subject to QPIP and the claim for repayment of QPIP premiums withheld at source must be made on line 457 of the TP1 return.

Solution:

To correct this error, override to “0” line 2 in Part 2 of Form T2204:

Part 2 – Calculating your Employment Insurance overpayment			
EI insurable earnings			
T4, box 24		0 00	
Pre-bankruptcy return		0 00	
	Total EI insurable earnings	0 00	0 00 1
Total premiums deducted: Residents of other than Quebec (from box 18 and box 55 of your T4 slips)			
	Quebec residents (from box 18 of your T4 slips)	→	0 00 2
Line 1 minus \$2,000 (if negative, enter "0")			0 00 3
Line 2 minus line 3 (if negative, enter "0")			0 00 4

Then, on line 457 of the TP1 return, enter the QPIP premiums shown in box 55 of the T4 slip (box H of the RL-1 slip) using an override:

Tax credits respecting the work premium. Complete Schedule P.	+ 456	0 00
QPIP overpayment	+ 457	107 40
Tax credit for home-support services for seniors. Complete Schedule J.	+ 458	0 00

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

Electronic Filing

EFILE - Error code 2259

Problem:

The error code 2259 is received when a T1 return is EFILED.

This might be because the return includes a foreign income amount on which no foreign tax was withheld.

Solution:

To avoid receiving this error code, do not select the name of the source country for a given foreign income if no foreign tax has been paid with respect to this income and this income is the only amount from this country.

If you use this solution, please ignore diagnostics N448 and N1286 prompting you to choose a country name.

Note that based on the type of foreign income, the selection of the country name is performed in either one of the following Forms: Foreign, T3, T4PS, T5, T5008 and T5013.

Example:

A taxpayer receives foreign income from several foreign countries, among which a foreign pension income of \$7,930.50 from the United Kingdom on which no foreign tax has been withheld. If this amount is the only income from the United Kingdom, do not select a country name for this income on the Foreign form, because no foreign tax has been paid to this country.

Country (Note 1)	Type of foreign income (Note 2)	Exchange rate (Note 3)	Foreign income	Foreign tax paid
115	Eligible pension income	GBP 1.586100	5,000 00	0 00
Issuer	PENSION UK		Amount translated into Canadian dollars	7,930 50
Tax treaty (Note 4)	Totally exempt income or enter the exempt portion		0 00	0 00
UNITED STATES	130	Other foreign income	USD 0.989100	10,000 00
Issuer	123 corp.		Amount translated into Canadian dollars	9,891 00
Tax treaty (Note 4)	Totally exempt income or enter the exempt portion		0 00	0 00

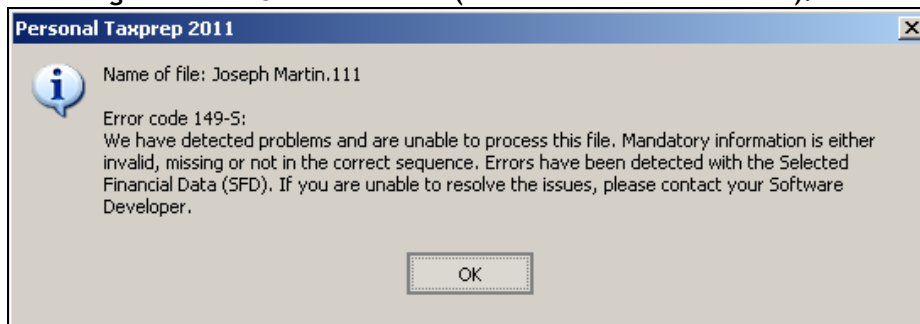
This problem will be corrected in *Personal Taxprep 2012 v.1.0*.

EFILE - Messages “Error code 149-S” and “CRA: We have detected problems ...”

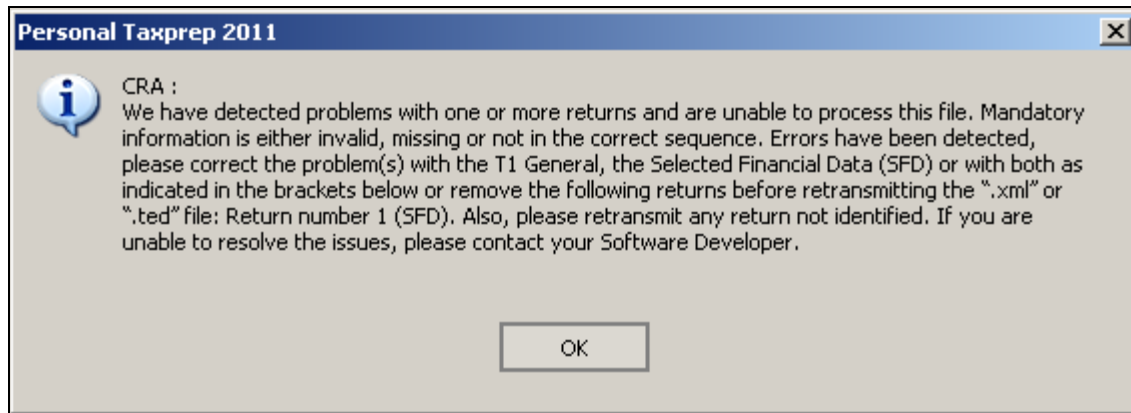
Problem:

When I EFILE, I receive one of the following messages: “Error code 149-S” or “CRA: We have detected problems ...”

Error message when using the EFILE On-line service (returns filed one at a time):



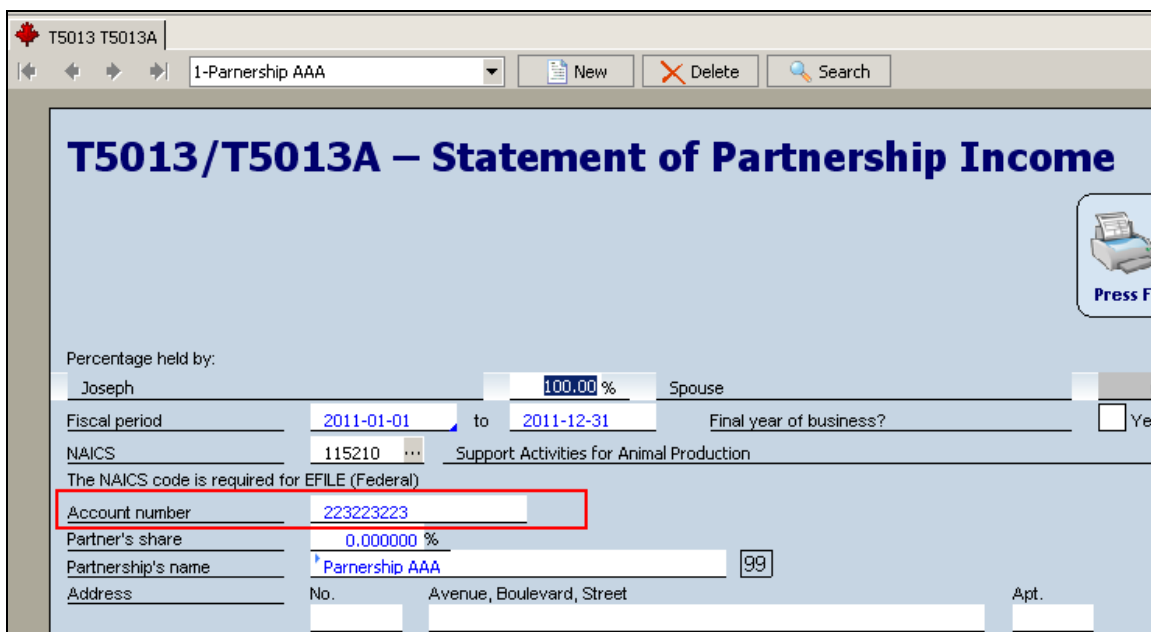
Error message when using the EFILE On-line Plus service (returns filed in a batch):



Solution:

Although these error messages might be issued for various reasons, the more probable cause is related to the “Account number” field on the T5013/T5013A screen.

Last year, an account number could contain either 9 or 15 characters for electronic filing. Starting this year, all account numbers must contain 15 alpha-numeric characters. It could occur that a 9-character number was rolled forward into the current-year return.



Note that the “Account number” field is not mandatory for electronic filing. Only the numbers in boxes 2 or 3 of the T5013 slip are required.

Therefore, the simplest solution consists in deleting the number rolled forward into the “Account number” field. If you want to complete this field, ensure that it contains 15 alpha-numeric characters based on the following format: NNNNNNNNN AA NNNN. Make sure that the T1 EFILE status for the return is “Eligible” and not “Transmitted” before performing a change.

If you receive one of the error messages described above and you are not filing any T5013 slip containing 9 characters in the “Account number” field, please contact our Tax Support Centre so we can analyze your situation.

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