

VisualTax™

T2 Release Notes

T2-2003.1.1 June 15, 2003

Web site: [HTTP://www.visualtax.com](http://www.visualtax.com)

Introduction

This is a major release of the T2 program. Most of the changes are the result of the 2003 Federal and Provincial budgets.

The federal proposed increase of the Business Limit has not passed into law yet and therefore it has been implemented in this version of the program only as an option. The program will use the proposed business limit for year-ends after 2002 only if you answer 'Yes' to the prompt on Page 1 of the jacket.

CCRA is planning to introduce revised forms and detailed specifications towards the end of October 2003. Our understanding is that in the meantime the tax returns will be assessed by CCRA using the existing legislation (\$200,000 Business limit) until the increase is passed into law and the CCRA system is revised to accommodate the change. At that time we believe CCRA will issue re-assessments.

The proposed Business Limit change has impact on several forms (SBD in Page 4, S23, S7, S70, etc.) as shown with a * in the remaining of this write-up. These changes were implemented in the T2 forms based on the best interpretation we received from the Finance Departments and CCRA.

Certain provincial 2003 budgets announced changes in the Capital Tax and the Ontario MOF is issuing a new CT23 for 2003 in July/August of 2003. These changes will be implemented in a later release of the T2 program. Most of these changes affect year-ends falling into 2004 and beyond.

Fiscal periods supported

This version supports fiscal periods starting on or after January 1, 2001 and ending in October 31, 2003.

Please note that for E-filed returns the supported periods can start on or after **January 2, 2001** and end in October 31, 2003. The periods supported are based on CCRA requirements.

The new approval code by CCRA is **VT07**. It will appear on RSI 200 form and also on the facsimile CCRA forms.

New and revised forms

FEDERAL

Federal Small Business deduction *

Schedule 5, *Tax Calculation Supplementary Corporations*

Schedule 7 *, *Calculation of Aggregate Investment Income and Active Business Income*

Schedule 20, *Branch Tax (NEW FORM)*

Schedule 23 *, *Agreement Among Associated Canadian-Controlled Private Corporations to Allocate the Business Limit*

Schedule 31 *, *Investment Tax Credit*

Schedule 32 (T661), *Claim for SR&ED Carried Out in Canada*

Schedule 33, *Part I.3 Tax on Large Corporations*

Schedule 49 *, *Agreement Among Associated Canadian-Controlled Private Corporations to Allocate the Expenditure Limit*

Schedule 70 *, *Active Business Income for the purposes of the Accelerated Tax Reduction for Corporations with Specified Partnership Income*

CDA, *Continuity of Capital Dividend Account*

NISA, Revised to 2002 format

ALBERTA

AT1, *Alberta Corporate Income Tax Return*

AT1 Schedule 1, *Alberta Small Business Deduction*

BRITISH COLUMBIA

Schedule 425, *(Form T666) (NEW FORM)*

Schedule 422, *(Form T1196), (NEW FORM)*

Schedule 427, *British Columbia Corporation Tax Calculation (NEW FORM)*

MANITOBA

Schedule 383, *Manitoba Corporation Tax Calculation (NEW FORM)*

Schedule 382, *Additional Certificate Numbers for Film and Video Tax Credit*

NEW BRUNSWICK

Schedule 366, *New Brunswick Corporation Tax Calculation (NEW FORM)*

Schedule 365, *Additional Certificate Numbers for Film and Video Tax Credit*

NEWFOUNDLAND AND LABRADOR

Schedule 302, Additional Certificate Numbers for Film and Video Tax Credit

NOVA SCOTIA

Schedule 340, Nova Scotia Research and Development Tax Credit

Schedule 345, Additional Certificate Numbers for Film and Video Tax Credit

ONTARIO

CT23, Ontario Ct23

SASKATHEWAN

Schedule 411, Saskatchewan Corporation Tax Calculation (NEW FORM)

Schedule 404, Saskatchewan Manufacturing and Processing Profits Tax Reduction

Description of Federal changes

Items with * are federal budget 2003 proposals and they have not passed into law yet. CCRA will most likely assess the returns based on the \$200,000 business limit. You have an option to use or ignore the business limit proposals. The program will use the budget proposals only if you answer yes to the prompt on Page 1.

Small business deduction * – T2 Page 4

The Business Limit has been \$200,000 for year ends prior to January 1, 2003.

Starting with January 1, 2003 the business limit has been increased as follows:

Jan. 1, 2002: \$225,000

Jan. 1, 2004: \$250,000

Jan. 1, 2005: \$275,000

Jan. 1, 2006: \$300,000

The program automatically prorates the Business Limit for taxation years straddling January 1, 2003. Several other schedules and calculations are affected as described below under Accelerated tax reduction, Schedule 7, Schedule 23, Schedule 49 and Schedule 70

Accelerated tax reduction * – T2 Page 4

For taxation years ending after 2002, the factor 3/2 in line A is replaced by 300,000/business limit as shown above.

Schedule 5 – Tax calculations Supplementary

Separate tax calculation forms have been introduced for British Columbia, Manitoba, New Brunswick and Saskatchewan (See provincial changes). As a result, the tax calculations for these provinces that were originally on Schedule 5 have now been modified or removed.

Schedule 7 * - Calculation of Aggregate Investment Income and Active Business Income

Specified Partnership income: For taxation years ending in 2003, the program automatically uses \$225,000 (instead of \$200,000) in column G, Part 2.

Schedule 20 - Part XIV Tax (Branch Tax)

This is a new schedule required by non-resident corporations that is subject to Part XIV tax and carried on business in Canada through a branch office. When applicable, the program automatically triggers an RSI printout.

Schedule 23 * - Agreement Among Associated Canadian-Controlled Private Corporations to Allocate the Business Limit

You should enter the business limit allocation on column 3A, as if the Business Limit was \$200,000. The program will automatically prorate your entries into column 4 for the associated corporations based on days before and after Jan. 1, 2003.

Schedule 31 *- Investment Tax Credit

Calculation of the SR&ED expenditure limit for CCPC: For taxation year ending in 2003, the \$4,000,000 is replaced with \$5,000,000. Also the \$200,000 is replaced by the adjusted business limit (see Part 9).

Schedule 32 (Form T661) – SR&ED carried out in Canada

This form has been significantly revised by CCRA. Due to these major changes the program does not map the data from any of the old forms. However, the program will generate a warning prompting you to review the schedule and complete it as per new requirements.

Schedule 49 *- Agreement Among Associated Canadian-Controlled Private Corporations to Allocate the Expenditure Limit

For year ends after 2002, the formula for calculating the expenditure limit has been modified: from $(\$4,000,000 - 10A) \times B / 200,000$ to $(\$5,000,000 - 10A) \times B / \text{Business Limit}$. See notes (*) in the form.

Schedule 70 * - Active Business Income for the purposes of the Accelerated Tax Reduction for Corporations with Specified Partnership Income.

For taxation years ending in 2003 the column C calculation is modified to replace 3/2 by \$300,000 / \$225,000. For taxation years ending in 2004, 3/2 is replaced by \$300,000 / \$250,000, etc.

CDA - Continuity of Capital Dividend Account

This is a new worksheet added to the program (not prescribed and not required by CCRA).

Description of Provincial changes

Schedule 340 - Nova Scotia Research and Development Tax Credit

Added section to calculate a recapture of the Nova Scotia R&D tax credit.
Also removed the expired pre-1994 credits available for carry forward.

Schedule 366 - New Brunswick Corporation Tax Calculation

This is a new CCRA schedule used for calculating the NB tax. The result is automatically posted to Schedule 5.

Schedule 383 - Manitoba Corporation Tax Calculation

This is a new CCRA schedule used for calculating the Manitoba tax. The result is automatically posted to Schedule 5.

Schedule 404 - Saskatchewan Manufacturing and Processing Profits Tax Reduction

This is a new CCRA schedule for calculating the Saskatchewan manufacturing and processing profits (M&P) tax reduction. The result is automatically posted to Schedule 5. Formerly this deduction was calculated on lines available on S5. These lines have now been removed.

Schedule 411 - Saskatchewan Corporation Tax Calculation

This is a new CCRA schedule used for calculating the Saskatchewan tax. The result is automatically posted to Schedule 5.

Schedule 427, British Columbia Corporation Tax Calculation

This is a new CCRA schedule used for calculating the British Columbia tax. The result is automatically posted to Schedule 5.

Ontario CT23 - Corporation Income Tax Return

Several changes have been implemented as a result of the latest budget. The main changes are listed below:

- The general tax rate for days in the taxation year after December 31, 2002 and before January 1, 2004 has been increased for 11% to 12.5% (CT23 Page 4)
- The IDSBC rate (incentive deduction for small business corporations) for days in the taxation year after December 31, 2002, and before January 1, 2004 has been increased from 5.5% to 7%. (CT23 Page 4)
- The specified rate for surtax for days in the taxation year after December 31, 2002, and before January 1, 2004 has been set to 4.667%. (CT23 Page 5)
- The M&P rate for days in the taxation year after December 31, 2002, and before January 1, 2004 has been increased from 10% to 11%. (CT23 Page 6)

Alberta – AT1 and S1

- The general tax rate for days in the taxation year after April 1, 2003 has been decreased from 13.0% to 12.5%.

- The amount eligible for the small business deduction for days in the taxation year after April 1, 2003 has been increased from \$350,000 to \$400,000.

The program automatically prorates the above for year-ends straddling April 1, 2003.

Other enhancements

E-filing a tax return will not be allowed until all Errors are corrected. Such errors are the ones identified by the Audit Wizard with the prefix E. Most of these errors are due to invalid business numbers.

Filing requirements

Filing requirements remain the same, that is:

Federal: You only need to submit the Federal RSI printouts. Nothing else. You need to sign the RSI 200 at page 6. (See Print | Federal RSI). These printouts include all financial GIFI amounts, so financial statements do not need to be filed to CCRA. The facsimile printouts are only for your client and/or your office.

Ontario: File the CT23 printouts and related Schedule plus Financial Statements. A copy of the Federal T2 is not required by MOF for 2001 Y/E and later. For corporations subject to CMT you need to file on diskette. (D-File)

Alberta: File only the Alberta RSI printouts and Capital Dispositions Schedule (if applicable).

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