Canada Revenue Agency | Agence du revenu du Canada

Corporation Instalment Guide

2010

T7B Corp.(E) Rev. 09

Canada

Is this guide for you?

Generally, corporations have to pay their taxes in 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 penalties, and arrears interest, if we do not get the required payments on time.

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

If you have a visual impairment, you can get our publications in braille, large print, etext (CD or diskette), or MP3. For more information, go to **www.cra.gc.ca/alternate** or call **1-800-959-2221**.

La version française de cette publication est intitulée *Guide des acomptes provisionnels pour les sociétés*.

What’s new?

Business Limit

The business limit has increased as of January 1, 2009, to $500,000. Consequently, certain Canadian-controlled private corporations (CCPCs) with taxable income not exceeding $500,000 for their 2009 and subsequent tax years may be eligible for quarterly instalments. As well, some CCPCs with taxable income above $400,000, but below the new limit, have an additional month to pay any balance owing.

My Business Account

You can now transfer payments and credits from one interim period to another interim period or to an amount owing within the same account. You will be able to see the results immediately, including up-to-date account balances and interest, if applicable. Go to the “Account balance and activities” service to access the “Transfer Payment” option.

To learn more about the growing list of services available in My Business Account, go to **www.cra.gc.ca/mybusinessaccount**.

My Payment

My Payment is a new payment option that allows individuals and businesses to make payments online, using the Canada Revenue Agency’s Web site, from an account at a participating Canadian financial institution. For more information on this self-service option, go to **www.cra.gc.ca/mypayment.**

Your opinion counts

If you have any comments or suggestions that could help us improve our publications, we would like to hear from you. Please send your comments to:

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

Table of Contents

Instalment requirements

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

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

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

These taxes are added together to determine your instalment requirements:

- Part I – Tax on income;
- 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.

Calculating your instalments of Parts I, 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 [subsections 157(1) and 157(3)], based on the current year, the previous year, or a combination of the previous year and the year before the previous year.

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

Unlike other provinces and the territories, Quebec and Alberta administer and collect their own corporation taxes. Corporations that earned taxable income in these provinces pay provincial tax directly to those provinces.

Corporations that have a permanent establishment in Ontario file a harmonized *T2 Corporation Income Tax Return* with the CRA. When calculating your instalment payments, include the following Ontario corporation taxes: corporate income tax; corporate minimum tax; capital tax; and special additional tax on life insurance corporations.

Refundable and non-refundable federal, provincial, and territorial tax credits are included in the calculation of instalment payments. Use the estimated credits for the current year to calculate your instalment payments under the three options.

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

Monthly instalment payments

You can calculate your monthly instalment payments using one of the following options:

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 the total of the first two payments is due in each of the remaining 10 months of the current tax year.

We provide 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 2010*; and
- Worksheet 2 – *Calculating monthly instalment payments for 2010*.

These worksheets can be found on page 17 and page 20 or you can get them at **www.cra.gc.ca/forms** as T2WS1 and T2WS2.

Other options for eligible small Canadian-controlled private corporations (CCPC)

You can calculate the quarterly instalment payments of Parts I and VI.1, for an eligible small-CCPC using one of the following options:

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

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

Option 3 – One-quarter of the tax payable from the year before the previous tax year is due the first quarter of the current tax year. One-third of the difference between the tax for the previous tax year and the first payment is due in each of the remaining three quarters of the current tax year.

We provide Worksheet 3, *Calculating quarterly instalment payments for 2010*, to help you calculate your quarterly instalment payments. This worksheet can be found on page 21 or you can get it at **www.cra.gc.ca/forms** as T2WS3.

Are you eligible to make quarterly instalment payments?

A small-CCPC is eligible to make quarterly instalment payments if, at the time the payment is due:

- it has a perfect compliance history;
- it has claimed a small business deduction for the current or previous tax year;

- together with any associated corporations, for the current or previous tax year:
  - it has taxable income of $500,000 or less; and
  - it has taxable capital employed in Canada for the tax year of $10 million or less.

We consider you to have a perfect compliance history if, during the previous 12 months ending at the time its last instalment is due:

- you remitted on time all the amounts required for GST/HST, withholding under subsection 153(1) of the *Income Tax Act*, Canada Pension Plan contributions and Employment Insurance premiums; and
- you filed on time all returns required under the *Income Tax Act* or under Part IX of the *Excise Tax Act* (GST/HST).

Notes
"Last instalment is due" means the due date of the previous instalment.

An Ontario corporation that has taxable income of more than $400,000 but less than $500,000 would not be eligible to make quarterly instalment payments even if all other eligibility criteria for a small-CCPC are met.

Example
If the corporation has made quarterly instalments on March 31 and June 30 and is currently deciding whether or not a quarterly instalment on September 30 is allowed, see if the corporation met the compliance requirements throughout the 12-month period ending June 30, which is the due date of the last previous instalment.

Are you no longer eligible to make quarterly instalments?

Where a corporation has paid quarterly instalments and ceases at any time in a tax year to be eligible to pay quarterly instalments, then the corporation is still allowed to pay its next instalment due at the end of the current quarter. However, the corporation will have to begin to pay monthly instalments following that quarter.

Example
This example shows how to calculate the required instalment amounts when a corporation is no longer eligible to make quarterly instalments.

Estimated tax payable for the current year $120,000

Divided by 4

Quarterly instalment payments are $30,000

A corporation ceases to be compliant on May 31, 2010. It is allowed to pay its next instalment due at the end of the current quarter, which is June 30, 2010. The corporation will have to begin to pay monthly instalments starting on July 31, 2010.

The first two instalment payments of $30,000 are due quarterly on March 31 and June 30, 2010.

The number of months remaining in the tax year after June 30, 2010, is six.

Formula to calculate remaining monthly instalment payments:

Estimated tax payable for the current year **minus** total of all instalment payments due quarterly while eligible, **divided by** the number of months remaining in the tax year

[$120,000 – ($30,000 x 2)] ÷ 6 = $10,000

Therefore, six monthly instalment payments of $10,000 are due on July 31, August 31, September 30, October 31, November 30, and December 31, 2010.

Note
You can also base this calculation on the first instalment base; however, you have to add to your monthly payments any estimated Part VI and XIII.1 tax payable for the current year, divided by the number of months remaining in the tax year.

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 get the return within six months of the end of your tax year.

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

Calculating 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.

Use Form T901, *Remittance Voucher*, to make your instalment payments under Part XII.3. The remaining tax, if any, is due on or before your balance due date.

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 $3,000 or less

You do not have to make instalment payments on your federal taxes if the total of your taxes payable under Parts I, VI, VI.1, and XIII.1, determined before taking into consideration specified future tax consequences, prior to the deduction of current year refundable tax credits, for either the current or previous year is $3,000 or less [subsection 157(2.1)].

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

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

New corporations

Except for Part XII.1 tax, 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 or before your balance due date for that tax year.

Note
You may have to start making instalment payments for your second year even before you pay your balance due or file your first return. To help us allocate your first payment to the correct year end, you can contact the CRA to have your tax year end created before you make the first payment. Otherwise, the system will allocate your first payment to a December 31 year end.

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 of your tax each complete month in the tax year, depending on which calculation option you choose. If you are an eligible small-CCPC, you have to pay one-quarter or one-third of your tax each complete quarter 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, or in the case of an eligible small-CCPC, shorter than one quarter.

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

Example

Start of tax year:	January 15, 2010
End of tax year:	August 31, 2010

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

Seven **monthly** instalments of $25,000 (1/12 of $300,000) each must be paid on February 14, March 14, April 14, May 14, June 14, July 14, and August 14.

If the actual tax for the year is $400,000, the remaining $225,000 is due by the balance due date.

For an eligible small-CCPC, two **quarterly** instalments of $75,000 (1/4 of $300,000) each must be paid on April 14 and July 14.

If the actual tax for the year is $400,000, the remaining $250,000 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.

Note
365 is not adjusted for the leap 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)].

Fluctuating filing period ending (fiscal period longer than 365 days)

No change to the fiscal period is considered to occur where a corporation follows the practice of ending its fiscal period on a chosen day of the week that is nearest to a certain day of the year, provided that the resulting period does not exceed 53 weeks.

Reference
IT-179, *Change of fiscal period*

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 22.

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 23.

Transfers or rollovers

There are situations where, in a transaction to which subsection 85(1), 85(2), or 142.7(3) applies, a corporation receives all or substantially all (generally 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 24.

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 7.

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 carryback, 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)], or of every complete quarter [subsection 157(1.1)], if you are an eligible small-CCPC. The first payment is due one month or one quarter 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 or each quarter that follows.

Example 1

Start of tax year:	January 1, 2010
End of tax year:	December 31, 2010

Each of the monthly instalment payments is due by the last day of each month during the tax year. The first payment is due by January 31, 2010. The last payment is due by December 31, 2010.

If the corporation is allowed to make quarterly instalment payments, the payments are due on March 31, June 30, September 30, and December 31, 2010.

Example 2

First day of tax year:	October 10, 2009
End of tax year:	October 9, 2010

The first monthly instalment payment is due by November 9, 2009. The last payment is due by October 9, 2010.

If the corporation is allowed to make quarterly instalment payments, the payments are due on January 9, April 9, July 9, and October 9, 2010.

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, 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 claimed the small business deduction for the current or 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 income 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.

Understanding statements

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

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.

Review each *Statement of Interim Payments* and *Statement of Arrears* you get to make sure we have applied your payments correctly. You can transfer a payment in My Business Account, from one interim period to another interim period, or to pay an amount owing, and immediately view the results including interest, if applicable. If we made an error in applying any of your payments, you can request a transfer through our "Make online requests" service in My Business Account. Payments are not transferable once your tax return has been assessed. For more information, see the section called "Transferring instalments" on page 11.

Keep the statements with your records for future use.

You can also view your instalments, by selecting the "Account balance and activities" service in My Business Account.

You can make an online request in My Business Account or at **www.cra-arc.gc.ca/requests-business/**, to:

- request that we stop or restart mailing your statements or the return envelope that you received with your remittance voucher(s), using the "Change mailing instructions" option;
- request copies of notices and statements; and
- request a statement for a different period than the one we issued.

Registering an alternate address

You can have these statements and any Notification of Returned Payment sent to either your:

- program account mailing address;
- business physical location; 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.

Statement of Interim Payments

The *Statement of Interim Payments* is dated the 7th of the month and mailed by the 18th of the month. It 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 Form RC160, *Interim Payments Remittance Voucher*, to make a later instalment payment.

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.

Statement of Arrears

The *Statement of Arrears* is dated the 21st of the month and mailed by the end of the month. It 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);
- provide (re)assessed balances by period(s);
- provide the total balance across all periods; and
- provide Form RC159, *Amounts Owing Remittance Voucher*, if there is a balance outstanding.

Note
In order to reduce paper burden, a *Statement of Arrears* will only be issued if the balance owing on the corporation account is $500.00 or more and no *Statement of Arrears* has been issued in the previous 90 days.

Paying instalments

Making a payment

Canada Revenue Agency (CRA) Web Site

You may be able to pay online using CRA's My Payment option. To use My Payment, or to see if your financial institution offers this service, go to **www.cra.gc.ca/mypayment**.

Electronically

You may be able to pay by telephone or Internet banking. For information, go to **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 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, for example 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 mailed 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.

Using the right payment voucher

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

- Form RC159, *Amount Owing Remittance Voucher*; and
- Form RC160, *Interim Payments Remittance Voucher*.

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 request them online through My Business Account "Make online requests" service or at **www.cra.gc.ca/requests-business,** or you can call us at **1-800-959-5525**. Financial institutions will not accept photocopied remittance vouchers.

> **Note**
> If you are a **new corporation** making its first payment, you may not have a personalized remittance form and should ask for one. We will process your first payment, and then we will send you a personalized form with a statement to show the balance of your account.

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.

To start making instalment payments, you need to order Form RC160, *Interim Payments Remittance Voucher*.

> **Notes**
> You will not automatically receive Form RC160 for your next instalment payment unless you make the current payment.
>
> It is important to complete the remittance vouchers accurately to avoid misallocations.

Form RC159, *Amount Owing Remittance Voucher*

Use Form RC159 to make payments on an existing debt or to make an advance deposit for an anticipated reassessment. When using this payment voucher to make an advance deposit, indicate on the voucher that the payment is an advance deposit. You must also provide the tax year(s) where the reassessment is anticipated. Where multiple tax years are being reassessed, you must provide a list of the individual tax years and the corresponding amounts under reassessment for each year. Form RC159 can also be used to pay tax under Parts IV, IV.1 and XIV.

Form RC160, *Interim Payments Remittance Voucher*

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 or quarterly instalment payment due date, not the tax year-end.

After all monthly or quarterly interim payments are made for the current year (for example, 2010-12-31), you will get the first Form RC160 for the next year (for example, 2011-12-31), along with another Form RC160.

This additional form will show the tax year-end of the current year (for example, 2010-12-31). Use the form to remit the remainder of the tax you owe on or before the balance due date, 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.

Making 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.

Owing minimal amounts

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

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 to pay an existing balance or required instalment amount. We will transfer an amount to pay an outstanding balance on a Corporation, GST, or an Employer account; or to cover a required payment on an Employer account. Instalment payments may not be transferred to another period or account as an advance deposit for an anticipated reassessment.

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 to pay an existing balance or required instalments.
- You can transfer either part of a payment or an amount made up of several payments.
- You can ask for 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.

Refunds and overpayments

Refunding instalment payments

We will not refund instalment payments until we have assessed the return for the year in question. Then we will refund any overpayment [subsection 164(1)], provided there is no debt or missing return on your account or any of your related Business Number accounts.

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

We will consider refunding a payment posted as an instalment payment but was intended for a third party. We do not pay refund interest on this type of refund.

Expecting a large refund

If you are expecting a refund greater than **$25 million**, you need to complete a T2-DD, *Direct Deposit Request Form for Corporations*, and contact your tax centre to register for the Large Value Transfer System. We will then issue the refund electronically.

Transferring 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 on your account and any related Business Number account, and the rest of the overpayment will be transferred to the next instalment year.

If you enter “2”, we will transfer the residual overpayment to the next year’s instalment account, as well as any applicable refund interest. We will calculate refund interest using the effective interest rate [subsection 164(3)].

We do **not** transfer the overpayment to a related Business Number account if there is a missing return on your account.

Note
The effective interest date of the overpayment transfer is always the assessment date.

Prepaying reassessments

If you anticipate a reassessment to a previous tax year, you may reduce charges of arrears interest by making an advance deposit.

To make advance deposits, use Form RC159, *Amount Owing Remittance Voucher* (however, we will accept any corporation remittance voucher). Clearly indicate that the payments are **advance deposits**. You must also include your Business Number and the tax year-end for which the advance deposit is intended. Where multiple tax years are being reassessed, you must provide a list of the individual tax years and the corresponding amounts under reassessment for each year. This information is required so the risk of reassessment can be verified. We will hold the advance deposits for this purpose and apply them when we process the reassessments.

Note
If the required information (for example, Business Number, tax year-end) is not provided, the payment will be refunded.

Interest and penalties

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

For a list of prescribed interest rates, go to **www.cra.gc.ca/interestrates**.

Instalment interest

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

We calculate instalment interest compounded daily [subsection 248(11)], according to your instalment requirements for the year [subsection 157(1)].

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 below.

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 2010. 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 2010	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, 2011	**Total instalment interest**				**$29,333.56**

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% =	13,026.85
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]. Arrears interest is compounded daily on any unpaid balance from the balance due date to the date of payment.

We charge arrears interest [subsection 161(11)] on the instalment penalty from the balance due date to the date it is paid.

Refund interest

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

In the case of a repayment of tax in controversy, special provisions apply.

Effect of a 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 [subsection 164(5)] 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. However, if a future adjustment is processed, this cancellation will be reversed and the account reviewed.

Cancelling or waiving penalties and interest

We may cancel or waive penalties or interest charges where you fail to pay an amount due to circumstances beyond your control. Such circumstances include:

- natural or man-made disasters, such as flood or fire;
- civil disturbances or disruptions in services, such as a postal strike;
- a serious illness or accident; or
- serious emotional or mental distress, such as a death in the immediate family.

We may also cancel or waive penalties or interest charges if such charges arose mainly because of actions of the CRA, such as errors made in the material available to the public that led you to file returns or make payments based on incorrect information.

In addition, we may cancel or waive penalties or interest charges in certain circumstances based on your inability to pay or if you suffered from financial hardship.

Requests will only be considered for a tax year that ended within ten calendar years 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 or waiving penalty or interest charges, send us a letter explaining why you feel the penalty or interest charges should be cancelled or waived. Or, you can use Form RC4288, *Request for Taxpayer Relief*, to make a request. A copy of this form is available at **www.cra.gc.ca/forms** or by phone at **1-800-959-2221**.

For more information on cancelling or waiving penalties and interest, see Information Circular IC07–1, *Taxpayer Relief Provisions*, and the taxpayer relief provisions 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 taxpayer relief provisions. We will calculate interest on this overpayment 30 days after your written request or Form RC4288 was received.

Worksheets

The three worksheets in this section will help you determine your instalments of Parts I, VI, VI.1, and XIII.1, and provincial and territorial tax for 2010.

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, or Worksheet 3.

Use Worksheet 2 to determine your monthly instalments for the year. Use Worksheet 3 to determine your quarterly instalments. After you have calculated the taxes you owe under Parts I, 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 "Calculating your instalments of Parts I, 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 "Calculating instalments of Part XII.1 tax" or "Calculating instalments of Part XII.3 tax" on page 6.

Rates of tax

The information in this part will help you estimate your taxes payable and tax credits for 2010 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, *T2 Corporation – Income Tax Guide*, or your provincial or territorial legislation.

Quebec and Alberta do not have corporation tax collection agreements with the federal government. If you have a permanent establishment in these provinces, send your income tax return and your instalment payments for the provincial corporation tax to your province.

If you have a permanent establishment in Ontario, send your harmonized *T2 Corporation Income Tax Return* and your combined instalment payments for the Ontario and federal corporation tax to the CRA.

Include the following Ontario corporation taxes payable when establishing tax payable or determining the instalment base for tax years ending in 2009 or later:

- corporate income tax;
- corporate minimum tax;
- capital tax; and
- special additional tax on life insurance corporations.

Include New Brunswick and Nova Scotia tax on large corporations as a provincial tax when establishing tax payable or determining the instalment base for a particular year. The New Brunswick tax on large corporations is eliminated effective January 1, 2009.

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 and file Schedule 5, *Tax Calculation Supplementary – Corporations.* See the schedule or see Part IV of the *Income Tax Regulations* for more details.

The table on this page shows the 2010 income tax rates for the provinces and territories that have corporation tax collection agreements with the federal government.

These rates will be in effect on January 1, 2010, and many will change during 2010. For more details, go to **www.cra.gc.ca/tx/bsnss/tpcs/crprtns/rts-eng.html**.

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	2.1% 1% effective April 1, 2010	16%
New Brunswick	5%	12% 11% effective July 1, 2010
Ontario	5.5% 4.5% effective July 1, 2010	14% 12% effective July 1, 2010
Manitoba	1% 0% effective December 1, 2010	12%
Saskatchewan	4.5%	12%
British Columbia	2.5%	10.5%
Yukon	4%	15%
Northwest Territories	4%	11.5%
Nunavut	4%	12%

Worksheet 1 – Calculating estimated tax payable and tax credits for 2010

Estimated taxable income			
Calculating the estimated tax payable			
Total of the following estimated amounts:			
Base amount of federal Part I tax			
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			
General tax reduction for CCPCs			
General tax reduction			
Federal logging tax credit			
Federal qualifying environmental trust tax credit			
Investment tax credit			
Subtotal			B
Total estimated 2010 Part I tax payable* (line A minus line B)			
Total estimated 2010 Part VI tax payable*			
Total estimated 2010 Part VI.1 tax payable*			
Total estimated 2010 Part XIII.1 tax payable*			
Estimated 2010 net provincial and territorial tax payable before refundable credits**			C

* Use these amounts when you calculate your monthly instalment payments on Worksheet 2 or your quarterly instalment payments on Worksheet 3.

** Use this amount when you calculate your monthly instalment payments on Worksheet 2 or your quarterly instalment payments on Worksheet 3. Include Nova Scotia tax on large corporations, but do not include provincial tax payable from Quebec or Alberta. Ontario tax payable before refundable credits includes only corporate income tax (net of non-refundable credits), corporate minimum tax, capital tax, and special additional tax on life insurance corporations.

(continued on next page)

Worksheet 1 – Calculating estimated tax payable and tax credits for 2010 (continued)

Calculating the estimated refundable tax credits for 2010

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	______
Nova Scotia digital media tax credit	______
New Brunswick film tax credit	______
New Brunswick research and development tax credit	______
Ontario qualifying environmental trust tax credit	______
Ontario co-operative education tax credit	______
Ontario apprenticeship training tax credit	______
Ontario computer animation and special effects tax credit	______
Ontario film and television tax credit	______
Ontario production services tax credit	______
Ontario interactive digital media tax credit	______
Ontario sound recording tax credit	______
Ontario book publishing tax credit	______
Ontario innovation tax credit	______
Ontario business-research institute tax credit	______
Manitoba research and development tax credit	______
Manitoba book publishing tax credit	______
Manitoba interactive digital media tax credit	______
Manitoba green energy equipment tax credit	______
Manitoba film and video production tax credit	______
Manitoba manufacturing investment tax credit	______
Manitoba co-op education and apprenticeship tax credit	______
Manitoba odour-control tax credit	______
Saskatchewan qualifying environmental trust tax credit	______
Saskatchewan film employment tax credit	______

(continued on next page)

Worksheet 1 – Calculating estimated tax payable and tax credits for 2010 (continued)

Saskatchewan manufacturing and processing investment tax credit...............................	______		
Saskatchewan research and development 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..	______		
British Columbia training tax credit..	______		
Yukon research and development tax credit	______		
Nunavut business training tax credit	______		
Total estimated refundable tax credits for 2010*		______	**D**

* Use this amount when you calculate your monthly instalment payments on Worksheet 2 or your quarterly instalment payments on Worksheet 3.

Worksheet 2 – Calculating monthly instalment payments for 2010

Instalment payments are due each month of your corporation's tax year.			
	Option 1 2010	**Option 2 2009**	**Option 3 2008**
Add: Part I tax payable			
Part VI tax payable	+	+	+
Part VI.1 tax payable	+	+	+
Part XIII.1 tax payable	+	+	+
Total of Parts I, VI, VI.1, and XIII.1 tax*	=	=	=
Add: Provincial and territorial tax payable before refundable credits**	+	+	+
Total of Parts I, VI, VI.1, and XIII.1 tax, as well as provincial and territorial tax	=	=	=
Subtract: Total 2010 estimated refundable credits (enter the amount from line D of Worksheet 1)	–	–	–
Instalment base amount	=	=	=
Divide by:	÷ 12	÷ 12	÷ 12
Each of the 12 payments due under options 1 and 2	=	=	
Each of the first 2 payments under option 3			=
Previous-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			=

* If the total of Parts I, VI, VI.1 and XIII.1 tax is $3,000 or less for either 2010 or 2009, you do not have to make instalment payments on this amount for 2010.

** This amount is net of provincial and territorial non-refundable credits. If the provincial and territorial tax before refundable credits is $3,000 or less for either 2010 or 2009, you do not have to make instalment payments on this amount for 2010. Include New Brunswick and Nova Scotia tax on large corporations, but do not include provincial tax payable from Quebec or Alberta. The New Brunswick tax on large corporations is eliminated effective January 1, 2009. Ontario tax payable before refundable credits includes only corporate income tax (net of non-refundable credits), corporate minimum tax, capital tax, and special additional tax on life insurance corporations. In determining option 3, ensure that the Ontario tax payable is before the application of Ontario refundable tax credits.

Note
For examples of how to calculate monthly instalment payments with Worksheet 2, see appendices 4, 5, and 6.

Worksheet 3 – Calculating quarterly instalment payments for 2010

Instalment payments are due each quarter of your small-CCPC's tax year.

	Option 1 2010	Option 2 2009	Option 3 2008
Add: Part I tax payable			
Part VI tax payable	+	+	+
Part VI.1 tax payable	+	+	+
Part XIII.1 tax payable	+	+	+
Total of Parts I, VI, VI.1, and XIII.1 tax*	=	=	=
Add: Provincial and territorial tax payable before refundable credits**	+	+	+
Total of Parts I, VI, VI.1, and XIII.1 tax, as well as provincial and territorial tax	=	=	=
Subtract: Total 2010 estimated refundable credits (enter the amount from line D of Worksheet 1)	–	–	–
Instalment base amount	=	=	=
Divide by:	÷ 4	÷ 4	÷ 4
Each of the four payments due under options 1 and 2	=	=	
First payment under option 3			=
Previous-year instalment base (option 2 instalment base amount above)			
Subtract: First payment under option 3			–
Difference			=
Divide by:			÷ 3
Each of the remaining three payments under option 3			=

* If the total of Parts I, VI, VI.1, and XIII.1 tax is $3,000 or less for either 2010 or 2009, you do not have to make instalment payments on this amount for 2010.

** This amount is net of provincial and territorial non-refundable credits. If the provincial and territorial tax before refundable credits is $3,000 or less for either 2010 or 2009, you do not have to make instalment payments on this amount for 2010. Include New Brunswick and Nova Scotia tax on large corporations, but do not include provincial tax payable from Quebec or Alberta. The New Brunswick tax on large corporations is eliminated effective January 1, 2009. Ontario tax payable before refundable credits includes only corporate income tax (net of non-refundable credits), corporate minimum tax, capital tax, and special additional tax on life insurance corporations. In determining option 3, ensure that the Ontario tax payable is before the application of Ontario refundable tax credits.

Note
For an example of how to calculate quarterly instalment payments with Worksheet 3, see Appendix 7.

Appendix 1 – Instalment base – Amalgamations

[Regulation 5301(4)]

Corporation A	Corporation B	Corporation C
Start of tax year: January 1, 2008	Start of tax year: January 1, 2008	Start of tax year: January 1, 2008
End of tax year: December 31, 2008	End of tax year: December 31, 2008	End of tax year: December 31, 2008
Tax payable: $2,000	Tax payable: $2,500	Tax payable: $3,000
Start of tax year: January 1, 2009	Start of tax year: January 1, 2009	Start of tax year: January 1, 2009
End of tax year: December 31, 2009	End of tax year: December 31, 2009	End of tax year: December 31, 2009
Tax payable: $4,000	Tax payable: $5,000	Tax payable: $6,000

Corporations A, B, and C amalgamated on January 1, 2010, to form Corporation ABC.

For its first tax year, which will end on December 31, 2010, Corporation ABC estimated its tax payable to be $20,000.

For Regulation 5301(4), the instalment base amounts for Corporation ABC's first tax year (which ends on December 31, 2010) would be:

Tax year-end December 31, 2010	First instalment base amount (1)	Second instalment base amount (2)
Corporation ABC	Predecessors (Corporation A + B + C)	Predecessors (Corporation A + B + C)
$20,000	4,000 + 5,000 + 6,000 = $15,000	2,000 + 2,500 + 3,000 = $7,500

(1) The first instalment base amount for the successor's 2010 tax year is $15,000. This amount is the total of the predecessor corporations' tax payable (2009) for their last tax year before amalgamation.

(2) The second instalment base amount for the successor's 2010 tax year is $7,500. This amount is the total of the predecessor corporations' first instalment base amount for the 2009 tax year.

For Regulation 5301(4), the instalment base year amounts for Corporation ABC's second tax year that ends on December 31, 2011, would be:

Tax year-end December 31, 2011	First instalment base amount (1)	Second instalment base amount (2)
Corporation ABC	Corporation ABC	Predecessors' bases (Corporation A + B + C)
$25,000*	$20,000	4,000 + 5,000 + 6,000 = $15,000

* Estimate of tax payable for 2011.

(1) The first instalment base amount for the successor's 2011 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 2011 would have equalled the greater of the following two amounts:

- the adjusted base amount for 2010; 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 7).

(2) The second instalment base amount for the successor's 2011 tax year is $15,000. This amount is the successor's first instalment base amount for its first tax year (2010).

Appendix 2 – Instalment base – Wind-ups

[Regulation 5301(6)]

On July 31, 2010, 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, 2010, to July 31, 2010, the tax assessed for this period will not be part of the instalment base in any year for the parent corporation.

Tax year-end	Tax payable (parent)	Tax payable (subsidiary)
December 31, 2008	$14,000	$5,000
December 31, 2009	$12,000	$6,000
December 31, 2010*	$20,000	N/A

* For the current tax year ending on December 31, 2010, 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, 2010, would be:

Before the wind-up

Tax year-end December 31, 2010	First instalment base amount	Second instalment base amount
$20,000	$12,000	$14,000

Seven instalment payments of $1,000 each ($12,000 ÷ 12) are due up to July 31, 2010.

After the wind-up

Tax year-end December 31, 2010	First instalment base amount (1)	Second instalment base amount (2)
$20,000	12,000 + 6,000 = $18,000	14,000 + 5,000 = $19,000

Five instalment payments of $1,500 each ($18,000 ÷ 12) are due up to December 31, 2010.

(1) The first instalment base amount for the parent's 2010 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 2010 tax year.

(2) The second instalment base amount for the parent's 2010 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 2010 tax year.

For Regulation 5301(6), the instalment base year amounts for the parent's tax year that ends on December 31, 2011, would be:

Tax year-end December 31, 2011	First instalment base amount (1)	Second instalment base amount (2)
$26,000*	20,000 + (6,000 × 7/12) = $23,500	12,000 + 6,000 = $18,000

* Estimate of tax payable for the next tax year.

(1) The first instalment base amount for the parent's 2011 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 2010 tax year, multiplied by the number of complete months (7) in the parent's 2010 tax year before the winding-up distribution divided by 12. Calculate this amount as follows: ($6,000 × 7) ÷ 12 = $3,500.

(2) The second instalment base for the parent's 2011 tax year is $18,000. This amount is the total of:

- the parent's normal first instalment base amount of $12,000 for its 2010 tax year; and
- the subsidiary's first instalment base amount of $6,000 for its 2010 tax year.

Appendix 3 – Instalment base – Transfers or rollovers [Regulation 5301(8)]

On October 31, 2009, 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, 2009, to October 31, 2009, 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	Tax payable (transferee)	Tax payable (transferor)
June 30, 2008	$14,000	$5,000
June 30, 2009	$12,000	$6,000
June 30, 2010*	$20,000	N/A

* For the current tax year ending on June 30, 2010, 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 ends on June 30, 2010, would be:

Before the rollover

Tax year-end June 30, 2010	First instalment base amount	Second instalment base amount
$20,000	$12,000	$14,000

Four instalment payments of $1,000 each ($12,000 ÷ 12) are due up to October 31, 2009.

After the rollover

Tax year-end June 30, 2010	First instalment base amount (1)	Second instalment base amount (2)
$20,000	12,000 + 6,000 = $18,000	14,000 + 5,000 = $19,000

Eight instalment payments of $1,500 each ($18,000 ÷ 12) are due up to June 30, 2010.

(1) The first instalment base amount for the transferee's 2010 tax year is $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 2010 tax year.

(2) The second instalment base amount for the transferee's 2010 tax year is $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 2010 tax year.

For Regulation 5301(8), the instalment base year amounts for the transferee's tax year that ends on June 30, 2011, would be:

Tax year-end June 30, 2011	First instalment base amount (1)	Second instalment base amount (2)
$27,000*	20,000 + (6,000 × 4/12) = $22,000	12,000 + 6,000 = $18,000

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

(1) The first instalment base amount for the transferee's 2011 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 2010 tax year, multiplied by the number of complete months (4) in the transferee's 2010 tax year before the rollover, divided by 12. Calculate this amount as follows: ($6,000 × 4) ÷ 12 = $2,000.

(2) The second instalment base for the transferee's 2011 tax year is $18,000. This amount is the total of:

- the transferee's normal first instalment base amount of $12,000 for its 2010 tax year; and
- the transferor's first instalment base amount of $6,000 for its 2010 tax year.

Appendix 4 – Worksheet 2 – Example 1

Corporation A has estimated its tax for 2010 at $900,000. The actual taxes for 2009 and 2008 are $912,000 and $60,000 respectively. Using Worksheet 2, we will determine the most advantageous option.

Worksheet 2 – Calculating monthly instalment payments for 2010

Instalment payments are due each month of your corporation's tax year.			
	Option 1 2010	**Option 2 2009**	**Option 3 2008**
Add: Part I tax payable	900,000	912,000	60,000
Part VI tax payable	+	+	+
Part VI.1 tax payable	+	+	+
Part XIII.1 tax payable	+	+	+
Total of Parts I, VI, VI.1, and XIII.1 tax*	= 900,000	= 912,000	= 60,000
Add: Provincial and territorial tax payable before refundable credits**	+	+	+
Total of Parts I, VI, VI.1, and XIII.1 tax, as well as provincial and territorial tax	= 900,000	= 912,000	= 60,000
Subtract: Total 2010 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
Each of the 12 payments due under options 1 and 2	= 75,000	= 76,000	
Each of the first 2 payments under option 3			= 5,000
Previous-year instalment base (option 2 instalment base amount above)			912,000
Subtract: 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 of Parts I, VI, VI.1 and XIII.1 tax is $3,000 or less for either 2010 or 2009, you do not have to make instalment payments on this amount for 2010.

** This amount is net of provincial and territorial non-refundable credits. If the provincial and territorial tax before refundable credits is $3,000 or less for either 2010 or 2009, you do not have to make instalment payments on this amount for 2010. Include New Brunswick and Nova Scotia tax on large corporations, but do not include provincial tax payable from Quebec or Alberta. The New Brunswick tax on large corporations is eliminated effective January 1, 2009. Ontario tax payable before refundable credits includes only corporate income tax (net of non-refundable credits), corporate minimum tax, capital tax, and special additional tax on life insurance corporations. In determining option 3, ensure that the Ontario tax payable is before the application of Ontario refundable tax credits.

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 2010 at $912,000. The actual taxes for 2009 and 2008 are $912,000 and $60,000, respectively. Using Worksheet 2, we will determine the most advantageous option.

Worksheet 2 – Calculating monthly instalment payments for 2010

Instalment payments are due each month of your corporation's tax year.			
	Option 1 2010	**Option 2 2009**	**Option 3 2008**
Add: Part I tax payable	912,000	912,000	60,000
Part VI tax payable	+	+	+
Part VI.1 tax payable	+	+	+
Part XIII.1 tax payable	+	+	+
Total of Parts I, VI, VI.1, and XIII.1 tax*	= 912,000	= 912,000	= 60,000
Add: Provincial and territorial tax payable before refundable credits**	+	+	+
Total of Parts I, VI, VI.1, and XIII.1 tax, as well as provincial and territorial tax	= 912,000	= 912,000	= 60,000
Subtract: Total 2010 estimated refundable credits (enter the amount from line D of Worksheet 1)	–	–	–
Instalment base amount	= 912,000	= 912,000	= 60,000
Divide by:	÷ 12	÷ 12	÷ 12
Each of the 12 payments due under options 1 and 2	= 76,000	= 76,000	
Each of the first 2 payments under option 3			= 5,000
Previous-year instalment base (option 2 instalment base amount above)			912,000
Subtract: 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 of Parts I, VI, VI.1 and XIII.1 tax is $3,000 or less for either 2010 or 2009, you do not have to make instalment payments on this amount for 2010.

** This amount is net of provincial and territorial non-refundable credits. If the provincial and territorial tax before refundable credits is $3,000 or less for either 2010 or 2009, you do not have to make instalment payments on this amount for 2010. Include New Brunswick and Nova Scotia tax on large corporations, but do not include provincial tax payable from Quebec or Alberta. The New Brunswick tax on large corporations is eliminated effective January 1, 2009. Ontario tax payable before refundable credits includes only corporate income tax (net of non-refundable credits), corporate minimum tax, capital tax, and special additional tax on life insurance corporations. In determining option 3, ensure that the Ontario tax payable is before the application of Ontario refundable tax credits.

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.

Note
The total amount of instalments calculated under option 3 is always the same as under option 2, but option 3 is often chosen when the first two payments are lower.

Appendix 6 – Worksheet 2 – Example 3

Corporation A has a permanent establishment only in **Ontario** and has estimated its federal tax for 2010 at $200,000 and its Ontario provincial tax payable for 2010 at $100,000. Corporation A has also estimated its refundable credits, including Ontario refundable credits, for 2010 at $42,000. The actual federal taxes for 2009 and 2008 are $175,000 and $150,000 respectively. The actual Ontario taxes for 2009 and 2008 are $65,000 and $40,000 respectively. The Ontario taxes for 2008 included premium tax payable of $5,000. In addition, the Ontario taxes for 2008 were net of Ontario refundable tax credits of $13,000.

Using Worksheet 2, we will determine the most advantageous option. But first, we will calculate Ontario tax payable for purposes of determining option 3 (2008):

	Option 3 (2008)
Actual Ontario tax payable	40,000
Premium tax payable	– 5,000
Ontario refundable tax credits	+ 13,000
Ontario tax payable	48,000

Worksheet 2 – Calculating monthly instalment payments for 2010

Instalment payments are due each month of your corporation's tax year.			
	Option 1 2010	**Option 2 2009**	**Option 3 2008**
Add: Part I tax payable	200,000	175,000	150,000
Part VI tax payable	+	+	+
Part VI.1 tax payable	+	+	+
Part XIII.1 tax payable	+	+	+
Total of Parts I, VI, VI.1, and XIII.1 tax*	= 200,000	= 175,000	= 150,000
Add: Provincial and territorial tax payable before refundable credits**	+ 100,000	+ 65,000	+ 48,000
Total of Parts I, VI, VI.1, and XIII.1 tax, as well as provincial and territorial tax	= 300,000	= 240,000	= 198,000
Subtract: Total 2010 estimated refundable credits (enter the amount from line D of Worksheet 1)	– 42,000	– 42,000	– 42,000
Instalment base amount	= 258,000	= 198,000	= 156,000
Divide by:	÷ 12	÷ 12	÷ 12
Each of the 12 payments due under options 1 and 2	= 21,500	= 16,500	
Each of the first 2 payments under option 3			= 13,000
Previous-year instalment base (option 2 instalment base amount above)			198,000
Subtract: The total of payments 1 and 2 under option 3			– 26,000
Difference			= 172,000
Divide by:			÷ 10
Each of the remaining 10 payments under option 3			= 17,200

* If the total of Parts I, VI, VI.1, and XIII.1 tax is $3,000 or less for either 2010 or 2009, you do not have to make instalment payments on this amount for 2010.

** This amount is net of provincial and territorial non-refundable credits. If the provincial and territorial tax before refundable credits is $3,000 or less for either 2010 or 2009, you do not have to make instalment payments on this amount for 2010. Include New Brunswick and Nova Scotia tax on large corporations, but do not include provincial tax payable from Quebec or Alberta. The New Brunswick tax on large corporations is eliminated effective January 1, 2009. Ontario tax payable before refundable credits includes only corporate income tax (net of non-refundable credits), corporate minimum tax, capital tax, and special additional tax on life insurance corporations. In determining option 3, ensure that the Ontario tax payable is before the application of Ontario refundable tax credits.

Option 3 is the most advantageous of the three options. Therefore, Corporation A will have to remit an instalment payment of $13,000 in each of the first two months and $17,200 for each of the last 10 months.

Note
The total amount of instalments calculated under option 3 is always the same as under option 2, but option 3 is often chosen when the first two payments are lower.

Appendix 7 – Worksheet 3 – Example

Corporation A has estimated its tax for 2010 at $240,000. The actual taxes for 2009 and 2008 are $240,000 and $36,000, respectively. Using Worksheet 3, we will determine the most advantageous option.

Worksheet 3 – Calculating quarterly instalment payments for 2010

Instalment payments are due each quarter of your small-CCPC's tax year.

	Option 1 2010	**Option 2 2009**	**Option 3 2008**
Add: Part I tax payable	240,000	240,000	36,000
Part VI tax payable	+	+	+
Part VI.1 tax payable	+	+	+
Part XIII.1 tax payable	+	+	+
Total of Parts I, VI, VI.1, and XIII.1 tax*	= 240,000	= 240,000	= 36,000
Add: Provincial and territorial tax payable before refundable credits**	+	+	+
Total of Parts I, VI, VI.1, and XIII.1 tax, as well as provincial and territorial tax	= 240,000	= 240,000	= 36,000
Subtract: Total 2010 estimated refundable credits (enter the amount from line D of Worksheet 1)	–	–	–
Instalment base amount	= 240,000	= 240,000	= 36,000
Divide by:	÷ 4	÷ 4	÷ 4
Each of the four payments due under options 1 and 2	= 60,000	= 60,000	
First payment under option 3			= 9,000
Previous-year instalment base (option 2 instalment base amount above)			240,000
Subtract: First payment under option 3			– 9,000
Difference			= 231,000
Divide by:			÷ 3
Each of the remaining three payments under option 3			= 77,000

* If the total of Parts I, VI, VI.1 and XIII.1 tax is $3,000 or less for either 2010 or 2009, you do not have to make instalment payments on this amount for 2010.

** This amount is net of provincial and territorial non-refundable credits. If the provincial and territorial tax before refundable credits is $3,000 or less for either 2010 or 2009, you do not have to make instalment payments on this amount for 2010. Include New Brunswick and Nova Scotia tax on large corporations, but do not include provincial tax payable from Quebec or Alberta. The New Brunswick tax on large corporations is eliminated effective January 1, 2009. Ontario tax payable before refundable credits includes only corporate income tax (net of non-refundable credits), corporate minimum tax, capital tax, and special additional tax on life insurance corporations. In determining option 3, ensure that the Ontario tax payable is before the application of Ontario refundable tax credits.

Option 3 is the most advantageous of the three options. Therefore, Corporation A will have to remit an instalment payment of $9,000 for the first quarter and $77,000 for each of the last 3 quarters.

Note
The total amount of instalments calculated under option 3 is always the same as under option 2, but option 3 is often chosen when the first payment is lower.

For more information

If you need more help after reading this guide, or you have a question about your account, go to **www.cra.gc.ca/payments**, use the services available in My Business Account or call Business Enquiries at **1-800-959-5525**.

For detailed information on topics in this guide, see the federal *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, *T2 Corporation – Income Tax Guide*. Go to **www.cra.gc.ca/corporation-internet** for corporation internet filing and **www.cra.gc.ca/t2return** for corporate income tax information.

Our service complaint process

Step 1 – Talk to us

If you are not satisfied with the **service** you have received from us, you have the right to make a formal complaint. Before you make a complaint, we recommend that you try to resolve the matter with the CRA employee you have been dealing with (or call the phone number you have been given).

If you still disagree with the way your concerns are being addressed, ask to discuss the matter with the employee's supervisor.

Step 2 – Contact CRA – Service Complaints

This program is available to individual and business taxpayers and benefit recipients who have dealings with us. It is meant to provide you with an extra level of review if you are not satisfied with the results from the **first step** of our complaint process. In general, service-related complaints refer to the quality and timeliness of the work we performed.

If you choose to bring your complaint to the attention of CRA – Service Complaints, complete Form RC193, *Service-Related Complaint*, which you can get by going to **www.cra.gc.ca/complaints** or by calling **1-800-959-2221**.

Step 3 – Contact the office of the Taxpayers' Ombudsman

If, **after following steps 1 and 2**, you are still not satisfied with the way the CRA has handled your complaint, you can file a complaint with the Taxpayers' Ombudsman.

For more information on the Taxpayers' Ombudsman and on how to file a complaint, visit their Web site at **www.taxpayersrights.gc.ca**.

Teletypewriter

If you have a hearing or speech impairment and use a teletypewriter, for enquiries call **1-800-665-0354** and an agent at our bilingual enquiries service can help you.

Non-resident corporation enquiries

If you have a question about a **non-resident corporation** account, go to **www.cra.gc.ca/tx/nnrsdnts/bsnss**, 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**.

My Business Account

My Business Account provides convenient and secure online access to a growing range of business account information and services. For your corporation income tax account, you can transmit a return and view its status. You can also view your account balance and transactions, communication items issued by the CRA, and direct deposit banking information, get additional remittance vouchers, and authorize your employees and representatives to have online access to your tax information. If you have an amount owing, you can calculate the balance (including interest) to a future date that you select. You can transfer payments and credits from one interim period to another interim period or to an amount owing within the same account. You will be able to see the results immediately, including up-to-date account balances and interest. You can make an online request to ask for financial transactions.

To find out more about this electronic service for business, go to **www.cra.gc.ca/mybusinessaccount**.

Represent a client

Authorized representatives, including employees, can view account information and transact online for business owners through the Represent a client service. Your authorized representatives will have convenient online access to your business's tax information and will be able to communicate directly with the CRA for you. Business owners can authorize their representatives through My Business Account, and the representatives will have immediate access, or by completing and filing the RC59, *Business Consent Form*. For more information, go to **www.cra.gc.ca/representatives**.