



Canada Revenue
Agency

Agence du revenu
du Canada

Corporation Instalment Guide

2006

What's new

Canada Revenue Agency

In this publication, we use the name "Canada Revenue Agency" and the acronym "CRA" to represent the Canada Customs and Revenue Agency. This reflects changes in the structure of the Agency.

Requests for fairness

Fairness requests made in a calendar year after 2004 will only be considered for a tax year that ended ten calendar years or less before the beginning of the calendar year of the request.

Federal capital tax

The *Economic and Fiscal Update* presented November 14, 2005, proposes to eliminate the federal capital tax (Part I.3 tax) as of January 1, 2006.

Your opinion counts

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

Send your comments to:

Client Services Directorate
Canada Revenue Agency
750 Heron Road
Ottawa ON K1A 0L5

Visually impaired persons can get our publications in braille, large print, or etext (computer diskette), or on audio cassette by visiting our Web site at www.cra.gc.ca/alternate or by calling 1-800-267-1267 weekdays from 8:15 a.m. to 5:00 p.m. (Eastern Time).

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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. The *Income Tax Act* requires corporations to make instalment payments so that they are treated the same as taxpayers who have tax deducted at source from their income.

Since special rules may apply, read the whole guide to determine if you have to make instalment payments.

The *Income Tax Act* authorizes us to charge instalment interest and penalty, and arrears interest, if we do not receive the required payments on time. See "Interest and penalties" on page 10.

Note

The terms **instalment payment** and **interim payment** are interchangeable. Either term may appear in correspondence and publications you receive from us. Reference to the term **reporting period** has the same meaning as the term **tax year** since both terms describe the period assessed.

Do you need more information?

This guide uses plain language to explain the most common tax situations. If you need help after reading this guide or you have a question about your account or your instalment requirements, call our Business Enquiries line at 1-800-959-5525.

For detailed information on topics in this guide, see the *Income Tax Act* and the *Income Tax Regulations*. We have identified in parentheses the section, subsection, paragraph, or regulation.

For information about filing your *T2 Corporation Income Tax Return*, see guide T4012, called *T2 Corporation Income Tax Guide*.

If you have a question about a **non-resident corporation** account, visit www.cra.gc.ca/tax/nonresidents/business or call the International Tax Services Office at one of the following numbers:

Canada and the United States

1-800-561-7761, ext 9155

Outside Canada and the United States

(we accept collect calls)
(613) 954-9681

Fax number

(613) 952-3845

Forms and publications

You can get a copy of our forms and publications at www.cra.gc.ca/forms or by calling 1-800-959-2221.

Problem resolution program

If you have a problem, you can call the Business Enquiries line at 1-800-959-5525.

If your problem is not resolved to your satisfaction, call the Problem Resolution Program co-ordinator listed in the government section of your telephone book.

Authorized representatives

If you want 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*. The letter should indicate your name, title, and Business Number, the accounts and tax years to which the consent applies, the name, telephone and fax numbers of your representative, and the expiry date of the consent. The letter should be signed and dated.

Online requests

You can make a request online for:

- certain financial actions,
- the transfer of a credit,
- additional remittance vouchers,
- other communication products,
- reproductions of previously issued correspondence on your account,
- an interest review, or
- a payment search.

For details, visit our Web site at www.cra.gc.ca/requests-business.

Alternate address

You can have your monthly *Statement of Arrears*, *Statement of Interim Payments*, and any *Notification of Returned Payment* sent to either your business address **or** the mailing address we have on record for your Business Number.

You can register an alternate address for a definite or indefinite period, effective immediately or in the future.

Contact your tax centre if you would like more information, or to register an alternate address. You do not have to contact us if you are satisfied with receiving your statements at your current mailing address.

Direct deposit

Direct deposit offers a safe, convenient, and dependable way of receiving refunds and eliminates the potential loss of credit interest if a cheque is delayed in the mail. If you request it, we will deposit your refunds directly into your account at most financial institutions.

To **start** direct deposit or **change** information that you have already given us:

- complete the "Direct Deposit Request" box on the T2 return; or
- send Form T2-DD, *Direct Deposit Request Form for Corporations* to your tax centre.

Your direct deposit request will stay in effect until you change the information or cancel the service. However, if your financial institution tells us that you have a new account, we may deposit the payments into the new account. If we cannot deposit your payments into a designated account, we will mail a cheque to you at the address we have on file.

Large Value Transfer Service

The Canadian Payments Association (CPA) has set a maximum value of \$25 million for any cheque or other paper-based payment instrument cleared through the banking system. The rule also prohibits the splitting of amounts in excess of the set limit into smaller acceptable cheques. This initiative enhances the safety and stability of the Canadian payments system.

The CRA must transmit all large value refunds electronically through the Large Value Transfer Service (LVTS).

If you are expecting a refund over \$25 million, arrange for direct deposit, and contact your tax centre to register for the LVTS and provide the required banking information.

Instalment requirements

Corporations generally make monthly payments called instalments towards their tax liability under these parts of the *Income Tax Act*:

- Parts I, I.3, VI, VI.1, and XIII.1;
- Part XII.1; and
- Part XII.3.

Parts I, I.3, VI, VI.1, and XIII.1 tax instalments

These taxes are added together to determine your instalment requirements:

- Part I – Tax on income;
- Part I.3 – Tax on large corporations;
- Part VI – Tax on capital of financial institutions;
- Part VI.1 – Tax on corporations paying dividends on taxable preferred shares; and
- Part XIII.1 – Additional tax on authorized foreign banks.

How to calculate your instalments of Parts I, I.3, VI, VI.1, and XIII.1 tax

There are three options you can use to calculate the least amount of tax you have to pay in instalments for the current tax year [paragraph 157(1)(a) and 157(3)].

For all three options, you base the calculation on the total tax you have to pay under Parts I, I.3, VI, VI.1, and XIII.1 of the Act, and the tax you have to pay to provinces and/or territories (other than Quebec, Ontario, and Alberta). Both refundable and non-refundable provincial and territorial

tax credits are included in the calculation of instalment payments.

You can calculate using:

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

Option 2 – One-twelfth of the tax payable from the previous tax year is due each month of the current tax year.

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

We will assess your return using the option that results in the least amount payable by instalments.

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

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.

We have two worksheets to help you calculate your estimated tax payable and tax credits, as well as your monthly instalment payments:

- Worksheet 1 – *Calculating estimated tax payable and tax credits for 2006*; and
- Worksheet 2 – *Calculating monthly instalment payments for 2006*.

These worksheets can be found on page 14 and page 16 or you can get them at: www.cra.gc.ca/forms.

Use the estimated credits for 2006 to calculate your instalment payments under option 1, 2, or 3.

Part XII.1 – Tax on carved-out income

Part XII.1 of the *Income Tax Act* applies to the income from carved-out property acquired after July 19, 1985. [Section 209]. Carved-out property includes Canadian resource property where certain conditions are met. The tax rate is 45% of this income.

Arrears and refund interest apply to Part XII.1 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 within six months of the end of your tax year.

How to calculate instalments of Part XII.1 tax

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 tax year. Do not use option 1, 2, or 3 mentioned previously to calculate these instalments.

The remaining tax, if any, is due on or before your balance due date.

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

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

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

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 no later than six months after the end of your tax year.

How to calculate instalments of Part XII.3 tax

Calculate each instalment payment as one-twelfth of the lesser of:

- the estimated Part XII.3 tax payable for the current tax year; and
- the Part XII.3 tax payable for the previous tax year.

Do not use option 1, 2, or 3 mentioned previously to calculate Part XII.3 instalment payments.

The remaining tax, if any, is due on or before the your balance due date.

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

Note

If you use the estimated Part XII.3 tax payable for the current tax year to determine your instalment payments and the actual amount is greater than your estimate, you may not have made the required monthly instalments. If so, you may be charged interest.

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 on your federal taxes if the total of your taxes payable under Parts I, I.3, VI, VI.1, and XIII.1, prior to the deduction of current year refundable tax credits, for either the current or previous year is \$1,000 or less [subsection 157(2.1)].

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

Similarly, you do not have to make instalment payments on your provincial or territorial taxes if the total of your provincial or territorial taxes for the current or previous year is \$1,000 or less.

However, you have to pay your taxes, if any, on your balance due date.

New corporations

You do not have to make instalment payments for a new corporation until you have started your second year of operation. However, for your first year of operation, you have to pay any tax you owe on your balance due date for that tax year.

Note

Your first tax year should start on your incorporation date. If you start your tax year after this date, it may affect your requirement to make instalments later.

Special rules

Short tax years

Your tax year may be less than 12 months. If so, you have to pay one-twelfth or one-tenth, as applicable, of your tax each complete month in the tax year. See previous sections on how to calculate instalments.

You do not have to make an instalment payment for a tax year that is shorter than one month.

The tax you did not pay in instalments is due on your balance due date.

Example

Start of tax year:	January 15, 2006
End of tax year:	March 30, 2006

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

Two instalments of \$25,000 (1/12 of \$300,000) 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 balance due date.

For option 2 or 3, when a previous tax year is less than 12 months, the tax payable for that year is adjusted to a 12-month equivalent [Regulation 5301(1)]. This is called the **adjusted base**.

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

For option 2 or 3, when a previous tax year is less than 183 days, the adjusted base is whichever of the following amounts is greater:

- the adjusted base for that tax year; or
- the adjusted base for the next previous tax 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]. Generally, the instalment base of the new corporation is the total of the predecessor corporations' instalment bases [Regulation 5301(4)]. For an example, see Appendix 1 on page 17.

Wind-ups

When a subsidiary corporation is wound up into a Canadian parent corporation [subsection 88(1)], the parent corporation generally has to include, in addition to its own instalment base, the instalment base of its subsidiary corporation [Regulation 5301(6)]. For an example, see Appendix 2 on page 19.

Transfers or rollovers

There are situations where, in a transaction to which subsection 85(1) or 85(2) applies, a corporation receives all or substantially all (e.g. 90% or more) of the property of another corporation that it does not deal with at arm's length. In this case, the corporation has to include, in addition to its own instalment base, the instalment base of the other corporation [Regulation 5301(8)]. For an example, see Appendix 3 on page 22.

Reference

IT-419, Meaning of Arm's Length

Change of control

If there is a change of control of a corporation under subsection 249(4), the corporation continues to exist as it was before, for instalment purposes.

When there is a short tax year, see the special rules for short tax years on page 6.

Reference

IT 302, Losses of a Corporation – The Effect that Acquisitions of Control, Amalgamations, and Windings up have on Their Deductibility – After January 15, 1987

Specified future tax consequences

For instalment calculations, the tax payable for a tax year is the total tax payable for the year before taking into consideration the specified future tax consequences for the year [Regulation 5301(10)].

Specified future tax consequences are defined in subsection 248(1). These include things like loss carry-back, foreign tax credit adjustments, and flow-through share renunciation.

Due dates

Instalment due dates

Instalment payments are due on the last day of every complete month of your tax year [subsection 157(1)]. The first payment is due one month minus a day from the starting day of your tax year. The rest of the payments are due on the same day of each month that follows.

Example 1

Start of tax year: January 1, 2006
End of tax year: December 31, 2006

Each of the instalment payments is due by the last day of each month during the tax year. The first payment is due by January 31, 2006. The last payment is due by December 31, 2006.

Example 2

First day of tax year: October 10, 2005
End of tax year: October 9, 2006

The first instalment payment is due by November 9, 2005, and the last instalment payment is due by October 9, 2006.

Balance due date

The balance due date is the date you have to pay the remainder of the tax you owe for the tax year [paragraph 157(1)(b)].

Generally, all corporation taxes (except Part III and Part XII.6) charged under the *Income Tax Act* are due **two** months after the end of the tax year.

However, for Parts I, I.3, VI, VI.1, and XIII.1 tax the balance of tax is due **three** months after the end of the tax year if the following conditions apply:

- the corporation is a Canadian-controlled private corporation (CCPC) throughout the tax year;
- the corporation claims the small business deduction for the tax year, or was allowed the small business deduction in the previous tax year; **and either**
 - the corporation's taxable income for the previous tax year does not exceed its business limit for that tax year (if the corporation is **not associated** with any other corporation during the tax year); or
 - the total of the taxable incomes of **all** the associated corporations for their last tax year ending in the previous calendar year does not exceed the total of their business limits for those tax years (if the corporation is **associated** with any other corporation during the tax year).

Note

For determining balance due dates, the previous-year taxable income of corporations and associated, subsidiary, and predecessor corporations means taxable income before applying loss carrybacks.

For information on business limits, see Guide T4012, *T2 Corporation Income Tax Guide*.

Amalgamations

The **balance due date** of a new corporation formed after an amalgamation has taken place will be affected by the new corporation's taxable income for the previous year. This taxable income is the total of the predecessor corporations' taxable incomes for their tax years that ended just before they amalgamated [paragraph 87(2)(oo.1)]. The same rule applies for determining the business limit.

Wind-ups

To determine a parent corporation's **balance due date** in its first tax year after it receives the assets of a subsidiary corporation that is winding up [paragraph 88(1)(e.9)], the taxable income for the previous tax year is the total of:

- the parent corporation's taxable income for that year; and

- the subsidiary corporation's taxable income for its tax years ending in the calendar year that the parent corporation's previous tax year ended.

The same rule applies for determining the business limit.

Statements

We issue statements on a monthly basis rather than on a transactional basis. These statements show interim and arrears balances carried forward from previous statements, plus the details of any account activity that occurs during the statement period.

Arrears and interim amounts are shown separately on your statement, and all information is displayed by reporting period. Arrears information shows all amounts assessed and charged to your account. Interim information shows you the balance of instalment payments for each reporting period for which we have not processed a return.

The *Statement of Interim Payments* is used to:

- acknowledge receipt of interim payments;
- show credit movement (transfers in or out);
- show application of interim credits to assessments;
- provide interim credit balances by period(s);
- provide the grand total balance across all interim periods; and
- provide the necessary types of interim payments remittance vouchers to make later payments.

The *Statement of Arrears* is used to:

- acknowledge receipt of arrears payments;
- show all other transactions posted to assessed and non-reporting periods (for example, (re)assessments and transfers) since the last statement;
- provide processed balances by period(s);
- provide the grand total balance across all processed periods; and
- provide a remittance voucher for amounts owing.

Review each *Statement of Interim Payments* and *Statement of Arrears* you receive to make sure we have applied your payments correctly. Contact your tax centre immediately, if we made an error in applying any of your payments, as payments are not transferable once your tax return has been assessed. For more information, see the section called "Transferring instalments" on page 9.

Keep the statements with your records for future use.

The instalment credits we show on your *Statement of Interim Payments* for each tax year should agree with your records. There may be a difference between our records and the amount you report on line 840 of your return. If so, we will assess your return using the instalment credits shown in our records, and we may refund the difference. If you return the refund, we will credit it with the date that we received it, as we would with any other payment.

Paying instalments

How to make a payment

Electronically

You may be able to pay by telephone or Internet banking. For information, see www.cra.gc.ca/electronicpayments or contact your financial institution to see if they provide these services. Most financial institutions allow you to schedule future dated payments.

At your financial institution

You can make your payment free of charge at your financial institution in Canada. Present the part of your statement that displays your remittance voucher with your payment to the teller. The teller will return the top part to you as a receipt. You must have an original voucher from the Canada Revenue Agency (CRA) for your financial institution to accept the payment. Photocopies are not accepted.

By mail

You can mail a cheque or money order payable to the Receiver General, along with your completed remittance voucher to the following address.

Canada Revenue Agency
875 Heron Road
Ottawa ON K1A 1B1

To help us process your payment correctly, write your full 15-digit Business Number (BN), e.g. 12345 6789 RC0001, on the back of the cheque or money order. Cheques that are post-dated to the due date are acceptable. Do not send cash in the mail.

Paying on time

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

- they are **received** by the CRA; or
- they are **processed** at any financial institution belonging to the Canadian Payments Association. (Payments made at an Automated Teller Machine (ATM) may not be processed that same day.)

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) of the *Income Tax Act*].

If your payment due date falls on a Saturday, Sunday, or a public holiday, the payment will be considered as having been received on time if it is received the first business day after the due date.

Payment vouchers

We have two common personalized remittance vouchers that we send with your statements:

- Form RC159, *Corporation Remittance Voucher – (Amounts Owing)*; and

- Form RC160, *Corporation Remittance Voucher – (Interim Payment)*.

We will automatically send you the appropriate type(s) based on your account status and needs, along with your *Statement of Interim Payments* or *Statement of Arrears*, as applicable. If you need more vouchers, you can make an online request at www.cra-arc.gc.ca/eservices/tax/business/requests or you can call us at 1-800-959-5525. Financial institutions will not accept photocopied remittance vouchers.

Use Form RC159 to make payments on an existing debt or to make a prepayment for an anticipated reassessment. When using this payment voucher to make a prepayment, indicate on the voucher that the payment is a prepayment and provide the tax year-end of the reassessment. Form RC159 can also be used to pay tax under Parts IV, IV.1, and XIV.

Use Form RC160 only to make interim payments for the tax year-end for which we have not processed a return. Form RC160 will show the remittance period end, that is, your monthly instalment payment due date, not the tax year-end.

After all monthly interim payments are made for the current year (for example, 2006-12-31), you will receive the first Form RC160 for the next year (for example, 2007-12-31), along with another Form RC160. This additional form will show the tax year-end of the current year (for example, 2006-12-31). Use the form to remit your balance due date payment, if applicable.

If you are making one payment for taxes under different parts of the *Income Tax Act*, tell us how to allocate each amount to make sure that we credit your accounts correctly.

If you are a new corporation we will process your first payment and send you a statement to show the balance of your account along with the appropriate payment voucher.

If you make a payment with a cheque that your financial institution does not honour, including a payment on which you put a stop payment, we will charge you an administrative fee.

Large payments

The Canadian Payments Association sets a maximum value of \$25 million for any cheque or other paper-based payment instrument cleared through the banking system. Canadian financial institutions will not accept cheques in excess of \$25 million that you drop off or mail to one of our locations.

You are encouraged to make arrangements with your financial institutions for payments of large amounts.

Minimal amounts owing

After we process your return and apply any interest or penalty charges, if the total amount owing at that time is \$2 or less, you do not have to pay that amount. If an amount of \$2 or less is owed to you, the amount will not be paid; however it will be applied to any existing liability.

Transfers, refunds, and prepayments

Transferring instalments

Our transfer policy allows for the movement of excess instalment payments from one account where they are not immediately needed to another account where they are needed. We will transfer an amount to pay an outstanding balance on a Corporation, a GST, or an Employer account; or to cover a required payment on an Employer account.

We will consider transfers within the same corporation account or between related corporation accounts based on the following guidelines:

- Only an authorized officer of the corporation can ask in writing or by telephone for a transfer of instalment payments.
- The request has to specify how you want to apply the payments.
- You can transfer funds between tax years in the same account or to another account.
- You can transfer either 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 tax year in question.

For calculating interest, transferred payments keep their original payment date [section 221.2]. We consider any other allocation not to have occurred.

You must make every effort to remit your payments to the correct account. Our transfer policy is meant to provide you with flexibility in reallocating payments when it has been determined that the instalment requirement previously estimated has been overpaid. If you make continuous requests for multiple transfers, we may ask you to explain why in writing.

Note

If you do not file an income tax return within three years of the end of the tax year, instalment payments correctly processed to this tax year will not be refunded [subsection 164(1)]. You will not be able to apply these payments to another debt.

You can make a request for a transfer:

- online at www.cra.gc.ca/requests-business;
- by telephone at 1-800-959-5525; or
- you can address your request to Corporation Services at your tax centre.

Refund of instalments

We will normally not refund instalment payments until we have assessed the return for the year in question, and then we will refund any overpayment [subsection 164(1)].

Note

You must file a return no later than three years after the end of a tax year to receive a tax refund.

We will consider refunding an instalment payment when you inform us that the payment was remitted to us but was intended for a third party. We do not pay refund interest on this type of refund.

If you are expecting a refund greater than \$25 million see Large Value Transfer Service on page 5.

Transfer of overpayments

You may ask to transfer an overpayment when you file your income tax return. This can be done by either entering "2" on line 894 of the return or by attaching a letter to the front page of the return.

Note

If a "2" is entered on line 894, the overpayment will first be applied to any outstanding debits and the rest of the overpayment will be transferred to the next instalment year.

When asking for a reassessment of your tax return, it is necessary to request that any overpayment be transferred; otherwise, we will automatically refund the overpayment after the offset of any outstanding debits. If you ask for a transfer, we will transfer the overpayment plus any refund interest that applies with the effective interest date of the (re)assessment. We will calculate refund interest using the effective interest rate [subsection 164(3)].

Prepayment of reassessments

If you prepay tax for an anticipated reassessment you may reduce charges of arrears interest.

To make prepayments, use Form RC159 (however, we will accept any corporation remittance voucher). Clearly indicate that the payments are **prepayments**. Also include your Business Number and the tax year-end for which the prepayments are intended. We will hold the payments for this purpose and apply them when we process the reassessments.

Interest and penalties

We will charge interest if you made late or insufficient payments. This interest is called instalment interest or arrears interest, depending on the debt. We pay refund interest up to the day an overpayment is refunded or applied.

The interest rate on **underpayments** is based on the average rate of 90-day treasury bills sold during the first month of the previous quarter (rounded to the next higher whole percentage point) plus 4 percentage points.

The interest rate on **overpayments** is based on the average rate of 90-day treasury bills sold during the first month of the previous quarter (rounded to the next higher whole percentage point) plus 2 percentage points.

Instalment interest

We charge interest [subsection 161(2)] according to the prescribed interest rate [Regulation 4301] if you made late or insufficient instalment payments.

We calculate instalment interest compounded daily [subsection 157(1)], according to your instalment requirements for the year.

We use the offset method to calculate instalment interest. This means we give you credit when you prepay or overpay your instalments, and this can reduce or eliminate the interest we charge on late or insufficient payments. We do not refund any excess of this credit. It is used only when calculating instalment interest charges. See the example on page 11.

Note

Credit instalment interest is only calculated on instalment payments from the start of the tax year.

Generally, the interest rate on overpayments is 2% lower than on underpayments. However, when we calculate instalment interest using the offset method, the interest rate is the same on prepayments and overpayments as it is on underpayments.

Example

Corporation A has a December 31 year-end and has to make monthly instalment payments of \$75,000 starting in January 2006. 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 \$29,333.56 in instalment interest. We have used an interest rate of 9% compounded daily in the following calculation.

Date 2006	Instalment payments due	Payments received	Balance	Number of days	Interest
January 31	\$75,000		\$ 75,000.00	28	\$ 519.54
February 28	75,000		150,519.54	12	445.98
March 12		\$120,000	30,965.52	19	145.39
March 31	75,000		106,110.91	25	656.05
April 25		150,000	(43,233.04)	5	(53.33)
April 30	75,000		31,713.63	31	243.31
May 31	75,000		106,956.94	30	794.02
June 30	75,000		182,750.96	31	1,402.10
July 31	75,000		259,153.06	31	1,988.27
August 31	75,000		336,141.33	30	2,495.44
September 30	75,000		413,636.77	31	3,173.49
October 31	75,000		491,810.26	30	3,651.09
November 30	75,000		570,461.35	31	4,376.68
December 31	75,000		649,838.03	59	9,495.53
Balance due date February 28, 2007	Total instalment interest				<u>\$29,333.56</u>

Instalment penalty

When instalment interest is more than \$1,000, we may charge an instalment penalty under section 163.1 of the Act.

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

- \$1,000; and
- 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.

Example

In the previous example, we charged Corporation A instalment interest of \$29,333.56. Therefore, we assess a penalty of \$8,153.35 as follows:

Instalment interest	\$29,333.56
Minus the greater of: \$1,000 and 25% of the instalment interest charged if Corporation A had made no payment at all \$52,107.40 × 25% =	<u>13,026.85</u>
Difference.....	16,306.71
Instalment penalty (one-half of difference).....	\$ 8,153.35

Arrears interest

We charge arrears interest [subsection 161(1)] according to the prescribed interest rate [Regulation 4301] compounded daily on any unpaid balance from the balance due date to the date of payment.

There is no penalty on arrears interest.

Refund interest

We pay refund interest [subsection 164(3)] according to the prescribed interest rate [Regulation 4301] compounded daily on an overpayment [subsection 164(7)] up to and including the day the overpayment is refunded or applied.

When we refund or apply an overpayment, we pay refund interest from whichever of the following dates is later:

- the date of the overpayment;
- the 120th day after the end of the tax year if the return for the year is filed on time; or
- the 30th day after the date the return was filed if it is filed late.

Carryback

You cannot use a carryback to reduce instalment interest [subsection 161(7)]. We will not adjust instalment interest we previously charged if the amount of the current year credit (for example, dividend refund or capital gains refund) is adjusted because of the carryback.

We will calculate arrears interest, refund interest, or both, for the carryback from 30 days after whichever of the following dates is later:

- the first day following the tax year in which the carryback originates;
- the date the tax return in which the carryback originates is filed;
- the date a prescribed form, such as Schedule 4, or an amended return is filed; or
- the date a request is made in writing to reassess a year to take into account a loss from another tax year.

Forgiven interest

If you pay an amount quoted on a notice of assessment or reassessment in full within 20 days of that notice, any additional interest from the notice date to the date of payment will not be charged.

Cancelling small amounts of penalty and interest

We will cancel any penalty or interest on an amount owed if the total amount of penalty and interest charged is \$25 or less when the tax is paid in full.

Cancelling or waiving penalties and interest

We may cancel or waive late-filing penalties or interest charges in situations where you fail to pay an amount due to circumstances beyond your control. The types of situations in which we may cancel or waive a penalty or interest charge include the following:

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

Requests made in a calendar year after 2004, will only be considered for a tax year that ended ten calendar years or less before the beginning of the calendar year of the request.

If you are 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 to make the payment on time.

For more information on cancelling or waiving penalties and interest, see Information Circular 92-2, *Guidelines for the Cancellation and Waiver of Interest and Penalties* and the fairness provisions on our web site at:

www.cra.gc.ca/fairness.

You may have paid an amount of interest or a penalty that is later cancelled after you make an application under the

CRA's Fairness Program. We will calculate interest on this overpayment 30 days after the fairness application was received.

Worksheets

The two worksheets in this section will help you determine your instalments of Parts I, I.3, VI, VI.1, and XIII.1 tax for 2006.

Use Worksheet 1 to estimate your current-year tax payable and your tax credits. 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, VI.1, and XIII.1 of the *Income Tax Act*, and your provincial and territorial tax, enter the amounts in the appropriate columns for options 1, 2, and 3. See "How to calculate your instalments of Parts I, I.3, VI, VI.1, and XIII.1 tax" on page 5 for information on the three options. You can use the option that results in the least amount payable by instalments. Any remaining unpaid tax is payable on or before the balance due date.

These worksheets are also available at www.cra.gc.ca/forms. You may have instalments to pay for Parts XII.1 or XII.3 tax. If so, see "How to calculate instalments of Part XII.1 tax" or "How to calculate instalments of Part XII.3 tax" on page 5.

Rates of tax

The information in this part will help you estimate your taxes payable and tax credits for 2006 on Worksheet 1.

Federal

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

Provincial or territorial

You have to calculate and pay provincial or territorial income tax in addition to your federal income tax.

Generally, provinces and territories have two rates of income tax—a lower rate and a higher rate.

The lower rate applies to either:

- the income eligible for the federal small business deduction; or
- the income based on limits established by the particular province or territory.

The higher rate applies to all other income. Various deductions, credits, and tax relief may affect the above rates. For more detailed information, see guide T4012, called *T2 Corporation Income Tax Guide* or your provincial or territorial legislation.

Quebec, Ontario, and Alberta do not have corporation tax collection agreements with the federal government. If you have a permanent establishment in these provinces you have to file an income tax return with your province.

New Brunswick and Nova Scotia tax on large corporations should be included as a provincial tax in establishing tax payable or determining the instalment base for a particular year.

If you have a permanent establishment in more than one province or territory, you have to calculate the taxable income you earned in each province or territory. You may wish to use Schedule 5, *Tax Calculation Supplementary – Corporations*, or refer to Part IV of the *Income Tax Regulations*.

The following table shows the approximate 2006 income tax rates for the provinces and territories that have tax collection agreements with the federal government.

These rates are in effect on January 1, 2006 and may change during 2006.

Province or territory	Tax rate on taxable income eligible for the small business deduction (lower rate)	Tax rate on other taxable income (higher rate)
Newfoundland and Labrador	5%	14%
Nova Scotia	5%	16%
Prince Edward Island	6.5%	16%
New Brunswick	2%	13%
Manitoba	4.5%	15%
Saskatchewan	5%	17%
British Columbia	4.5%	12%
Yukon	4%	15%
Northwest Territories	4%	14%
Nunavut	4%	12%

Worksheet 1 – Calculating estimated tax payable and tax credits for 2006

Estimated taxable income	_____	
Calculating the estimated tax payable		
Total of the following estimated amounts:		
Base amount of federal Part I tax.....	_____	
Federal surtax.....	_____	
Recapture of investment tax credit.....	_____	
Refundable tax on CCPC's investment income.....	_____	
Subtotal.....	_____	A
Minus the total of the following estimated amounts:		
Small business deduction	_____	
Federal tax abatement	_____	
Manufacturing and processing profits deduction	_____	
Investment corporation deduction	_____	
Additional deduction — credit unions	_____	
Federal foreign non-business income tax credit.....	_____	
Federal foreign business income tax credit.....	_____	
Resource deduction	_____	
General tax reduction for CCPCs.....	_____	
General tax reduction.....	_____	
Federal logging tax credit.....	_____	
Federal political contribution tax credit.....	_____	
Federal qualifying environmental trust tax credit.....	_____	
Investment tax credit.....	_____	
Subtotal.....	_____	B
Total estimated 2006 Part I tax payable* (line A minus line B)	_____	
Total estimated 2006 Part I.3 tax payable*	_____	
Total estimated 2006 Part VI tax payable*	_____	
Total estimated 2006 Part VI.1 tax payable*	_____	
Total estimated 2006 Part XIII.1 tax payable*	_____	
Estimated 2006 net provincial and territorial tax payable before refundable credits**	_____	C

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

** Use this amount when you calculate your monthly instalment payments on Worksheet 2 (include New Brunswick and Nova Scotia tax on large corporations, but do not include provincial tax payable from Quebec, Ontario or Alberta).

(continued on next page)

**Worksheet 1 – Calculating estimated tax payable and tax credits for 2006
(continued)**

Calculating the estimated refundable tax credits for 2006	
Total of:	
Investment tax credit refund.....	_____
Dividend refund.....	_____
Federal capital gains refund.....	_____
Federal qualifying environmental trust tax credit refund.....	_____
Canadian film or video production tax credit refund.....	_____
Film or video production services tax credit refund.....	_____
Tax withheld at source.....	_____
Provincial and territorial capital gains refund.....	_____
Newfoundland and Labrador research and development tax credit.....	_____
Newfoundland and Labrador film and video industry tax credit.....	_____
Nova Scotia film industry tax credit.....	_____
Nova Scotia research and development tax credit.....	_____
New Brunswick film tax credit.....	_____
New Brunswick refundable research and development tax credit.....	_____
Manitoba film and video production tax credit.....	_____
Manitoba refundable manufacturing investment tax credit.....	_____
Saskatchewan qualifying environmental trust tax credit.....	_____
Saskatchewan film employment tax credit.....	_____
British Columbia qualifying environmental trust tax credit.....	_____
British Columbia film and television tax credit.....	_____
British Columbia production services tax credit.....	_____
British Columbia mining exploration tax credit.....	_____
British Columbia SR&ED refundable tax credit.....	_____
British Columbia book publishing tax credit.....	_____
Yukon mineral exploration tax credit.....	_____
Yukon research and development tax credit.....	_____
Total estimated refundable tax credits for 2006*	_____ D

* Use this amount when you calculate your monthly instalment payments on Worksheet 2.

Worksheet 2 – Calculating monthly instalment payments for 2006

Instalment payments are due each month of your corporation's tax year.			
	Option 1 2006	Option 2 2005	Option 3 2004
Add:			
Part I tax payable			
Part I.3 tax payable	+	+	+
Part VI tax payable	+	+	+
Part VI.1 tax payable	+	+	+
Part XIII.1 tax payable	+	+	+
Total of Parts I, I.3, VI, VI.1, and XIII.1 tax*	=	=	=
Add:			
Provincial and territorial tax payable before refundable credits**	+	+	+
Total of Parts I, I.3, VI, VI.1, and XIII.1 tax, as well as provincial and territorial tax	=	=	=
Subtract:			
Total 2006 estimated refundable credits (enter the amount from line D of 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			
Prior-year instalment base (option 2 instalment base amount above)			
Subtract:			
The total of payments 1 and 2 under option 3			-
Difference			=
Divide by:			÷ 10
Each of the remaining 10 payments under option 3			=
<p>* If the total of Parts I, I.3, VI, VI.1, and XIII.1 tax is \$1,000 or less for either 2006 or 2005, you do not have to make instalment payments on this amount for 2006.</p> <p>** This amount is net of provincial and territorial non-refundable credits. If the provincial and territorial tax is \$1,000 or less for either 2006 or 2005, you do not have to make instalment payments on this amount for 2006 (include New Brunswick and Nova Scotia tax on large corporations, but do not include provincial tax payable from Quebec, Ontario or Alberta).</p>			

Note

For examples of how to calculate monthly instalment payments with Worksheet 2, see appendices 4 and 5.

Appendices

Appendix 1 – Instalment base – Amalgamations

[Regulation 5301(4)]

Corporation A	Corporation B	Corporation C
Start of tax year: January 1, 2004	Start of tax year: January 1, 2004	Start of tax year: January 1, 2004
End of tax year: December 31, 2004	End of tax year: December 31, 2004	End of tax year: December 31, 2004
Tax payable: \$2,000	Tax payable: \$2,500	Tax payable: \$3,000
Start of tax year: January 1, 2005	Start of tax year: January 1, 2005	Start of tax year: January 1, 2005
End of tax year: December 31, 2005	End of tax year: December 31, 2005	End of tax year: December 31, 2005
Tax payable: \$4,000	Tax payable: \$5,000	Tax payable: \$6,000

Corporations A, B, and C amalgamated on January 1, 2006, to form Corporation ABC.

For its first tax year, which will end on December 31, 2006, Corporation ABC estimated its tax payable to be \$20,000.

For Regulation 5301(4), the instalment base year amounts for Corporation ABC's first tax year (which ends on December 31, 2006) would be:

Tax year-end December 31, 2006	First instalment base year (1)	Second instalment base year (2)
Corporation ABC	Predecessors (Corporation A + B + C)	Predecessors (Corporation A + B + C)
<u>\$20,000</u>	4,000 + 5,000 + 6,000 = <u>\$15,000</u>	2,000 + 2,500 + 3,000 = <u>\$7,500</u>

- (1) The first instalment base amount for the successor's 2006 tax year is \$15,000. This amount is the total of the predecessor corporations' tax payable (2005) for their last tax year before amalgamation.
- (2) The second instalment base amount for the successor's 2006 tax year is \$7,500. This amount is the total of the predecessor corporations' first instalment base amount for the 2005 tax year.

For Regulation 5301(4), the instalment base year amounts for Corporation ABC's second tax year that ends on December 31, 2007, would be:

Tax year-end December 31, 2007	First instalment base year (1)	Second instalment base year (2)
Corporation ABC	Corporation ABC	Predecessors' bases (Corporation A + B + C)
<u>\$25,000*</u>	<u>\$20,000</u>	4,000 + 5,000 + 6,000 = <u>\$15,000</u>

* Estimate of tax payable for 2007.

(1) The first instalment base amount for the successor's 2007 tax year is \$20,000.

Note

If the successor's first tax year had been less than 183 days, the first instalment base amount for 2007 would have equalled the greater of the following two amounts:

- the adjusted base amount for 2006; and
- the adjusted base amount for the next previous tax year of more than 182 days, as stated in the requirements related to short tax years (see page 6).

(2) The second instalment base amount for the successor's 2007 tax year is \$15,000. This amount is the successor's first instalment base amount for its first tax year (2006).

Appendix 2 – Instalment base – Wind-ups

[Regulation 5301(6)]

On July 31, 2006, a subsidiary corporation wound up and dissolved, and all its assets were distributed to its parent corporation.

Note

Although the subsidiary must file a return for the tax year that includes January 1, 2006, to July 31, 2006, the tax assessed for this period will not be part of the instalment base in any year for the parent corporation.

Tax year-end	Parent	Subsidiary
December 31, 2004	\$14,000	\$5,000
December 31, 2005	\$12,000	\$6,000
December 31, 2006*	\$20,000	N/A

* For the current tax year ending on December 31, 2006, the estimated tax payable is \$20,000.

For Regulation 5301(6), the instalment base year amounts for the parent corporation's tax year that ends on December 31, 2006, would be:

Before the wind-up (July 31, 2006)

Tax year-end December 31, 2006	First instalment base year	Second instalment base year
<u>\$20,000</u>	<u>\$12,000</u>	<u>\$14,000</u>

Seven instalment payments of \$1,000 each ($\$12,000 \div 12$) are due up to July 31, 2006.

After the wind-up

Tax year-end December 31, 2006	First instalment base year (1)	Second instalment base year (2)
<u>\$20,000</u>	$12,000 + 6,000 = \underline{\$18,000}$	$14,000 + 5,000 = \underline{\$19,000}$

Five instalment payments of \$1,500 each ($\$18,000 \div 12$) are due up to December 31, 2006.

- (1) The first instalment base amount for the parent's 2006 tax year is \$18,000. This amount is the total of:
- the parent's normal first instalment base amount of \$12,000; and
 - the subsidiary's first instalment base amount of \$6,000 for its 2006 tax year.
- (2) The second instalment base amount for the parent's 2006 tax year is \$19,000. This amount is the total of:
- the parent's normal second instalment base amount of \$14,000; and
 - the subsidiary's second instalment base amount of \$5,000 for its 2006 tax year.

For Regulation 5301(6), the instalment base year amounts for the parent's tax year that ends on December 31, 2007, would be:

Tax year-end December 31, 2007	First instalment base year (1)	Second instalment base year (2)
<u>\$26,000*</u>	$20,000 + (6,000 \times 7/12) = \underline{\$23,500}$	$12,000 + 6000 = \underline{\$18,000}$

* Estimate of tax payable for the next tax year.

- (1) The first instalment base amount for the parent's 2007 tax year is \$23,500. This amount is the total of:
- the parent's normal first instalment base amount of \$20,000; and
 - the subsidiary's first instalment base amount of \$6,000 for its 2006 tax year, multiplied by the number of complete months (7) in the parent's 2006 tax year before the winding-up distribution divided by 12. Calculate this amount as follows: $(\$6,000 \times 7) \div 12 = \$3,500$.
- (2) The second instalment base for the parent's 2007 tax year is \$18,000. This amount is the total of:
- the parent's normal first instalment base amount of \$12,000 for its 2006 tax year; and
 - the subsidiary's first instalment base amount of \$6,000 for its 2006 tax year.

Appendix 3 – Instalment base – Transfers

[Regulation 5301(8)]

On October 31, 2005, a corporation (transferor) disposed of all its property through a section 85 rollover to another corporation it was not dealing with at arm's length (transferee).

Note

Although the transferor may have an income tax liability for its tax year that includes the period July 1, 2005, to October 31, 2005, in which all or substantially all of its property has been disposed of, the actual tax assessed for that year will not be part of the transferee's instalment base in any year.

Tax year-end	Transferee	Transferor
June 30, 2004	\$14,000	\$5,000
June 30, 2005	\$12,000	\$6,000
June 30, 2006*	\$20,000	N/A

* For the current tax year ending on June 30, 2006, the transferee estimated its tax payable to be \$20,000.

For Regulation 5301(8), the instalment base year amounts for the transferee's tax year that ended on June 30, 2006, would have been:

Before the rollover (November 1, 2005)

Tax year-end June 30, 2006	First instalment base year	Second instalment base year
<u>\$20,000</u>	<u>\$12,000</u>	<u>\$14,000</u>

Four instalment payments of \$1,000 each ($\$12,000 \div 12$) are due up to October 31, 2005.

After the rollover

Tax year-end June 30, 2006	First instalment base year (1)	Second instalment base year (2)
<u>\$20,000</u>	12,000 + 6,000 = <u>\$18,000</u>	14,000 + 5,000 = <u>\$19,000</u>

Eight instalment payments of \$1,500 each ($\$18,000 \div 12$) are due up to June 30, 2006.

- (1) The first instalment base amount for the transferee's 2006 tax year was \$18,000. This amount is the total of:
 - the transferee's normal first instalment base amount of \$12,000; and
 - the transferor's first instalment base amount of \$6,000 for its 2006 tax year.
- (2) The second instalment base amount for the transferee's 2006 tax year was \$19,000. This amount is the total of:
 - the transferee's normal second instalment base amount of \$14,000; and
 - the transferor's second instalment base amount of \$5,000 for its 2006 tax year.

For Regulation 5301(8), the instalment base year amounts for the transferee's tax year that ends on June 30, 2007, would be:

Tax year-end June 30, 2007	First instalment base year (1)	Second instalment base year (2)
<u>\$27,000*</u>	20,000 + (6,000 × 4/12) = <u>\$22,000</u>	12,000 + 6,000 = <u>\$18,000</u>

* Estimate of tax payable for the transferee's next tax year.

- (1) The first instalment base amount for the transferee's 2007 tax year is \$22,000. This amount is the total of:
 - the transferee's normal first instalment base amount of \$20,000; and
 - the transferor's first instalment base amount of \$6,000 for its 2006 tax year, multiplied by the number of complete months (4) in the transferee's 2006 tax year before the rollover divided by 12. Calculate this amount as follows:
 $(\$6,000 \times 4) \div 12 = \$2,000$.
- (2) The second instalment base for the transferee's 2007 tax year is \$18,000. This amount is the total of:
 - the transferee's normal second instalment base amount of \$12,000 for its 2006 tax year; and
 - the transferor's second instalment base amount of \$6,000 for its 2006 tax year.

Appendix 4 – Worksheet 2 – Example 1

Corporation A has estimated its tax for the year 2006 at \$900,000. The actual taxes for the years 2005 and 2004 are \$912,000 and \$60,000 respectively. Using Worksheet 2, we will determine the most advantageous option.

Worksheet 2 – Calculating monthly instalment payments for 2006

Instalment payments are due each month of your corporation's tax year.			
	Option 1 2006	Option 2 2005	Option 3 2004
Add:			
Part I tax payable	900,000	912,000	60,000
Part I.3 tax payable	+	+	+
Part VI tax payable	+	+	+
Part VI.1 tax payable	+	+	+
Part XIII.1 tax payable	+	+	+
Total of Parts I, I.3, VI, VI.1, and XIII.1 tax*	=	=	=
Add:			
Provincial and territorial tax payable before refundable credits**	+	+	+
Total of Parts I, I.3, VI, VI.1, and XIII.1 tax, as well as provincial and territorial tax	=	=	=
Subtract:			
Total 2006 estimated refundable credits (enter the amount from line D of Worksheet 1)	-	-	-
Instalment base amount	= 900,000	= 912,000	= 60,000
Divide by:	÷ 12	÷ 12	÷ 12
12 payments due under options 1 and 2	= 75,000	= 76,000	
Payments 1 and 2 under option 3			5,000
Prior-year instalment base (option 2 instalment base amount above)			912,000
Subtract:			- 10,000
Total of payments 1 and 2 under option 3			= 902,000
Difference			÷ 10
Divide by:			= 90,200
Each of the remaining 10 payments under option 3			
* If the total amount of Parts I, I.3, VI, VI.1, and XIII.1 tax is \$1,000 or less for either 2006 or 2005, the corporation does not have to make instalment payments on this amount for 2006.			
** This amount is net of provincial and territorial non-refundable credits. If the provincial and territorial tax is \$1,000 or less for either 2006 or 2005, you do not have to make instalment payments on this amount for 2006 (include New Brunswick and Nova Scotia tax on large corporations, but do not include provincial tax payable from Quebec, Ontario or Alberta).			

Option 1 is the most advantageous of the three options. Therefore, Corporation A will have to remit an instalment payment of \$75,000 for each month. We may charge interest if the corporation uses option 1 and its estimated tax was lower than the year's actual tax and the tax calculated using option 2 or 3.

Appendix 5 – Worksheet 2 – Example 2

Corporation A has estimated its tax for the year 2006 at \$912,000. The actual taxes for the year 2005 and 2004 are \$912,000 and \$60,000, respectively. Using Worksheet 2, we will determine the most advantageous option.

Worksheet 2 – Calculating monthly instalment payments for 2006

Instalment payments are due each month of your corporation's tax year.			
	Option 1 2006	Option 2 2005	Option 3 2004
Add:			
Part I tax payable	912,000	912,000	60,000
Part I.3 tax payable	+	+	+
Part VI tax payable	+	+	+
Part VI.1 tax payable	+	+	+
Part XIII.1 tax payable	+	+	+
Total of Parts I, I.3, VI, VI.1, and XIII.1 tax*	=	=	=
Add:			
Provincial and territorial tax payable before refundable credits**	+	+	+
Total of Parts I, I.3, VI, VI.1, and XIII.1 tax, as well as provincial and territorial tax	=	=	=
Subtract:			
Total 2006 estimated refundable credits (enter the amount from line D from Worksheet 1)	-	-	-
Instalment base amount	= 912,000	= 912,000	= 60,000
Divide by:	÷ 12	÷ 12	÷ 12
12 payments due under options 1 and 2	= 76,000	= 76,000	
Payments 1 and 2 under option 3			5,000
Prior-year instalment base (option 2 instalment base amount above)			912,000
Less: the total of payments 1 and 2 under option 3			- 10,000
Difference			= 902,000
Divide by:			÷ 10
Each of the remaining 10 payments under option 3			= 90,200
* If the total amount of Parts I, I.3, VI, VI.1, and XIII.1 tax is \$1,000 or less for either 2006 or 2005, you do not have to make instalment payments on this amount for 2006.			
** This amount is net of provincial and territorial non-refundable credits. If the provincial and territorial tax is \$1,000 or less for either 2006 or 2005, you do not have to make instalment payments on this amount for 2006 (include New Brunswick and Nova Scotia tax on large corporations, but do not include provincial tax payable from Quebec, Ontario or Alberta).			

Option 3 is the most advantageous of the three options. Therefore, Corporation A will have to remit an instalment payment of \$5,000 in each of the first two months and \$90,200 for each of the last 10 months.

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- This self-serve application allows you to register your business for a business number. For more information, visit: www.businessregistration.gc.ca.

Corporation Internet Filing

- File your Corporation Tax Return electronically and get immediate confirmation that we have received your file. Also, see how fast you get your refund, even faster with direct deposit. For more information, visit: www.cra.gc.ca/corporation-internet.

T4 Internet Filing

- Choose from three Internet filing options. With each of them, you get immediate confirmation that we have received your file. For more information, visit: www.cra.gc.ca/t4internet.

GST/HST

- With GST/HST NETFILE and GST/HST TELEFILE, you get immediate confirmation that we have received your return. Also, see how fast you get your refund, even faster with direct deposit. GST/HST Electronic data interchange (EDI) is also an option. For more information, visit: www.cra.gc.ca/gsthst-filing.

Electronic payments for business

- Pay your business taxes electronically through your financial institution's telephone and Internet banking services. For more information, visit: www.cra.gc.ca/electronicpayments, or check with your financial institution.

