VisualTax™

T2 Release Notes

June 1, 2004 Update

Web site: www.visualtax.com

This T2-2004 update has been approved by CRA, the Ontario MOF and the Alberta Tax and Revenue Administration.

The new release complies with the latest 2004 specifications issued by CRA, Ontario MOF and Alberta. There are significant changes that relate to taxation of resource industries and large corporations. We recommend that you inspect the revised schedules if a given return is still in progress. The program will recalculate all changed and existing schedules if you press the Recalc button. Pressing the Recalc button before you finalize a return is always a good practice.

Highlights of changes

Fiscal periods: The program supports fiscal periods starting in Jan. 01, 2002 up to Oct. 31, 2004. These fiscal periods are set by CRA. If you need to process any return not covered by this version, you should use the T2-2003 version.

Approval code: The new approval code of VT09 appears on the RSI 200 as well as in all federal facsimile printouts.

RSI/EDI changes: Several changes have been made to various RSI schedules and Internet filing format to conform to this year's specifications issued by Federal, Ontario and Alberta.

Large Corporations: The maximum capital deduction has been increased from 10 Million to 50 million as shown in Schedule 36 and other schedules. For year ends prior to 2004 the maximum deduction stayed at $10 million. Several large corporations schedules have been changed (S33, S34, S35, S36, S37, S38).

Resource industry taxation:

Federal schedule 51 (S51): This new schedule has been introduced to calculate the Resource Profits and the Resource Allowance. The CCA on this schedule should be the part of the total CCA that relates to resource assets. Adjustments to Resource Allowance are calculated on page 4 of Schedule 51, based on the transitional rules. The program automatically calculates the Taxable resource income and the resource allowance deduction or loss for Schedule 1 (additions/deductions)

Federal schedule 51P (S51P): This new schedule allows you to calculate the corporation's share of a partnership's resource profits. Multiple pages are provided.

Alberta Schedule 51 (AS51). This new schedule is similar to Federal Schedule 51 but it is geared to Alberta. The CCA on this schedule should be the part of the total CCA that relates to resource assets.

Transitional rules: A document has been added under the Help item of the menu relating to resource industries and the transitional rules. The document is a PDF file under the title 'Resource taxation'.

Crown payments (S51CRN): This new schedule has been introduced to calculate the non-deductible, deductible and Alberta ARTC crown payments based on the new transitional rules. Crown payments affect line 207 or 343 of schedule 1 (additions or deductions section).

Help Menu: It has been enhanced to give you easy access to VisualTax Downloads, Frequently Asked Questions (FAQ) and the user Forum on the web.

GIFI Statements printing: The GIFI Balance Sheet and GIFI Income Statements are now included in the Client/Preparer print sets and they will be printed out as part of the printing as long as the GIFIBS and GIFIIS forms are included in the relevant print template.

You can also print individual GIFI statements from the GIFI input screens via the Print Preview button.

Super Entry/Predictive Typing: (Available in the T2 Power version only) Predictive typing is provided for the following:

Corporation names

Business numbers

Charity Organizations

Cities.

To use this feature, click on Configure | Super Entry and build a dictionary of keywords for the above, for all the returns you have done so far. Now, any time you try to type in a business number or name etc. the program will predict the text you are trying to enter. Keep typing if the entry is not yet in the dictionary. New entries are added to the dictionary automatically as you save a return. This feature can save you a lot of keystrokes and errors, particularly when you need to enter business numbers and business names in various schedules. The following schedules make use of the super entry predictive typing:

T2 Jacket, S2, S3, S9, S14, S15, S22, S23, S24, S25, S28, S29, S36, S39, S40, S41, S44, S45, S49, S50, S91.

Schedule 1: Line 604 of the additions section of S1 has been protected and reserved to be used by the program to automatically post recapture of CEE/CDE/Resource loss

Corporations Internet Filing (CIF): (Available in the T2 Power version only) Now you can Efile Corporate Tax Returns without a WAC number. You can use your existing T1 Efile number and password or if you do not have a T1 Efile number you can request one from CRA. You can enter this Efile number in the Fed-Efile | Set Up CIF. In addition the program has been modified to use a custom internet browser and it inserts the corporation's identification data and file number/password automatically when prompted by the CRA web page.

CDA: Small changes have been made to this schedule. Data is carried forward from year to year.

T2054: Election for a capital dividend under subsection 83(2). This is a new form (under Miscellaneous forms)

NISA/CAIS: The old NISA forms have been revised to conform to the latest forms and they have been renamed to CAIS.

Film/Video certificate numbers: Several schedules have been validated to ensure the certificate numbers are correct in format (i.e. S5, and various provincial film/video claims). The certificate numbers should be 9 characters long, the first seven being numbers complying with the Mod 10 validation routine. The last two characters are normally the province code.

Schedule T106 Supplementary slips: This is a new schedule to automatically feed the T106 summary form (transactions with non-residents).

Print Menu: The Print menu has been revised to differentiate between the filing printout and the client or preparer printout. A new option is provided to cover the Ontario Exempt from filing forms. If there is a loss carry forward or loss carry back it would be better to use the Short form. The Exempt filing consists of Ont. CT23 page 1, page 2 and potentially MCBS schedule A. Those pages can be printed on their own if you so prefer.

Provincial Changes

Ontario CT23: Certain forms such as CT23 Page 1 and MCBS involve precision printing to support automatic reading by the MOF processing department. In previous releases these specific forms would print only in the default printer. Now you can print all forms in the printer you select via the Print set-up dialog.

Alberta Schedule 12: Several changes have been made. Please note the new/revised lines 25, 24, 42, 45, 44 and 47. Most are related to Resource profits/allowances and Crown payments. These lines work automatically in conjunction with schedules AS51 and S51CRN.

Alberta tax rate change: For days of the taxation year falling after March 31, 2004 the Alberta rate has been reduced to 11.5%. Although the rate change has not passed into law yet, the Alberta Tax and Revenue Administration suggested that we include this change now.

Manitoba Capital Tax: The latest MCT forms are provided in this update (T2 Power version only)

Newfoundland and Labrador Schedule 303: This is a new schedule to calculate the NL Direct Equity Tax Credit.

Nova Scotia R & D schedule 340: The program calculates automatically the Recapture of the R & D credit.

Several other provincial forms have been revised with the latest releases of CRA.

Tips for accurate RSI printouts

Incorrect data on the RSI may result in delays or rejection by CRA.

The following tips can be of help:

- Do not leave empty lines in between when completing a schedule that contains a table of multiple entries i.e. Schedule 50 (Shareholders) or S6 (Capital dispositions). Complete the lines from top to bottom with no empty lines in between.
- The first column in the table-like section of the forms MUST always be completed. i.e. in S6 the number of shares must be completed. Otherwise the entry is not correct for RSI purposes
- Schedule 23: Avoid entering a date in column 5. It is required only if the CCPC has more than one year-end in the same calendar year.
- In address fields ensure that you enter Province/State and Country using the program pop-up valid entries. The Country of any address must be left blank, if it is Canada.
- The program forces you to use the province/country pop-up windows.
- All dates must be entered in the format of YYYY/MM/DD
- Business numbers must be entered in the format 999999999RCnnnn (9 digits RC and 0001 or 0002)

What to file

The current filing requirements are described below:

- *Federal:* The Federal RSI only. Do not file the standard T2 forms printouts (facsimile forms) neither the program generated GIFI summary printouts. You can also file the Federal return via Internet. (You need the T2 Power version)
- *Ontario:* The standard computer generated forms printout (facsimile forms) of the CT23 and schedules as printed by the program (Long or Short format depending on the case). *Note:* For large corporations and corporations subject to minimum tax, the Ontario Ministry of Finance needs the CT23 to be submitted on diskette. This is called D-file and it is offered in the Power version of the Visual T2. Please note that you can D-file any return, not necessarily large corporations and/or subject to minimum tax.
- *Alberta:* The Alberta RSI only. The standard forms printout of the Federal T2 return as printed by the program do not seem to be required for returns filed in 1999 or later. In addition, you must submit the details of Schedule 18 (Capital dispositions) in the standard forms printout as provided by the program as there is no Alberta RSI for it.

Other items and tips
(available also in previous releases of the program)

GIFI

The following features are available:

- Printing of all available GIFI Balance Sheet Accounts (to be used for desktop reference purposes).
- Printing of all available GIFI Income Statement Accounts (to be used for desktop reference purposes). You can print the above by clicking on ‘Print | Full chart of accounts’.
- In addition, the program provides a well formatted printout of the GIFI based Income Statement(s) and GIFI based Balance Sheet. You can preview these statements on the screen while editing the GIFI lines by clicking on the ‘Print Preview’ button. After on-line preview you can print it by clicking on the printer icon at the top menu of the preview screen. These statements are only for your own use and must not be submitted to CRA. What CRA needs is the RSI printouts that contain all the GIFI accounts and amounts.

GIFI import

The program allows you to import GIFI data from any accounting software package that supports the GIFI export. Such programs offer facilities to export Income statement and Balance Sheet data into a standard GIFI file that contains a series of GIFI Accounts and amounts. You may have to map the existing accounts into the GIFI equivalent accounts first. (Please check with your Accounting Package software vendor).

Once the file is exported, you can import it into the Visual T2 package. Simply call the GIFI form from the main menu and click on ‘Import GIFI’ button. Repeat the import once for the Income Statement and then for the Balance Sheet.

The Import effect is irrevocable as it erases any manually entered GIFI amounts. Do not save the return, if you do not like the imported data or the import fails due to wrong format.

Diagnostics and the Audit Wizard

The Audit Wizard (similar to the one used in the T1 program) has been enhanced to detect several types of errors and omissions:

- *M-Mandatory*: Errors in this category must be corrected before you can save the return
- *E-Errors:* These are significant errors that may cause a filed return to be rejected
- *W-Warnings*: These should be checked and determined if applicable
- *T-Tips:* *S*uggestions that you may want to consider
- *I-Information:* For information only. You determine their applicability

The Audit Wizard can be opened by clicking the icon displayed on the Review section of the main menu (or by hitting the F5 key). There are several new diagnostics detected by the Audit Wizard. You can click on the diagnostic messages to go directly to the data in error.

You have wide view or narrow view of the messages. For corrections it is better if you keep the Audit Wizard in narrow view. You can adjust the width with the arrow buttons provided or by dragging the vertical red splitter. When the cursor goes over the splitter, it changes shape.

If you have the Auto Calc 'on' the Wizard stays open and it is updated constantly as you are entering or correcting data.

The Audit Wizard and the Forms Explorer (TreeView) occupy the same area on the screen. You can switch between them by clicking the two icons provided:

Explorer view

Audit Wizard

The Explorer view is handy for quick review of several forms (one click)

Support for special and large corporations

The program offers additional schedules to cover the taxation of special corporations such as Credit Unions, Investment Corporations, Mutual Funds, Financial Institutions, etc.

The special type of a corporation is entered on Page 1 of the Federal jacket, just below the province of jurisdiction. The default is N/A. The program uses this information to apply special rules applying to each type of corporations.

Province and Country validation

CRA requires full address (Street, City, Province, Country and Postal Code) in the jacket and certain schedules that call for it. The program offers separate data fields to properly enter the breakdown of the address.

The program offers pop-up windows to select the proper Canadian Province or a foreign State and Foreign country where applicable.

The Country must be left blank if it is Canada.

Schedules requiring detail address:

- *Jacket Page –1 (all addresses)*
- *S6-Real Estate Dispositions*
- *S14-Miscellaneous Payments to residents*
- *S15-Deferred income plans*

- *S22-Non Resident discretionary Trust*
- *S29- Payments to residents*
- *S80-Industry Canada-Annual Return*
- *S91-Claim for Treaty based exemptions*

Print Templates

You should update the Print Templates to include the new forms that have been added.

Click on Configuration | Print Templates and select the Client/Preparer/Other sets.

Using the ReCalc button

You must hit it at least once and before you doing the final review of the return

The ReCalc button forces recalculation of all schedules to ensure all schedule dependencies are covered.

Display Monitors

You should set your monitor at 800 X 600 or higher. Anything less will present difficulties in forms navigation and data entry.

System short date format detection

Some users experienced difficulties with date calculations. It appears that Windows has been installed/upgraded in a non-standard Windows directory such as c:\windows.001directory and the program would not detect the date format. To avoid such problem you can do the following:

Create a directory called C:\Windows and then copy the WIN.INI file from your own windows directory into the C:\Windows directory.

Use Utilities | Show Date Format from the T2 menu to verify the correct reading of the short date format.

Conversion from Profile

The VisualTax T2 program includes a comprehensive and easy to use conversion of data from the Profile T2 program.

The process is called ‘Rollover’ accessible by clicking File | Rollover or by clicking the Rollover icon of the main menu.

Its purpose is to carry forward the applicable data from the Profile T2 into the VisualTax T2 program so the next fiscal year end can be prepared using the VisualTax program.

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Steps to follow:

The Profile software must be already installed in the machine where the VisualTax is running. The conversion process relies on the Profile program libraries being available on the same machine.

- Click on Configure | Data Directories and enter the Profile data directory in the Last Year’s data Directory box.

- Click on the Rollover button. You can Rollover one return at a time as you need them. We discourage the use of the ALL button. Just double-click on any of the returns listed.

Once the return is opened in VisualTax you can work on it or you can ‘Save’ it as is without making any changes. The Forms window (F2 key) shows several items highlighted. Some of them are the result of the rollover process.

VisualTax calculates the return right away with the data available. (You can click on the ‘Recalc’ icon to force a calculation).

The Fiscal periods are increased by one year during this process.

What is carried forward:

Identification data (Year end is advanced by one)
Certification info
CCA balances
Net capital losses
Listed prop losses
Non-capital losses
Farm losses
CEC balance
Unused Part 1.3 credit
Unused Surtax credit
CCEE balance
CCDE balance
CCOGPE balance
Foreign Expl. balance
Earned depletion
Patronage Dividends
ITC-SRED
Ontario/Alberta accounts
Unused Credits from provinces

<u>Conversion from CanTax</u>

The VisualTax T2 program includes a comprehensive and easy to use conversion of data from the CanTax T2 program.

The process is called ‘Rollover’ accessible by clicking File | Rollover or by clicking the Rollover icon of the main menu.

Its purpose is to carry forward the applicable data from the CanTax T2 into the VisualTax T2 program so the next fiscal year end can be prepared using the VisualTax program.

Steps to follow:

The CanTax software must be already installed in the machine where the VisualTax is running. The conversion process relies on the CanTax program libraries being available on the same machine.

- Close the CanTax T2 program if it is already open. VisualTax will automatically start the CanTax program when you request the Rollover for a file. The CanTax program will appear as a minimized icon on the status bar. You must not try to maximize this icon or run the CanTax application via that icon. You can close it at the end of the process by clicking CTRL ALT DELETE, then find the CanTax program in the list, click on it and then click the ‘End Task’ button. This removes the CanTax program from memory

- Click on Configure | Data Directories and enter the CanTax data directory in the Last Year's data Directory box.

- Click on the Rollover button. You can Rollover one return at a time. Double-click on any of the returns listed.

Once the return is opened in VisualTax you can work on it or you can 'Save' it as is without making any changes. The Forms window (F2 key) shows several items highlighted. Some of them are the result of the rollover process.

VisualTax calculates the return right away with the data available. (You can click on the 'Recalc' icon to force a calculation).

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What is carried forward:

Identification data (year end is advanced by one)
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CCA balances
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Farm losses
CEC balance
Unused Part 1.3 credit
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CCEE balance
CCDE balance
CCOGPE balance
Foreign Expl. balance
Earned depletion
Patronage Dividends
ITC-SRED
Ontario/Alberta accounts
Unused Credits from provinces