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Corporation Instalment Guide

98



Before You Start

Is this guide for you?

Generally, corporations have to pay their taxes in monthly instalments. An instalment payment is a partial payment of the total amount of tax payable for the year. We require corporations to make instalment payments to ensure that they are treated the same as taxpayers who have tax deducted at source from their income.

Corporations do not have to make instalment payments in any of the following cases:

- the total of their taxes payable under Parts I, I.3, VI, and VI.1 of the *Income Tax Act* for either 1997 or 1998 is \$1,000 or less;
- they are in their first year of operation; or
- the taxable income of credit unions, certain co-operatives, and other corporations, that pay patronage dividends to customers was \$10,000 or less for either 1997 or 1998, and they did not have to pay tax for those years under Parts I.3, VI, and VI.1 of the Act.

Note

The *Income Tax Act* authorizes us to charge instalment interest and a penalty if we do not receive the required payments on time. For more information, see the interest and penalty sections of this guide. We will charge arrears interest, at the prescribed rate, on any outstanding balance of tax, interest, or penalty until the date payment is made in full.

How to authorize the release of information to third parties

If you would like us to release any of your accounting information to an independent representative, such as an accountant, you can either send us a signed letter of authorization, or complete Form RC59, *Business Consent Form*.

Do you need more information?

If you would like to refer to the *Income Tax Act*, we have identified (in brackets) the section, subsection, paragraph or regulation to consult. Information Circular 81-11, *Corporate Instalments*, has more information about instalment payments. You can get this publication at your tax services office or tax centre. Also, if you have a question about your account, you can contact us in writing, by telephone, or in person.

This guide uses plain language to explain the most common tax situations. If you need help after reading this guide, please contact your Revenue Canada tax services office or tax centre.

Where you can find us

For our address and telephone numbers, consult the telephone listings for "Revenue Canada" in the Government of Canada section of your telephone book.

If you have access to the Internet, many of our publications are available on line. Our Internet address is: <http://www.rc.gc.ca>

What's coming

Processing Redesign

We are currently redesigning our processing system for T2 returns to improve efficiency, enhance service, and position the Department for future simplification. For more details on the processing redesign system, see the *1997 Supplement to the 1995 T2 Corporation Income Tax Guide*.

Standardized Accounting

Standardized Accounting (SA) is the development of a single accounting system for all business programs administered by Revenue Canada. SA will include such programs as corporate income tax, GST/HST, and Customs. It will eliminate the duplication that currently exists and allow us to provide better service to our clients. We will send you an information package concerning SA as the implementation date approaches.

Your Opinion Counts

We review this guide each year. If you have any comments or suggestions to help us improve our publications, we'd like to hear from you.

Please send your comments to:

Client Services Directorate
Revenue Canada
400 Cumberland Street
Ottawa ON K1A 0L5

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Section A – Parts I, I.3, VI, and VI.1 Tax Instalments

Most corporations are subject to tax under Part I of the *Income Tax Act*. Corporations have to pay their Part I income tax, and any of the following corporate taxes, in monthly instalments:

- Part I.3 – Tax on large corporations;
- Part VI – Tax on capital of financial institutions; and
- Part VI.1 – Tax on corporations paying dividends on taxable preferred shares.

How to calculate your instalments of corporate tax

There are three options you can use to calculate the amount of tax your corporation has to pay in instalments for the current taxation year [paragraph 157(1)(a)]. You can calculate:

- the estimated tax for the current year (Option 1);
- the tax for the preceding taxation year (Option 2); or
- a combination of the tax for the year before the preceding year, and for the preceding year (Option 3).

For all three options, you base the calculation on the total tax you have to pay under Parts I, I.3, VI, and VI.1 of the Act, and the tax you have to pay to your province or territory.

Unlike other provinces and territories, Quebec, Ontario, and Alberta do not have corporate tax collection agreements with the federal government. Corporations that earned taxable incomes in these provinces have to pay their provincial taxes directly to these provinces.

Note

If a year used in calculating the tax is less than 12 months, see “Short taxation years” in this section.

Option 1 – One-twelfth of the estimated tax payable for the current year is due each month of the taxation year.

Option 2 – One-twelfth of the actual tax payable from the preceding year is due each month of the taxation year.

Option 3 – One-twelfth of the actual tax payable for the year before the preceding taxation year is due in each of the first two months of the taxation year. One-tenth of the difference between the total of the first two payments and the actual tax for the preceding year is due in each of the remaining 10 months of the taxation year.

Note

We may charge interest if you use Option 1, and your estimated tax was lower than the year’s actual tax and the tax calculated using Option 2 or 3.

You can use the option that is most advantageous to you [subsection 161(4.1)]. We will assess your return using the option that results in the least amount payable by instalments.

Section C includes two worksheets to help you calculate your estimated tax payable and tax credits, as well as your monthly instalment payments. Use the estimated credits for 1998 to calculate your instalment payments under Options 1, 2, or 3.

Instalment due dates

Instalment payments are due each month of your corporation’s taxation year. The first payment is due one month less a day from the starting date of the corporation’s taxation year. The rest of the payments are due on the same day of each following month in the year.

Example

Start of taxation year: January 1, 1998
End of taxation year: December 31, 1998

Each of the 12 instalment payments is due by the last day of each month during the taxation year. The first payment is due by January 31, 1998. The last payment is due by December 31, 1998.

Balance due dates

The balance due date is the date a corporation has to pay the remainder of the tax it owes for the taxation year [paragraph 157(1)(b)]. Arrears interest [subsection 161(1)] is charged on any amount the corporation failed to pay from the balance due date to the date of payment.

For Parts I, I.3, VI, and VI.1 tax payable, the balance due date is two months after the end of the taxation year. However, the time limit is three months if all of the three following conditions apply:

- Your corporation deducted the federal small business deduction [subsection 125(1)] in the taxation year, or if the deduction was allowed in the preceding taxation year.
- Your corporation is a Canadian-controlled private corporation (CCPC) throughout the taxation year.
- Your corporation’s taxable income for the preceding taxation year was not more than its business limit for the preceding year.

A corporation may be associated with one or more corporations during the taxation year. If so, the total of the taxable income of the corporation for its preceding taxation year and the total of the taxable incomes of all the associated corporations for their taxation years that ended in the same calendar year as the calendar year in which the corporation’s preceding taxation year ended must not be more than the combined total of their business limits for those preceding years.

The business limit of any corporation or the combined total of the business limits of all associated corporations is usually \$200,000. This amount would be less if the preceding year’s business limit was prorated for a short taxation year. The total business limit could be more than \$200,000 if the corporation is associated with other corporations in the current year, but not in the preceding year [section 125].

For taxation years ending after June 30, 1994, the \$200,000 business limit has been eliminated for Canadian controlled private corporations (CCPC) having taxable capital employed in Canada (as calculated for the purpose of the large corporations tax) of \$15 million or more in the preceding taxation year. A CCPC with taxable capital employed in Canada between \$10 and \$15 million in the preceding taxation year will reduce the \$200,000 business limit on a straight-line basis. Similar restrictions will apply to any CCPC that is a member of an associated group.

The taxable capital employed in Canada of a CCPC that is a member of an associated group includes the taxable capital employed in Canada of each member of the associated group. For more information, see the *T2 Corporation Income Tax Guide*.

Amalgamations

A special rule applies when determining if the **balance due date** is two or three months for a new corporation formed after an amalgamation has taken place. The new corporation's taxable income for the preceding year is the total of the predecessor corporations' taxable incomes for their taxation years that ended immediately before they amalgamated. The same rule applies for determining the business limit.

Wind-ups

When determining if a parent corporation's **balance due date** is two or three months in its first taxation year after it receives the assets of a subsidiary corporation that is winding-up, the taxable income for the preceding taxation year is the total of:

- the parent corporation's taxable income for that year; and
- the subsidiary corporation's taxable income for its taxation years ending in the calendar year that the parent corporation's preceding taxation year ended.

These rules also apply for determining the **business limit**.

Special situations – When do you not have to pay instalments?

Tax payable of \$1,000 or less

You do not have to make instalment payments for 1998 if your corporation's Parts I, I.3, VI, and VI.1 taxes payable for either 1997 or 1998 total \$1,000 or less [subsection 157(2.1)]. However, the corporation has to pay its taxes, if any, on its balance due date. To determine the balance due date, see "Balance due dates" on page 4.

New corporations

You do not have to make instalment payments for a new corporation until it has started its second year of operation. However, for its first year of operation, the corporation has to pay any tax it owes on its balance due date for that taxation year. To determine the balance due date, see "Balance due dates" on page 4.

Credit unions, certain co-operatives, and other corporations

Credit unions, certain co-operatives, and corporations that pay patronage dividends to customers do not have to make instalment payments for a taxation year if for that year or the preceding year their taxable incomes were \$10,000 or less and no tax was payable under Parts I.3, VI, and VI.1 of the *Income Tax Act*.

In these cases, the full amount of the tax owing is due at the end of the third month following the end of the taxation year [subsection 157(2)].

Special rules

Short taxation years

If your corporation's taxation year is less than 12 months, you have to pay one-twelfth or one-tenth, if applicable, of the corporation's tax each month in the taxation year. You do not have to make an instalment payment for a taxation year that is shorter than one month.

The tax you did not pay in instalments is due on the corporation's balance due date.

Example

Start of taxation year:	January 15, 1998
End of taxation year:	March 30, 1998

Tax owed by instalments under Option 2: \$300,000.

Two instalments of \$25,000 each must be paid on February 14 and March 14.

If the actual tax for the year is \$500,000, the remaining \$450,000 is due by the corporation's balance due date.

For Options 2 and 3, when a preceding taxation year is less than 12 months, the tax payable for that year is adjusted to a 12-month equivalent. This is called the "adjusted base" [Regulation 5301(1)].

To calculate the adjusted base, divide 365 by the number of days in the taxation year. Multiply this figure by the actual tax payable for that year.

For Options 2 and 3, when a preceding taxation year is less than 183 days, the adjusted base is whichever of the following amounts is greater:

- the adjusted base for that taxation year; and
- the adjusted base for the next preceding taxation year of more than 182 days [Regulation 5301(3)].

Amalgamations

When a new corporation is formed by amalgamation, it is treated as a continuation of the predecessor corporations [section 87]. The instalment base of the new corporation is the total of the previous corporations' instalment bases [Regulation 5301(4)]. For examples of how to calculate instalments when there has been an amalgamation, see Appendix 5 to Information Circular 81-11, *Corporate Instalments*.

Wind-ups

When a subsidiary corporation is wound up into a Canadian parent corporation, [subsection 88(1)] the parent corporation has to include, in addition to its own instalment bases, the instalment bases of its subsidiary corporation [Regulation 5301(6)]. For an example of how to calculate instalments under a wind-up situation, see Appendix 6 to Information Circular 81-11, *Corporate Instalments*.

Transfers or rollovers

A corporation that receives all or substantially all of the property of another corporation that it does not deal with at arm's length in a transaction to which subsection 85(1) or 85(2) applies has to include, in addition to its own instalment bases, the instalment bases of that corporation [Regulation 5301(8)]. For an example of how to calculate instalment payments when there has been a transfer of property, see Appendix 7 in Information Circular 81-11, *Corporate Instalments*.

Paying instalments

You can make your payments at your financial institution or you can mail them to your local tax centre.

The following is a list of the tax centres to which you can send payments:

Tax Centre Surrey BC V3T 5E1	Tax Centre Shawinigan-Sud QC G9N 7S6
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Tax Centre Winnipeg MB R3C 3M2	Tax Centre Jonquière QC G7S 5J1
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Tax Centre Ottawa ON K1A 1A2	Tax Centre St. John's NF A1B 3Z1
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Tax Centre
Sudbury ON
P3A 5C1

If the corporation is a non-resident corporation, send the payment to:

The International Tax Services Office
2204 Walkley Road
Ottawa ON K1A 1A8

If you make your payment at your financial institution, give Parts 1 and 2 of Form T9, *Remittance Form*, to the teller with your payment. The teller will return Part 2 to you as a receipt.

If you do not have a personalized remittance form, you cannot make your payment where you bank. Instead, mail your payment to your tax centre using Form RF-Corp, *Remittance Form*, included in this guide. Enter your corporation's name, address, Business Number, the taxation year end, and the amount of your payment in the spaces provided.

You can pay by cheque or money order made payable to the Receiver General for Canada. You can also make your

payment by electronic data interchange (EDI). If you are interested in using EDI to remit your corporate instalment payments, contact your financial institution. After we have received your payment, we will send you a combined statement of account and remittance form. Keep the receipt with your records for future use.

Review each statement of account you receive to ensure that we have applied your payments correctly. If we made an error in applying any of your payments, immediately contact your tax centre.

The instalment credits we show on your statement of account for each taxation year should agree with your records. If there is a difference between our records and the amount you report at line 145 of your corporation's return, we will assess the return using the instalment credits shown in our records.

We consider you to have made corporate tax payments on the day on which:

- they are delivered to a Revenue Canada tax services office or tax centre; or
- they are deposited at any financial institution belonging to the Canadian Payments Association.

If you mail your payment, we consider you to have made the payment on the day we receive the payment, not on the day you mail it [subsection 248(7)].

Note

You can use Form T9, *Remittance Form*, to make Parts I, I.3, VI, and VI.1 instalment payments. To make instalment payments under Parts XII.1 or XII.3, use Form T901, *Remittance Form*, included in this guide. See "Paying instalments" in Section B for more details on Form T901. Instalment payments under Parts XII.1 and XII.3 are discussed in Section B.

Transfer of instalments

Our transfer policy makes it easier for you to move excess instalment payments from one account where they are not immediately needed to another account where they are needed. You may want to do this to cover an outstanding balance or to cover an employer account.

The guidelines are as follows:

- Only an authorized officer of the corporation can request, in writing or by telephone, a transfer of instalments.
- The request has to specify how you want to apply the payments.
- You can transfer funds between taxation years in the same account, or to another account.
- You can transfer part of a payment or an amount made up of several payments.
- You can request more than one transfer during the year.

- You cannot transfer a payment after we have assessed the income tax return for the particular taxation year. Transferred payments will keep their original payment date for the purpose of calculating interest. Since a transferred payment keeps its original payment date, [section 221.2] we consider the previous allocation not to have occurred.

Address your request for an instalment transfer to Corporation Services, at the appropriate tax centre.

Note

If you have questions about a non-resident corporation account, call the International Tax Services Office at one of the following telephone numbers:

- In the Ottawa area.....526-6574
- Long-distance from Canada and the United States..... 1-800-267-5177
- Long-distance from outside Canada and the United States..... (613) 952-3741*

*We accept collect calls.

Instalment interest

We calculate interest, compounded daily [subsection 248(11)], according to a corporation's actual instalment requirements for the year.

We will charge interest if:

- you made late or insufficient instalment payments; and
- the interest on the instalment payments is more than \$25.

We use the offset method to calculate instalment interest. This means we allow credit interest when you prepay or overpay your instalments, which can reduce or eliminate the interest we charge on late or insufficient payments. Please see the following example.

The interest rate on underpayments is 2% higher than on overpayments.

Note

Interest on overpayments is defined in subsection 164(7). Refund interest is calculated in accordance with subsection 164(3) up to the day the overpayment is refunded or applied.

The interest rate is determined [Regulation 4301] every three months. The interest rate is based on the average rate of 90-day treasury bills sold during the first month of the preceding quarter (rounded to the next higher whole percentage point) plus four percentage points.

Example

Corporation A has a December 31 year end and has to make monthly instalment payments of \$75,000 beginning January 1998. The corporation only makes two instalment payments in the year. The corporation makes one payment of \$120,000 on March 12, and a second payment of \$150,000 on April 25. Therefore, when we assess Corporation A's return, we will charge \$32,728.29 in instalment interest. We have used an interest rate of 10% in the following calculation.

Date 1998	Instalment payments due	Payments received	Balance	Number of days	Interest
January 31	\$75,000		\$75,000.00	28	\$577.48
February 28	75,000		150,577.48	12	495.80
March 12		\$120,000	31,073.28	19	162.15
March 31	75,000		106,235.43	25	730.04
April 25		150,000	(43,034.53)	5	(58.98)
April 30	75,000		31,906.49	31	272.10
May 31	75,000		107,178.59	30	884.43
June 30	75,000		183,063.02	31	1,561.19
July 31	75,000		259,624.21	31	2,214.11
August 31	75,000		336,838.32	30	2,779.56
September 30	75,000		414,617.88	31	3,535.92
October 31	75,000		493,153.80	30	4,069.46
November 30	75,000		572,223.26	31	4,880.00
December 31	75,000		652,103.26	59	10,625.03
Balance due date February 28, 1999	Total instalment interest				\$32,728.29

Instalment penalty

We may charge an instalment penalty under section 163.1 of the *Income Tax Act* when the instalment interest is more than \$1,000.

We calculate the penalty by subtracting from the instalment interest the greater of:

- \$1,000; or
- 25% of the instalment interest calculated if no instalment payment had been made for the year.

One-half of the difference is the amount of the penalty.

Please note that there is no additional penalty on arrears interest. For more information on arrears interest, see Information Circular 81-11, *Corporate Instalments*.

Example

In the previous example, we charged Corporation A instalment interest of \$32,728.29. Therefore, we assess a penalty of \$9,093.96 as follows:

Instalment interest	\$32,728.29
Minus the greater of: \$1,000 or 25% of the instalment interest charged if Corporation A had made no payment at all \$58,161.51 × 25% =	14,540.38
Subtotal	18,187.91
Instalment penalty (one-half of subtotal)	\$9,093.96

Waiving penalties and interest

Sometimes, late-filing penalties or interest charges may be waived in situations where the corporation clearly does not

deserve them. The reason for not paying an amount when it is due may be beyond the taxpayer's control. The types of situations in which a penalty or interest charge may be waived include:

- natural or human-made disasters, such as floods or fires;
- civil disturbances or disruptions in services, such as postal strikes;
- serious illness or accident suffered by the person who is responsible for making a payment when due; and
- the corporation receives the wrong information, either in a letter from us or in one of our publications.

If the corporation is in one of these situations, let us know about the problem and try to pay any amount owing as soon as possible. If you think there is a valid reason for cancelling penalty or interest charges, send us a letter explaining why it was impossible for you to make the payment on time. For more information on waiving penalties and interest, see Information Circular 92-2, *Guidelines for the Cancellation and Waiver of Interest and Penalties*.

Prepayment of reassessments

We have special procedures to allow corporations to prepay tax for anticipated reassessments. These payments are accepted as a service for our clients who want to reduce charges of arrears interest.

To remit prepayments you can use the Form T901, a copy of which you will find at the end of this guide. It is important that you clearly indicate that the payments are "prepayments." Also, include your corporation's Business Number and taxation year end for which the prepayments are intended. These payments will be held in a special

account designed for this purpose only. A statement will be sent to you to acknowledge receipt of these payments. Upon receipt of your notice of reassessment, you will need to advise us to apply these payments to the amount owing.

Section B – Parts XII.1 and XII.3 Tax Instalments

This section will help you determine the instalment payments your corporation has to make under the following parts of the *Income Tax Act*:

- Part XII.1 – Tax on carved-out income; and
- Part XII.3 – Tax on investment income of life insurers.

Arrears and refund interest apply to Parts XII.1 and XII.3 of the Act.

Do not use Options 1, 2, or 3 in Section A to calculate Parts XII.1 or XII.3 instalment payments.

Part XII.1 – Tax on carved-out income

Part XII.1 of the *Income Tax Act* generally applies to carved-out property acquired after July 19, 1985. Carved-out property includes Canadian mineral resources, petroleum, natural gas, and related hydrocarbons. The tax rate for carved-out income is 45% of the income from carved-out property. A description of carved-out income is in section 209 of the Act.

Reporting Part XII.1 tax

Report the Part XII.1 tax you owe on Form T2096, *Part XII.1 Tax Return – Tax on Carved-Out Income*. We should receive the return by six months after the end of the corporation's taxation year.

Instalment payments

You have to make instalment payments equal to one-twelfth of the tax payable under Part XII.1 of the Act each month in the taxation year. The remainder of tax, if any, is due on or before the end of the second month after the end of the corporation's taxation year.

Interest

We use the deficiency method to calculate instalment interest on late or insufficient instalment payments of Part XII.1 tax. This means that we base the instalment interest on the amount your instalment payments were deficient. For more information on the deficiency method, see Appendix 8 to Information Circular 81-11, *Corporate Instalments*.

Part XII.3 – Tax on investment income of life insurers

Life insurers may have to pay tax under Part XII.3 of the Act [section 211.1]. The amount of tax you may have to pay is 15% of your corporation's taxable Canadian life investment income for the year.

Reporting Part XII.3 tax

Report the Part XII.3 tax you owe on Form T2142, *Part XII.3 Tax Return – Tax on Investment Income of Life Insurers*. We should receive the return by six months after the end of your corporation's taxation year.

Instalment payments

Under proposed changes, you have to make instalment payments in monthly instalments on or before the last day of each month in the year. You have to make the first instalment payment one month less a day after your taxation year begins. Your remaining payments are due on the same day of each month until the end of your corporation's taxation year.

Calculate each instalment payment as 1/12 of the lesser of:

- the Part XII.3 tax payable for the current taxation year; or
- the Part XII.3 tax payable for the preceding taxation year.

The remainder of tax, if any, is due on or before the last day of the second month after the end of your taxation year.

If your Part XII.3 tax is \$1,000 or less in the current or preceding year, you do not have to make instalment payments.

Interest

We use the offset method to calculate instalment interest. This means we allow credit interest when you prepay or overpay your instalments, which can reduce or eliminate the interest we charge on late or insufficient payments. See the example on page 7.

We will not charge interest on late or deficient instalments if the total amount of the interest is \$25 or less.

The interest rate on underpayments is 2% higher than on overpayments, except for the purpose of the offset method for the instalment interest calculation.

Note

Interest on overpayments is defined in subsection 164(7). Refund interest is calculated in accordance with subsection 164(3) up to the day the overpayment is refunded or applied.

Paying instalments

After we process your payment for Parts XII.1 or XII.3 taxes, you will receive a personalized Form T901, *Remittance Form*. This form will give you the revised balance for your account and you can use it to make your next payment.

If you do not have a personalized T901 remittance form, use the copy of Form T901 included in this guide. Enter your corporation's name, address, Business Number, the taxation year end, and the amount of your payment in the spaces provided. Mail the completed form with your payment to your tax centre.

If you are making one payment for taxes under different parts of the *Income Tax Act*, give the allocation for each amount to ensure that we credit each account correctly.

Note

If you have questions about a non-resident corporation account, call the International Tax Services Office at one of the following telephone numbers:

- In the Ottawa area..... 526-6574
- Long-distance from Canada and the United States..... 1-800-267-5177
- Long-distance from outside Canada and the United States..... (613) 952-3741*

*We accept collect calls.

Section C – Worksheets

The two worksheets in this section will help you determine your instalments for 1998. Estimate your current-year tax payable and your credits on Worksheet 1. Then use these amounts to complete the current-year information area on Worksheet 2.

Use Worksheet 2 to determine your instalments for the year. After you have calculated the taxes you owe under Parts I, I.3, VI, and VI.1 of the *Income Tax Act*, and your provincial or territorial tax, enter the amounts in the appropriate columns for Options 1, 2, and 3. We explain the three options in Section A under the heading "How to calculate your instalments of corporate tax." You can use the option that is most advantageous to you. Any remaining unpaid tax is payable on or before the balance due date described in Section A.

Rates of income tax

The information in this part will help you estimate your taxes payable and your tax credits for 1998 on Worksheet 1.

Federal

The basic rate of Part I tax is 38% of your taxable income.

Provincial

Corporations have to calculate and pay provincial or territorial corporate income tax in addition to their federal corporate income tax.

Provincial or territorial corporate income tax is based on the taxable income your corporation earned in a province or territory. If your corporation is established in more than one province or territory, see Part IV of the *Income Tax Regulations*. When you calculate the 10% federal tax abatement and the provincial or territorial tax, you have to determine the taxable income the corporation earned in each province or territory according to these regulations.

All provinces and territories have two income tax rates. Apply the lower rate to the income you earned in a province or territory that is eligible for the federal small business deduction. Apply the higher rate to your income that is not eligible for this deduction.

Quebec, Ontario, and Alberta do not have corporate tax collection agreements with the federal government. Corporations established in these provinces must file an income tax return with their respective province.

The following table shows the income tax rates for the provinces and territories that have tax collection agreements with the federal government.

Province or territory	Income eligible for the small business deduction (% of federal taxable income)	Other income (% of federal taxable income)
Newfoundland	5	14
Nova Scotia	5	16
Prince Edward Island	7.5	15
New Brunswick	7	17
Manitoba	9	17
Saskatchewan	8	17
British Columbia	9	16.5
Northwest Territories	5	14
Yukon Territory	6	15

These rates may change during 1998.

You can reduce the tax calculated at these rates by various deductions and credits. For more information, see the *T2 Corporation Income Tax Guide*.

Note

Effective July 1, 1997, the income tax rate for other income that is not eligible for the small business deduction for Prince Edward Island was increased from 15% to 16%.

Worksheet 1 – Calculating estimated tax payable and tax credits for 1998

Estimated taxable income _____

Calculating the estimated tax payable

Total of estimated:

Federal Part I tax _____

Federal surtax..... _____

Subtotal..... (A) _____

Minus total of estimated:

Small business deduction..... _____

Investment corporation deduction _____

Federal tax abatement..... _____

Manufacturing and processing profits deduction _____

Non-business foreign tax credit _____

Business foreign tax credit _____

Logging tax credit..... _____

Federal political contribution tax credit..... _____

Investment tax credit from Form T2038 _____

Part I.3 tax credit _____

Part VI tax credit..... _____

Subtotal..... (B) _____

Total estimated 1998 Part I tax payable * (A) – (B) _____

Total estimated 1998 Part I.3 tax payable * _____

Total estimated 1998 Part VI tax payable * _____

Total estimated 1998 Part VI.1 tax payable * _____

Estimated 1998 net provincial or territorial tax payable * _____

Calculating the estimated credits for 1998

Total of:

Investment tax credit refund..... _____

Dividend refund..... _____

Federal capital gains refund..... _____

Newfoundland research and development tax credit refund _____

Provincial and territorial capital gains refund..... _____

Nova Scotia film industry tax credit refund _____

NRO allowable refund..... _____

Nova Scotia research and development tax credit refund _____

Tax withheld at source _____

Federal mining reclamation tax credit refund..... _____

Canadian film or video production tax credit refund..... _____

British Columbia refundable tax credit..... _____

New Brunswick labour incentive film tax credit refund _____

Saskatchewan mining reclamation trust tax credit refund _____

Manitoba film and video production tax credit refund..... _____

Yukon mining reclamation tax credit refund _____

Film or video production services tax credit refund..... _____

Total estimated 1998 credits * _____

* Use these amounts when calculating your monthly instalment payments on Worksheet 2.

Worksheet 2 – Calculating monthly instalment payments

Instalment payments are due each month of your corporation's taxation year.			
	Option 1 1998	Option 2 1997	Option 3 1996
Add:			
Part I tax payable			
Part I.3 tax payable			
Part VI tax payable			
Part VI.1 tax payable			
Total Parts I, I.3, VI, and VI.1 tax *			
Add:			
Provincial/territorial tax payable			
Total Parts I, I.3, VI, VI.1 tax, and provincial/territorial tax			
Subtract:			
Total 1998 estimated credits from Worksheet 1			
Instalment base amount			
Divide by:	12	12	12
12 payments due under Options 1 and 2			
Payments 1 and 2 under Option 3 equal			
Prior-year instalment base (Option 2 instalment base amount above)			
Less the total of payments 1 and 2			
Subtotal			
Divide by			10
Each of the remaining 10 payments equals			

*If this amount is \$1,000 or less for either 1998 or 1997, you do not have to make instalment payments for 1998.



REMITTANCE FORM - FORMULAIRE DE VERSEMENT

Use this form for corporation remittances only. Formulaire à utiliser uniquement pour les versements d'impôt des sociétés.

Complete for address change / Renseignez si il y a changement d'adresse. Care of address / Adresse (aux soins de), Street address / Adresse (rue), City, province, postal code / Ville, province, code postal

8 Sub-code / Sous-code, Business number / Numéro d'entreprise

Ensure correct allocation of your payment by entering the amount in one of the boxes below. Afin que votre paiement soit porté au bon compte, inscrivez le montant dans l'une des cases ci-dessous.

Arrears payment / Paiement d'arrérés

Instalment payments will be credited to the taxation year indicated. Please specify below.

Les paiements d'acomptes provisionnels seront imputés à l'année d'imposition indiquée.

Table with 2 columns: Taxation year end / Fin de l'année d'imposition, Instalment payment / Paiement d'acomptes provisionnels



REMITTANCE FORM - FORMULE DE VERSEMENT

If your name or address as shown is not correct, please print the correction below. Si le nom ou l'adresse est inexact, faites la rectification ci-après en majuscules. Name - Nom, Care of Address / Adresse aux soins de, Number, Street or P.O. BOX or R.R. No. / Numéro, rue ou n° de C.P. ou de R.R., City, Province, Postal Code / Ville, province, code postal

ENTER AMOUNT OF PAYMENT / INSCRIRE LE MONTANT DU PAIEMENT

Business Number - Numéro d'entreprise

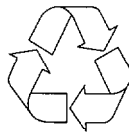
TAXATION YEAR OR FISCAL PERIOD END / ANNÉE D'IMPOSITION OU FIN DE L'EXERCICE. Year-Année, Month-Mois, Day-Jour

FOR TAX CENTRE USE ONLY / RÉSERVÉ À L'USAGE DU CENTRE FISCAL

Your payment may be made where you bank or to: Vous pouvez faire le paiement à votre établissement financier ou au: Tax Centre - Centre fiscal

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