Canada Revenue Agency   Agence du revenu du Canada

Corporation Instalment Guide

2017

CANADA 150

T7B Corp.(E) Rev. 16

Canada

Is this guide for you?

This guide will help you determine if your corporation needs to make instalment payments and how to calculate them.

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 most corporations to make instalment payments so that they are treated the same as taxpayers who have tax deducted from their income at source. Some corporations, like new corporations and those with tax payable of $3000 or less, may not have to pay taxes by instalment. Special rules may apply. Read "Do you need to make instalment payments?" on page 5 for more details.

The Act authorizes the Canada Revenue Agency (CRA) 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 are blind or partially sighted, you can get our publications in braille, large print, etext, or MP3 by going to **cra.gc.ca/alternate**. You can also get our publications and your personalized correspondence in these formats by calling **1-800-959-5525**. If you are outside Canada and the United States, call us at **613-940-8497**. We accept collect calls by automated response. You may hear a beep and experience a normal connection delay.

La version française de ce guide est intitulée *Guide des acomptes provisionnels pour les sociétés*.

Unless otherwise noted, all legislative references are to the *Income Tax Act* and the *Income Tax Regulations*.

What’s new?

Redesigned worksheets and updated guide.

For 2017, we have changed the worksheets to make them easier to understand and complete. We have also made changes to this guide to help you determine your instalment payments.

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Instalment requirements

Corporations generally make monthly or quarterly instalment payments toward their tax liability under the following parts of the *Income Tax Act*:

- 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;
- Part XII.1 – Tax on carved-out income;
- Part XII.3 – Tax on investment income of life insurers; and
- Part XIII.1 – Additional tax on authorized foreign banks.

Do you need to make instalment payments?

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 or before your balance-due day for that tax year. Part XII.1 tax, tax on carved out income, is an exception to this. See page 11 for details.

> **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 tax year-end, you can contact us to have your tax year-end established 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.

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 before 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 day.

Short tax years

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 Canadian-controlled private corporation (CCPC), shorter than one quarter.

Calculating your instalments

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.

Calculate instalment payments online

You can use the "Calculate instalment payments" service to calculate instalment payments and view their due dates through:

- Represent a Client at **cra.gc.ca/representatives**, if you are an authorized representative or employee; or
- My Business Account at **cra.gc.ca/mybusinessaccount**, if you are the business owner.

Instalment payment worksheets

You can use the following worksheets for the calculations: Worksheet 1 (T2WS1), Worksheet 2 (T2WS2), and Worksheet 3 (T2WS3). These can be found at **cra.gc.ca/forms**.

We have split the instructions into 3 steps as follows:

Step 1, start by estimating amounts for 2017.

Step 2, choose if you'll be making monthly payments or quarterly payments.

Step 3, calculate the amounts of each payment based on 3 options.

Step 1 – Calculating your estimated tax payable and tax credits for 2017 (Worksheet 1)

The first step when calculating your instalments is to estimate the total tax you have to pay under Parts I, VI, VI.1, and XIII.1 and the tax you have to pay to provinces and territories (other than Quebec and Alberta).

> **Note**
> Unlike other provinces and 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.

Worksheet 1 is used to calculate these estimated amounts.

Estimated tax payable for 2017

Amount A – Estimated taxable income for 2017
Enter the amount of taxable income you're estimating for your 2017 fiscal year.

Estimated 2017 federal tax on income (amounts 1 to 3)

Amount 1 – Base amount of federal tax on income
Multiply your estimated income (amount A) by the current federal tax on corporations (38%).

Amount 2 – Recapture of investment tax credit
A corporation that disposed of a property used in scientific research and experimental development (SR&ED), or converted it to commercial use, should report a recapture in its income tax return for the year in which the disposition or conversion occurred. For more details on recapture of investment tax credit (ITC), see line 602 in the T4012, *T2 Corporation – Income Tax Guide* (T2 Guide).

Amount 3 – Refundable tax on Canadian-controlled private corporation's (CCPC's) investment income
An additional refundable tax of 10 2/3% is levied on the investment income (other than deductible dividends) of a CCPC. For more details, see line 604 in the T2 Guide.

Estimated 2017 non-refundable tax credits (amounts N1 to N12)
Amounts N1 to N12 correspond to federal non-refundable credits that you estimate will apply to your 2017 fiscal year.

Amount N1 – Small business deduction
Corporations that were CCPCs throughout the tax year may be able to claim the small business deduction (SBD). The SBD is 17.5% of whichever of the following amounts is less: the income from active business carried on in Canada, the taxable income, the business limit, or the reduced business limit. For more details see, "Small business deductions" in the T2 Guide.

Amount N2 – Federal tax abatement
The federal tax abatement is equal to 10% of taxable income earned in the year in a Canadian province or territory less income exempt under paragraph 149(1)(t). Income earned outside Canada is not eligible for the federal tax abatement.

Amount N3 – Manufacturing and processing profits deduction
Corporations that derive at least 10% of their gross revenue for the year from manufacturing or processing goods in Canada for sale or lease can claim the manufacturing and processing profits deduction (MPPD). The MPPD applies to the part of taxable income that represents Canadian manufacturing and processing profits. Calculate the MPPD at the rate of 13% on income that is not eligible for the small business deduction (SBD). For more details, see line 616 in the T2 Guide.

Amount N4 – Investment corporation deduction
A Canadian public corporation that is an investment corporation, as defined in subsection 130(3), can claim a deduction from Part I tax that the corporation would otherwise have to pay. This deduction is equal to 20% of the taxable income for the year that is more than the taxed capital gains for the year. For more details, see line 620 and 624 in the T2 Guide.

Amount N5 – Additional deduction – credit unions
Although a credit union is not generally considered a private corporation, it is eligible for the small business deduction. A credit union can also deduct a percentage of its taxable income that was not eligible for the small business deduction. For more details, see line 628 in the T2 Guide.

Amount N6 – Federal foreign non-business income tax credit
A federal foreign non-business income tax credit is available to Canadian residents to prevent double taxation of any non-business income earned in a foreign country that was taxed by that foreign country. The credit is also available to authorized foreign banks on their Canadian banking business from sources in a foreign country. For more details, see line 632 in the T2 Guide.

Amount N7 – Federal foreign business income tax credit
To prevent double taxation, a corporation that pays foreign tax on income or profits it earned from operating a business in a foreign country can claim a federal foreign business income tax credit. For more details, see line 636 in the T2 Guide.

Amount N8 or N9 – General tax reduction
A general tax reduction of 13% is available on qualifying income. Corporations benefit from the general tax reduction only on taxable income that is subject to a rate of 38%.This reduction generally does not apply to income eligible for the following deductions:

- Small business deduction (amount N1);
- Manufacturing and processing profits deduction (amount N3);
- Investment corporation deduction (amount N4);
- Additional deduction – credit unions (amount N5).

CCPCs enter the calculated amount at N8, other corporations enter the amount at N9. For more details, see "General tax reduction" in the T2 Guide.

Amount N10 – Federal logging tax credit
Corporations that have income from logging operations and have paid logging tax to the province of Quebec or British Columbia can claim this credit. For more details, see line 640 in the T2 Guide.

Amount N11 – Federal qualifying environmental trust tax credit
A corporation that is the beneficiary under a qualifying environmental trust can claim a tax credit equal to Part XII.4 tax payable by the trust on that income. For more details, see line 648 in the T2 Guide.

Amount N12 – Investment tax credit
A corporation earns an investment tax credit by applying a specified percentage to the cost of acquiring certain property (investments) or on certain expenditures.

For more details, see Schedule 31 or line 652 in the T2 Guide.

Estimated 2017 federal tax payable (amounts D to G)
Amount D – Estimated 2017 tax payable on income
Amount calculated on the worksheet.

Amount E – Estimated 2017 tax payable on capital of financial institutions (Part VI tax)
Part VI levies a tax on a financial institution's taxable capital employed in Canada. Part VI tax is 1.25% of the taxable capital employed in Canada that is more than the $1 billion capital deduction for the year. For more details, see line 720 in the T2 Guide.

Amount F – Estimated 2017 tax payable on corporations paying dividends on taxable preferred shares (Part VI.1 tax)
Generally, the first $500,000 of dividends paid in the year on taxable preferred shares is exempt from Part VI.1 tax liability. This basic annual exemption is called the **dividend allowance**.

However, the $500,000 dividend allowance is reduced if you paid more than $1 million of dividends on taxable preferred shares in the previous year.

For more details, see line 724 in the T2 Guide.

Amount G – Estimated 2017 payable additional tax on authorized foreign banks (Part XIII.1 tax)
Every authorized foreign bank is subject to Part XIII.1 tax equal to 25% of its taxable interest expense for the year. For more details, see line 727 in the T2 Guide.

Amount I – Estimated 2017 net provincial and territorial tax payable before refundable credits
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 rates. This amount is net of provincial and territorial non-refundable credits.

Example
Corporation A resides and operates only in Nova Scotia. Its estimated income for 2017 is $450,000 and is eligible for the small business deduction.

Corporation A would estimate its provincial tax as follows:

The lower rate of 3% applies to the first $350,000 (Nova Scotia business limit). The amount over the $350,000 business limit is taxed at the higher rate of 16%. The total estimated net provincial tax is calculated as follows:

$350,000 × 3% (lower rate).. $10,500
$100, 000 × 16% (higher rate) $16,000
Total estimated net provincial tax.............................. $26,500

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 Part IV of the *Income Tax Regulations* for more details.

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 provincial income tax return and your instalment payments for the provincial corporation tax to the applicable province.

For more information, see the T2 Guide or go to **cra.gc.ca/t2return** and select "Corporation tax rates."

Table of income tax rates and business limits for provinces and territories

Province or territory	Tax rate on taxable income eligible for the small business deduction (lower rate)	Tax rate on other taxable income (higher rate)	Business limit
Newfoundland and Labrador	3%	15%	$500,000
Nova Scotia	3%	16%	$350,000
New Brunswick	3.5%	14%	$500,000
Prince Edward Island	4.5%	16%	$500,000
Ontario	4.5%	11.5%	$500,000
Manitoba	nil	12%	$450,000
Saskatchewan	2%	12%	$500,000
British Columbia	2.5%	11%	$500,000
Nunavut	4%	12%	$500,000
Northwest Territories	4%	11.5%	$500,000
Yukon	3%	15%	$500,000

Note
These rates are in effect January 1, 2017, and may change during the year.

Calculating your estimated refundable tax credits for 2017

Your refundable federal, provincial, and territorial tax credits are included in the calculation of your instalment payments. Use the estimated refundable credits (as appropriate) to calculate your total estimated refundable tax credits for 2017.

Amounts R1 to R8

Amount R1 – Investment tax credit refund
Any investment tax credit you earned in the tax year must first be used to reduce taxes payable to zero, before the remainder can be claimed as a refund. For more details, see line 780 in the T2 Guide.

Amount R2 – Dividend refund
A private or subject corporation may be entitled to a dividend refund for dividends it paid for the tax year. For more details, see "Dividend refund" in the T2 Guide.

Amount R3 – Federal capital gains refund
Investment corporations and mutual fund corporations may be eligible for a Federal capital gains refund. For more details, see line 788 in the T2 Guide or Schedule 18.

Amount R4 – Federal qualifying environmental trust tax credit
The amount of federal qualifying environmental trust tax credit refund that would not be used in the Part I tax calculation. For more details, see line 792 in the T2 Guide.

Amount R5 – Canadian film or video production tax credit
A fully refundable tax credit is available to qualified corporations that produce an eligible production certified by the minister of Canadian Heritage to be a Canadian film or video production. For more details see line 796 in the T2 Guide.

Amount R6 – Film or video production services tax credit
A fully refundable tax credit is available to eligible production corporations for a film or video production certified by the minister of Canadian Heritage to be an accredited production. For more details, see line 797 in the T2 Guide.

Amount R7 – Tax withheld at source
The amount shown as "income tax deducted" on any information slips, such as NR4, T4A, or T4A-NR, you may receive. For more details, see lines 800 and 801 in the T2 Guide.

Amount R8 – Provincial and territorial capital gains refund
Investment corporations and mutual fund corporations may be eligible for a provincial or territorial capital gains refund. For more details, see line 808 in the T2 Guide or Schedule 18.

Amounts R9 to R55

Amounts R9 to R55 are the provincial refundable tax credits available to all provinces (other than Quebec and Alberta).

Information on these provincial refundable credits can be found in Chapter 8 of the T2 Guide under "Provincial and territorial tax".

After you've estimated your tax payable and refundable credits you can calculate your instalments.

Step 2 – Choose: monthly (Worksheet 2) or quarterly (Worksheet 3) instalment payments.

Monthly instalment payments

All corporations are eligible to make monthly instalment payments. Use the Worksheet 2 (T2WS2) to calculate your monthly instalments.

Quarterly instalment payments.

A small Canadian-controlled private corporation (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; and
- 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 your last instalment was due:

- you remitted on time all the amounts required for GST/HST, withholding under subsection 153(1), 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).

Note
When a corporation ceases at any time in a tax year to be eligible to pay quarterly instalments, 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
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.

Use the Worksheet 3 (T2WS3) to calculate your quarterly instalments.

Calculating your instalments for Parts I, VI, VI.1, and XIII.1 tax

Regardless of whether you're making monthly or quarterly instalment payments, there are common things to note.

You will have three options to calculate the least amount of tax you have to pay by instalment for the current tax year [subsections 157(1) and 157(3)]:

Option 1 – current year estimated tax payable;

Option 2 – previous year tax payable; or

Option 3 – a combination of the previous year and the year before the previous year's tax payable.

Complete the worksheet (2 or 3) to determine the payable amounts under each option, then you can choose the option that results in the least amount payable by instalments.

> **Note**
> For Quebec and Alberta, do not enter the provincial tax payable since it is paid directly to the province.

Keep in mind that these are estimates and any remaining unpaid tax is payable on or before the balance-due day.

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.

> **Note**
> We do not issue instalment payment reminder notices. Corporations are responsible for calculating and remitting their own instalment payments.

Step 3 Monthly option – Calculating your monthly instalment payments for 2017 (Worksheet 2)

You can calculate the least amount of tax you have to pay by monthly instalment payments using one of the following options:

Option 1 – One-twelfth (1/12) of the estimated tax payable for the current tax year (2017) is due each month of the tax year;

Option 2 – One-twelfth (1/12) of the tax payable from the previous tax year (2016) is due each month of the current tax year;

Option 3 – One-twelfth (1/12) of the tax payable from the year before the previous tax year (2015) is due in each of the first two months of the current tax year; then one-tenth (1/10) of the difference between the tax for the previous tax year (2016) and the total of the first 2 payments is due in each of the remaining 10 months of the current tax year.

Use Worksheet 2, *Calculating your monthly instalment payments for 2017*, to help you calculate your monthly instalment payments.

Step 3 Quarterly option – Calculating your quarterly instalment payments for 2017 (Worksheet 3)

If you are an eligible small CCPC (see Quarterly instalment payments above), you can calculate your quarterly instalment payments for Parts I and VI.1 using one of the following options:

Option 1 – One-quarter (1/4) of the estimated tax payable for the current tax year (2017) is due each quarter of the tax year;

Option 2 – One-quarter (1/4) of the tax payable from the previous tax year (2016) is due each quarter of the current tax year;

Option 3 – One-quarter (1/4) of the tax payable from the year before the previous tax year (2015) is due the first quarter of the current tax year. One-third of the difference between the tax for the previous tax year (2016) and the first payment is due in each of the remaining three quarters of the current tax year.

Use Worksheet 3, *Calculating your quarterly instalment payments for 2017*, to help you calculate your quarterly instalment payments.

What to do if a corporation is no longer eligible to make quarterly instalments.

Should a corporation no longer be eligible for quarterly instalments, it will need to start making monthly instalments starting the month after the next quarterly instalment payment is due.

Here is the formula to calculate remaining monthly instalment payments:

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

Example
Corporation B has a December 31 year-end and an estimated tax payable for the current year: $120,000

Divided by 4

Quarterly instalment payments: $30,000

Corporation B ceases to be compliant on May 31, 2017. It is allowed to pay its next instalment due at the end of the current quarter, which is June 30, 2017. Corporation B will have to begin to pay monthly instalments starting on July 31, 2017.

The first two instalment payments of $30,000 are due quarterly on March 31 and June 30, 2017.

The number of months remaining in the tax year after June 30, 2017 is six.

Once again, the formula to calculate remaining monthly instalment payments:

Estimated tax payable for the current year **minus** the 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, 2017.

> **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. In general, the first instalment base is the previous year's tax payable and the second instalment base is the tax payable for the second preceding year [Regulation 5301].

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 Canadian-controlled private corporation (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.

Remember, 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 day.

Example
Corporation C's previous tax year end was January 14, 2017. Its current tax year is cut short as follows:

Start of tax year:	January 15, 2017
End of tax year:	August 31, 2017

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 day.

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 day.

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

No change to the fiscal period is considered to occur when 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.

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 18.

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), 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 20.

Reference
S1-F5-C1, *Related persons and dealing at 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 10.

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.

Part XII.1 – Tax on carved-out income

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

Arrears and refund interest apply to Part XII.1.

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.

Calculating your instalments for Part XII.1 tax

You have to make instalment payments equal to one-twelfth of the estimated tax payable under Part XII.1 each month in the tax year. Do not use options 1, 2, or 3 mentioned previously to calculate these instalments.

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

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

Life insurers may have to pay tax under Part XII.3 [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.

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.

Calculating your instalments for 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 options 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. You can request a remittance voucher using our "Online services" (see page 25).

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

> **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, we may charge you interest.

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 less 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 of each quarter that follows.

You can view your instalment due dates by using the "Calculate instalment payments" service. See "Online services" on page 25.

Download the CRA Business Tax Reminders mobile app to create custom reminders and alerts for key due dates such as instalment payments. For more information, go to **cra.gc.ca/mobileapps**.

Example 1

Start of tax year:	January 1, 2017
End of tax year:	December 31, 2017

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, 2017. The last payment is due by December 31, 2017.

If the corporation is allowed to make quarterly instalment payments, the payments are due on March 31, June 30, September 30, and December 31, 2017.

Example 2

First day of tax year:	October 10, 2016
End of tax year:	October 9, 2017

The first monthly instalment payment is due by November 9, 2016. The last payment is due by October 9, 2017.

If the corporation is allowed to make quarterly instalment payments, the payments are due on January 9, April 9, July 9, and October 9, 2017.

Balance-due day

The balance-due day is the date by which 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 conditions 1 **and** 2 that follow are met, as well as condition 3 **or** 4:

1. the corporation is a CCPC throughout the tax year;
2. the corporation claimed the small business deduction for the current or previous tax year;

3. 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);
4. 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 days, the previous-year taxable income of corporations and associated, subsidiary, and predecessor corporations means taxable income before considering specified future tax consequences, such as applying loss carrybacks.

For information on your business limit, see the T2 Guide.

Amalgamations

The **balance-due day** 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 day** 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 of interim payments on a periodic basis. This statement shows interim balances carried forward from previous statements, plus the details of any credit activity that occurred during the statement period.

All information is displayed by reporting period. Interim information shows you the balance of instalment payments for each reporting period for which we have not processed a return.

Review the Statement of Interim Payments to make sure we have applied your payments correctly. You can transfer a payment online within a program account and between program accounts of the same nine-digit business number and immediately view the updated balance. For more information, see "Transferring instalment payments" on page 14.

Keep the statements with your records for future use.

Account balance and activities

At any time, you can view your interim balance, account balance, and transactions using the "Account balance and activities" service. You can also select dates to customize the view to see account transactions for a time period of your choice. See "Online services" on page 25.

Online requests for statements and remittance vouchers

You can use the "Enquiries" service to make an online request for:

- customized statements for a time frame of your choice;
- copies of notices;
- stopping or restarting the mailing of statements, remittance vouchers and/or return envelopes; and
- remittance vouchers.

See "Online services" on page 25.

Statement of interim payments

The statement of interim payments is issued every six months for corporations when there has been interim activity. It is used to:

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

If you are currently using Form RC160, *Interim Payments Remittance Voucher*, to make your instalment payments, we will continue to supply additional forms with your statement.

The instalment credits we show on your statement of interim payments for each tax year should agree with your records. If there is a discrepancy between the amount you report on your corporation income tax return and the interim balance in your business account, we will use the amount in your business account for the tax year being assessed when we process the return and we may refund the difference. If you return the refund, we will credit the account using the date that we received it.

You can view your instalment payments using the "Account balance and activities" service. See "Online services" on page 25.

Statement of arrears

The customized statement of arrears is issued upon request. The statement shows all amounts assessed and charged to your account for a particular reporting and/or non-reporting period. 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 processed balances by period; and
- provide the grand total balance across all processed periods.

Register an alternate address

You can have statements and any notification of returned payment sent to either:

- your program account mailing address; or
- your 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.

Manage addresses online

You can change the address we have on file for the physical location of your business, mailing address, as well as the location of your books and records with our online services (see page 25).

Paying your instalments

Making payments

You can make your payment:

- electronically using your financial institution's online or telephone banking services. For more information, go to **canada.ca/payments** or contact your financial institution;
- online using CRA's My Payment service at **cra.gc.ca/mypayment**;
- by setting up a pre-authorized debit agreement at your convenience through the CRA's My Business Account at **cra.gc.ca/mybusinessaccount**;
- by wire transfer, for non-residents who do not have a Canadian bank account. For more information, see "Other payment methods" at **canada.ca/payments**;
- at your Canadian financial institution. Present 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 CRA voucher for your financial institution to accept the payment. **Photocopies are not accepted**.

  Note
  Do not send cash in the mail.

Paying on time

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

- it is **received** by the CRA; or
- it is **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 your payment due date falls on a Saturday, a Sunday, or a public holiday, the payment will be considered received on time if it is received on the first business day after the due date.

Payment vouchers

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

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

We will send you the appropriate vouchers based on your account status and needs. You can make an online request for vouchers using the "Enquiries" service. See "Online services" on page 25.

If you are a **new corporation** making its first payment or you need to start making instalment payments, you need to order Form RC160, *Interim Payments Remittance Voucher*, or make an interim payment electronically.

You will not receive Form RC160 for your next instalment payment unless you make the current payment.

> **Note**
> Financial institutions will not accept photocopied remittance vouchers.

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, clearly indicate that it is an advance deposit and include the tax year-end for which the advance deposit is intended.

If you are making an advance deposit for multiple tax years, include a list of the individual tax years for which you are expecting a reassessment and the amount to be held 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, tax year-end 2017-12-31), you will get the first Form RC160 for the next year (for example, tax year-end 2018-12-31).

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.

Payments over $25 million

You must make arrangements with your financial institution for payments of more than $25 million.

Owing $2 or less

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 instalment payments

Our transfer policy allows for the movement of excess instalment payments. You can move an excess amount from one account to another account where there is an existing balance or a required instalment amount.

We will transfer an amount to pay an outstanding balance on a corporation, a GST/HST, 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 account or between related accounts of a corporation based on the following guidelines:

- Only an authorized officer of the corporation can ask 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, required instalments or a remittance on your employer account.
- 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.

You can transfer a payment online from one interim period to another or to pay an amount owing within a program account and between program accounts of the same nine-digit business number and immediately view the updated balance, including interest, if applicable, using the "Account balance and activities" service. You can also make an online request to transfer a payment using My Business Account's "Enquiries" service. See "Online services" on page 25.

You can also write to your tax centre's Corporation Services section.

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.

> **Notes**
> For calculating interest, transferred payments keep their original payment date [section 221.2]. We consider any other allocation not to have occurred.
>
> 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)]. However, you may request to apply credits from this tax year to an established debt. For more information see **cra.gc.ca/t2reappropriation**.

Refunds and overpayments

Refunding instalment payments

We will not refund instalment payments until we have assessed the return for the year in question. 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 that was intended for a third party.

You can request a refund by using the "Enquiries" service. See "Online services" on page 25.

We do not pay refund interest on this type of refund.

Direct deposit

Direct deposit is a fast, convenient, reliable, and secure way to get your CRA payments directly into your account at a financial institution in Canada.

To enrol for direct deposit or to update your banking information, go to **cra.gc.ca/directdeposit**.

If, for any reason, we cannot deposit a refund into a designated account, we will mail a cheque to you at the address we have on file at the time of the original refund. This does not apply for large refunds of $25 million or greater.

Expecting a large refund

We must transfer all large-value refunds ($25 million or more) through the Large Value Transfer System (LVTS) as required by the Canadian Payments Association (CPA). If you are expecting a large-value refund, you need to be registered for both direct deposit and for the LVTS. Contact your tax centre to begin the registration process.

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 attaching a letter to the front page of the return.

If you enter "2" on line 894 of your return, we will apply the residual overpayment to any outstanding debit(s) on your account and then to any debt(s) on a related business number account. We will transfer any remainder to the next year's instalment account, along with refund interest, as applicable. 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 your returns are not filed up-to-date.

Prepaying reassessments

If you anticipate a reassessment to a previous tax year, you may choose to make a payment in advance (advance deposit) to reduce interest charges.

To make advance deposits, use Form RC159, *Amount Owing Remittance Voucher*. To assist us in processing your payment, clearly indicate that it is an **advance deposit** and include your 15-character business number and the tax year-end for which the advance deposit is intended.

If you are making an advance deposit for multiple tax years, include a list of the individual tax years for which you are expecting a reassessment and the amount to be held for each year. 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 and tax year-end) is not provided, the payment will be refunded.

Advance deposits are reviewed on a regular basis to make sure that there is a risk of reassessment for the period(s) in question and that the amount on deposit is reasonable. During this review process, we may contact you to confirm that the advance deposit is still needed.

There are guidelines limiting the transfer of an advance deposit once it has been assigned to a specific tax year; however, you can transfer an advance deposit to pay:

- an amount owing;
- an instalment for an unassessed tax year on your corporation account;
- an instalment for an unassessed period on your GST/HST account; or
- a remittance due on your employer account.

If you need remittance vouchers, see Payment vouchers on page 13.

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 is based on the average rate of three-month treasury bills sold during the first month of the previous quarter.

Underpayments are rounded to the next higher whole percentage point and raised four percentage points.

Overpayments are rounded to the next higher whole percentage point. For a list of prescribed interest rates, go to **cra.gc.ca/interestrates**.

You can request an interest review or a Statement of Interest by using the "Enquiries" service and view a previously issued Statement of Interest Calculated using the "View mail" service. See "Online services" on page 25.

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 that follows.

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

The interest rate on overpayments is 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 D has a December 31 year-end and has to make monthly instalment payments of $75,000 starting in January 2017. Corporation D only makes two instalment payments in the year. It makes one payment of $120,000 on March 12 and a second payment of $150,000 on April 25. Therefore, when we assess Corporation D's return, we will charge $16,101.00 in instalment interest. We used an underpayment interest rate of 5% compounded daily in the following calculation.

Date 2017	Instalment payment due ($)	Payment received ($)	Balance ($)	Number of days	Interest ($)
January 31	75,000		75,000.00	28	288.20
February 28	75,000		150,288.20	12	247.24
March 12		120,000	30,535.44	19	79.57
March 31	75,000		105,615.01	25	362.29
April 25		150,000	(44,022.70)	5	(30.16)
April 30	75,000		30,947.14	31	131.69
May 31	75,000		106,078.83	30	436.81
June 30	75,000		181,515.64	31	772.41
July 31	75,000		257,288.05	31	1,094.84
August 31	75,000		333,382.89	30	1,372.79
September 30	75,000		409,755.68	31	1,743.64
October 31	75,000		486,499.32	30	2,003.29
November 30	75,000		563,502.61	31	2,397.88
December 31	75,000		640,900.49	59	5,200.51
Balance-due day February 28, 2018	**Total instalment interest**				**$16,101.00**

Instalment penalty

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

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 D instalment interest of $16,101.00. Therefore, we assess a penalty of $4,484.12 as follows:

Instalment interest... $16,101.00

Minus the greater of:
$1,000 and 25% of the instalment interest charged if Corporation D had made no payment at all
$28,531.05 × 25% = ... $7,132.76

Difference... $8,968.24

Instalment penalty (one-half of difference) $4,484.12

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 day to the date of payment.

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

If you have an amount owing, you can view a revised balance that includes interest calculated to a date you select by using the "Account balance and activities" service and selecting the "Calculate future balance" option. See "Online services" on page 25.

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 the later of the following dates:

- 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.

Carrybacks

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 the later of the following dates:

- the first day following the tax year in which the carryback originates;
- the date the tax return on 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 when 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 our actions, such as errors made in the material available to the public, 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.

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 **cra.gc.ca/forms**.

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

Appendices

Appendix 1 – Instalment base – Amalgamations

[Regulation 5301(4)]

Corporation A	Corporation B	Corporation C
Start of tax year: January 1, 2015	Start of tax year: January 1, 2015	Start of tax year: January 1, 2015
End of tax year: December 31, 2015	End of tax year: December 31, 2015	End of tax year: December 31, 2015
Tax payable: $2,000	Tax payable: $2,500	Tax payable: $3,000
Start of tax year: January 1, 2016	Start of tax year: January 1, 2016	Start of tax year: January 1, 2016
End of tax year: December 31, 2016	End of tax year: December 31, 2016	End of tax year: December 31, 2016
Tax payable: $4,000	Tax payable: $5,000	Tax payable: $6,000

Corporations A, B, and C amalgamated on January 1, 2017 to form Corporation ABC.

For its first tax year, ending on December 31, 2017, 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 ending December 31, 2017 would be:

Tax year-end December 31, 2017	First instalment base amount (1)	Second instalment base amount (2)
Corporation ABC	Predecessors (Corporations A + B + C)	Predecessors (Corporations 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 2017 tax year is $15,000. This amount is the total of the predecessor corporations' tax payable (2016) for their last tax year before amalgamation.

(2) The second instalment base amount for the successor's 2017 tax year is $7,500. This amount is the total of the predecessor corporations' first instalment base amount for the 2016 tax year.

For Regulation 5301(4), the instalment base year amounts for Corporation ABC's second tax year ending December 31, 2018 would be:

Tax year-end December 31, 2018	First instalment base amount (1)	Second instalment base amount (2)
Corporation ABC	Corporation ABC	Predecessors' bases (Corporations A + B + C)
$25,000*	$20,000	4,000 + 5,000 + 6,000 = $15,000

* Estimate of tax payable for 2018

(1) The first instalment base amount for the successor's 2018 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 2018 would have equalled the greater of the following two amounts:

- the adjusted base amount for 2017; 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 "Short tax years" on page 10).

(2) The second instalment base amount for the successor's 2018 tax year is $15,000. This amount is the successor's first instalment base amount for its first tax year (2017).

Appendix 2 – Instalment base – Wind-ups

[Regulation 5301(6)]

On July 31, 2017, 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, 2017 to July 31, 2017, 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, 2015	$14,000	$5,000
December 31, 2016	$12,000	$6,000
December 31, 2017*	$20,000	N/A

* For the current tax year ending on December 31, 2017, the estimated tax payable is $20,000.

For Regulation 5301(6), the instalment base year amounts for the parent corporation's tax year ending December 31, 2017 would be:

Before the wind-up

Tax year-end December 31, 2017	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, 2017.

After the wind-up

Tax year-end December 31, 2017	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, 2017.

(1) The first instalment base amount for the parent's 2017 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 2017 tax year.

(2) The second instalment base amount for the parent's 2017 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 2017 tax year.

For Regulation 5301(6), the instalment base year amounts for the parent's tax year ending December 31, 2018 would be:

Tax year-end December 31, 2018	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 2018 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 2017 tax year, multiplied by the number of complete months (7) in the parent's 2017 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 2018 tax year is $18,000. This amount is the total of:

- the parent's normal first instalment base amount of $12,000 for its 2017 tax year; and
- the subsidiary's first instalment base amount of $6,000 for its 2017 tax year.

Appendix 3 – Instalment base – Transfers or rollovers

[Regulation 5301(8)]

On October 31, 2016, 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, 2016 to October 31, 2016, 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, 2015	$14,000	$5,000
June 30, 2016	$12,000	$6,000
June 30, 2017*	$20,000	N/A

* For the current tax year ending on June 30, 2017, 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 ending June 30, 2017 would be:

Before the rollover

Tax year-end June 30, 2017	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, 2016.

After the rollover

Tax year-end June 30, 2017	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, 2017.

(1) The first instalment base amount for the transferee's 2017 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 2017 tax year.

(2) The second instalment base amount for the transferee's 2017 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 2017 tax year.

For Regulation 5301(8), the instalment base year amounts for the transferee's tax year ending June 30, 2018 would be:

Tax year-end June 30, 2018	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 2018 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 2017 tax year, multiplied by the number of complete months (4) in the transferee's 2017 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 2018 tax year is $18,000. This amount is the total of:

- the transferee's normal first instalment base amount of $12,000 for its 2017 tax year; and
- the transferor's first instalment base amount of $6,000 for its 2017 tax year.

Appendix 4 – Worksheet 2 – Example 1

Corporation D has estimated its tax for 2017 at $900,000. The actual taxes for 2016 and 2015 are $912,000 and $60,000 respectively. Using Worksheet 2, we will determine the most advantageous option.

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Worksheet 2
Protected B when completed

Calculating your monthly instalment payments for 2017

- Use this worksheet to calculate your **monthly** instalment payments for 2017. If you're eligible to make **quarterly** instalment payments, use Worksheet 3.
- To find out if you are eligible to make quarterly instalment payments, see the T7B-Corp, *Corporation Instalment Guide*.
- Use the estimates calculated from Worksheet 1 to complete this worksheet. If you had tax payable for 2016, complete option 2; if you had tax payable for 2015, complete option 3.
- Instalment payments are due on the last day of every complete month of your corporation's tax year. See the T7B-Corp for more information on due dates and payments.
- This worksheet does **not** have to be filed with your *T2 Corporation Income Tax Return*.

Option 1 – 2017

Total estimated 2017 federal tax payable* (amount H from Worksheet 1)	900,000	1A
Estimated 2017 net provincial and territorial tax payable before refundable credits** (amount I from Worksheet 1)		1B
Total estimated 2017 tax payable (amount J from Worksheet 1)	900,000	1C
Total estimated refundable tax credits for 2017 (amount K from Worksheet 1)		1D
Option 1 instalment base amount (amount 1C **minus** amount 1D)	900,000	1E
12 monthly payments due under option 1 (amount 1E **divided** by 12)	75,000	1F

Option 2 – 2016

Total 2016 federal tax payable* (total of lines 700, 720, 724, 727 from your T2 return for 2016)	912,000	2A
2016 net provincial and territorial tax payable before refundable credits** (line 760 from your T2 return for 2016)		2B
Total 2016 tax payable (amount 2A **plus** amount 2B)	912,000	2C
Total estimated refundable tax credits for 2017 (amount K from Worksheet 1)		2D
Option 2 instalment base amount (amount 2C **minus** amount 2D)	912,000	2E
12 monthly payments due under option 2 (amount 2E **divided** by 12)	76,000	2F

Option 3 – 2015

Total 2015 federal tax payable (total of lines 700, 720, 724, 727 from your T2 return for 2015)	60,000	3A
2015 net provincial and territorial tax payable before refundable credits (line 760 from your T2 return for 2015)		3B
Total 2015 tax payable (amount 3A **plus** amount 3B)	60,000	3C
Total estimated refundable tax credits for 2017 (amount K from Worksheet 1)		3D
Option 3 instalment base amount (amount 3C **minus** amount 3D)	60,000	3E
First two monthly payments due under option 3 (amount 3E **divided** by 12)	5,000	3F
Option 2 instalment base amount	912,000	3G
Total of the first two monthly payments (amount 3F **multiplied** by 2)	10,000	3H
Difference (amount 3G **minus** amount 3H)	902,000	3I
Remaining 10 monthly payments due under option 3 (amount 3I **divided** by 10)	90,200	3J

Summary

Under option 1, $ 75,000 is due each month of the tax year.

Under option 2, $ 76,000 is due each month of the tax year.

Under option 3, $ 5,000 is due each month for the first two months of the tax year, then $ 90,200 is due each month for the remaining 10 months of the tax year.

Note:
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 day.
We will charge interest if you use option 1 and the estimated tax is lower than the year's actual tax and the tax calculated using option 2 or 3.

* If the total of Parts I, VI, VI.1 and XIII.1 tax is $3,000 or less for either 2017 (amount 1A) or 2016 (Amount 2A), you do **not** have to make instalment payments on this amount for 2017.

** 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 2017 (amount 1B) or 2016 (amount 2B), you do **not** have to make instalment payments on this amount for 2017.

T2WS2 E (16) (Vous pouvez obtenir ce formulaire en français à arc.gc.ca/formulaires ou en composant le **1-800-959-7775**.) Canada

Option 1 is the most advantageous of the three options. Therefore, Corporation D 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 E has estimated its tax for 2017 at $912,000. The actual taxes for 2016 and 2015 are $912,000 and $60,000, respectively. Using Worksheet 2, we will determine the most advantageous option.

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Worksheet 2
Protected B when completed

Calculating your monthly instalment payments for 2017

- Use this worksheet to calculate your **monthly** instalment payments for 2017. If you're eligible to make **quarterly** instalment payments, use Worksheet 3.
- To find out if you are eligible to make quarterly instalment payments, see the T7B-Corp, *Corporation Instalment Guide*.
- Use the estimates calculated from Worksheet 1 to complete this worksheet. If you had tax payable for 2016, complete option 2; if you had tax payable for 2015, complete option 3.
- Instalment payments are due on the last day of every complete month of your corporation's tax year. See the T7B-Corp for more information on due dates and payments.
- This worksheet does **not** have to be filed with your *T2 Corporation Income Tax Return*.

Option 1 – 2017

Total estimated 2017 federal tax payable* (amount H from Worksheet 1)	912,000	1A
Estimated 2017 net provincial and territorial tax payable before refundable credits** (amount I from Worksheet 1)		1B
Total estimated 2017 tax payable (amount J from Worksheet 1)	912,000	1C
Total estimated refundable tax credits for 2017 (amount K from Worksheet 1)		1D
Option 1 instalment base amount (amount 1C **minus** amount 1D)	912,000	1E
12 monthly payments due under option 1 (amount 1E **divided** by 12)	76,000	1F

Option 2 – 2016

Total 2016 federal tax payable* (total of lines 700, 720, 724, 727 from your T2 return for 2016)	912,000	2A
2016 net provincial and territorial tax payable before refundable credits** (line 760 from your T2 return for 2016)		2B
Total 2016 tax payable (amount 2A **plus** amount 2B)	912,000	2C
Total estimated refundable tax credits for 2017 (amount K from Worksheet 1)		2D
Option 2 instalment base amount (amount 2C **minus** amount 2D)	912,000	2E
12 monthly payments due under option 2 (amount 2E **divided** by 12)	76,000	2F

Option 3 – 2015

Total 2015 federal tax payable (total of lines 700, 720, 724, 727 from your T2 return for 2015)	60,000	3A
2015 net provincial and territorial tax payable before refundable credits (line 760 from your T2 return for 2015)		3B
Total 2015 tax payable (amount 3A **plus** amount 3B)	60,000	3C
Total estimated refundable tax credits for 2017 (amount K from Worksheet 1)		3D
Option 3 instalment base amount (amount 3C **minus** amount 3D)	60,000	3E
First two monthly payments due under option 3 (amount 3E **divided** by 12)	5,000	3F
Option 2 instalment base amount	912,000	3G
Total of the first two monthly payments (amount 3F **multiplied** by 2)	10,000	3H
Difference (amount 3G **minus** amount 3H)	902,000	3I
Remaining 10 monthly payments due under option 3 (amount 3I **divided** by 10)	90,200	3J

Summary

Under option 1, $ 76,000 is due each month of the tax year.

Under option 2, $ 76,000 is due each month of the tax year.

Under option 3, $ 5,000 is due each month for the first two months of the tax year, then $ 90,200 is due each month for the remaining 10 months of the tax year.

Note:
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 day. We will charge interest if you use option 1 and the estimated tax is lower than the year's actual tax and the tax calculated using option 2 or 3.

* If the total of Parts I, VI, VI.1 and XIII.1 tax is $3,000 or less for either 2017 (amount 1A) or 2016 (Amount 2A), you do **not** have to make instalment payments on this amount for 2017.

** 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 2017 (amount 1B) or 2016 (amount 2B), you do **not** have to make instalment payments on this amount for 2017.

T2WS2 E (16) (Vous pouvez obtenir ce formulaire en français à arc.gc.ca/formulaires ou en composant le **1-800-959-7775**.) Canada

Option 3 is the most advantageous of the three options. Therefore, Corporation E 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 3 – Example

Corporation F has estimated its tax for 2017 at $240,000. The actual taxes for 2016 and 2015 are $240,000 and $36,000, respectively. Using Worksheet 3, we will determine the most advantageous option.

Canada Revenue Agency | Agence du revenu du Canada

Worksheet 3
Protected B when completed

Calculating your quarterly instalment payments for 2017

- Use this worksheet to calculate your 2017 **quarterly** instalment payments for an eligible Canadian-controlled private corporation (CCPC). If you are **not** eligible to make **quarterly** instalment payments, use Worksheet 2.
- To find out if you are eligible to make quarterly instalment payments, see the T7B-Corp, *Corporation Instalment Guide*.
- Use the estimates calculated from Worksheet 1 to complete this worksheet. If you had tax payable for 2016, complete option 2; if you had tax payable for 2015, complete option 3.
- Instalment payments are due on the last day of every complete quarter of your corporation's tax year. See the T7B-Corp for more information on due dates and payments.
- This worksheet does **not** have to be filed with your *T2 Corporation Income Tax Return*.

Option 1 – 2017

Total estimated 2017 federal tax payable* (amount H from Worksheet 1)	240,000	1A
Estimated 2017 net provincial and territorial tax payable before refundable credits** (amount I from Worksheet 1)		1B
Total estimated 2017 tax payable (amount J from Worksheet 1)	240,000	1C
Total estimated refundable tax credits for 2017 (amount K from Worksheet 1)		1D
Option 1 instalment base amount (amount 1C **minus** amount 1D)	240,000	1E
Four quarterly payments due under option 1 (amount 1E **divided** by 4)	60,000	1F

Option 2 – 2016

Total 2016 federal tax payable* (total of lines 700, 720, 724, 727 from your T2 return for 2016)	240,000	2A
2016 net provincial and territorial tax payable before refundable credits** (line 760 from your T2 return for 2016)		2B
Total 2016 tax payable (amount 2A **plus** amount 2B)	240,000	2C
Total estimated refundable tax credits for 2017 (amount K from Worksheet 1)		2D
Option 2 instalment base amount (amount 2C **minus** amount 2D)	240,000	2E
Four quarterly payments due under option 2 (amount 2E **divided** by 4)	60,000	2F

Option 3 – 2015

Total 2015 federal tax payable (total of lines 700, 720, 724, 727 from your T2 return for 2015)	36,000	3A
2015 net provincial and territorial tax payable before refundable credits (line 760 from your T2 return for 2015)		3B
Total 2015 tax payable (amount 3A **plus** amount 3B)	36,000	3C
Total estimated refundable tax credits for 2017 (amount K from Worksheet 1)		3D
Option 3 instalment base amount (amount 3C **minus** amount 3D)	36,000	3E
First payment due under option 3 (amount 3E **divided** by 4)	9,000	3F
Option 2 instalment base amount	240,000	3G
First payment due under option 3	9,000	3H
Difference (amount 3G **minus** amount 3H)	231,000	3I
Remaining 3 quarterly payments due under option 3 (amount 3I **divided** by 3)	77,000	3J

Summary

Under option 1, $ 60,000 is due each quarter of the tax year.

Under option 2, $ 60,000 is due each quarter of the tax year.

Under option 3, $ 9,000 is due for the first quarter of the tax year, then $ 77,000 is due each quarter for the remaining three quarters of the tax year.

Note
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 day. We will charge interest if you use option 1 and the estimated tax is lower than the year's actual tax and the tax calculated using option 2 or 3.

* If the total of Parts I, VI, VI.1 and XIII.1 tax is $3,000 or less for either 2017 (amount 1A) or 2016 (Amount 2A), you do **not** have to make instalment payments on this amount for 2017.

** 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 2017 (amount 1B) or 2016 (amount 2B), you do **not** have to make instalment payments on this amount for 2017.

T2WS3 E (16) (Vous pouvez obtenir ce formulaire en français à arc.gc.ca/formulaires ou en composant le **1-800-959-7775**.) Canada

Option 3 is the most advantageous of the three options. Therefore, Corporation F 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.

Online services

Handling business taxes online

Save time using the CRA's online services for businesses. You can:

- authorize a representative, an employee, or a group of employees, who has registered with Represent a Client, for online access to your business accounts;
- request or delete authorization online through Represent a Client, if you are a representative;
- register for online mail, get email notifications, and view your mail online;
- calculate a balance that includes interest calculated to a future date;
- authorize the withdrawal of a pre-determined amount from your bank account;
- transfer payments and immediately view updated balances;
- request remittance vouchers;
- enrol for direct deposit, update banking information, and view direct deposit transactions;
- request a refund;
- request copies of notices ;
- change addresses;
- view answers to common enquiries, and if needed, submit account related enquiries;
- view closing balances (for example, non-capital loss balances);
- view the status of filed returns;
- view the account balance and instalment balance, including the corresponding transactions (for example, payments); and
- do much more.

To register or log in to our online services, go to:

- My Business Account at **cra.gc.ca/mybusinessaccount**, if you are a business owner; or
- Represent a Client at **cra.gc.ca/representatives**, if you are an authorized representative or employee.

For more information, go to **cra.gc.ca/businessonline**.

Receiving your CRA mail online

You, or your representative (authorized at a level 2), can choose to receive most of your CRA mail for your business online.

When you or your representative registers for online mail, an email notification will be sent to the email address(es) provided when there is new mail available to view in My Business Account. Correspondence available through online mail will no longer be printed and mailed. To register, select the "Manage online mail" service and follow the steps.

Using our online mail service is faster and easier than managing paper correspondence.

Authorizing the withdrawal of a pre-determined amount from your bank account

Pre-authorized debit (PAD) is an online, self-service, payment option. Through this option, you agree to authorize the CRA to withdraw a pre-determined amount from your bank account to pay tax on a specific date or dates. You can set up a PAD agreement using the CRA's secure My Business Account service at **cra.gc.ca/mybusinessaccount**. PADs are flexible and managed by you. You can view historical records, modify, cancel, or skip a payment. For more information, go to **cra.gc.ca/payments** and select "Pre authorized debit."

Electronic payments

Make your payment using:

- your financial institution's online or telephone banking services;
- the CRA's My Payment service at **cra.gc.ca/mypayment**; or
- pre-authorized debit at **cra.gc.ca/mybusinessaccount**.

For more information on all payment options, go to **cra.gc.ca/payments**.

For more information

What if you need help?

If you need more information after reading this guide, visit **cra.gc.ca** or call **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 legislative references with square brackets.

For information about filing your *T2 Corporation Income Tax Return*, see Guide T4012, *T2 Corporation – Income Tax Guide*. Go to **cra.gc.ca/corporation-internet** for corporation Internet filing and **cra.gc.ca/t2return** for corporate income tax information.

Forms and publications

To get our forms and publications, go to **cra.gc.ca/forms** or call one of the following numbers:

- from Canada and the United States, **1-800-959-5525**;
- from outside Canada and the United States, **613-940-8497**. We accept collect calls by automated response. You may hear a beep and experience a normal connection delay.

Electronic mailing lists

We can notify you by email when new information on a subject of interest to you is available on our website. To subscribe to our electronic mailing lists, go to **cra.gc.ca/lists**.

Teletypewriter (TTY) users

If you have a hearing or speech impairment and use a TTY call **1-800-665-0354** during regular business hours.

Non-resident corporations

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

- from Canada and the United States, **1-800-959-5525**;

  Monday to Friday (except holidays)
  9 a.m. to 6 p.m. (local time)

- from outside Canada and the United States, **613-940-8497**. (We accept collect calls by automated response. You may hear a beep and experience a normal connection delay.)

  Monday to Friday (except holidays)
  9 a.m. to 6 p.m. (Eastern time)

You may write to the International and Ottawa Tax Services Office at:

International and Ottawa Tax Services Office
Post Office Box 9769, Station T
Ottawa ON K1G 3Y4
CANADA

Fax: **613-952-3845**

Service complaints

You can expect to be treated fairly under clear and established rules, and get a high level of service each time you deal with the CRA; see the *Taxpayer Bill of Rights*.

If you are not satisfied with the service you received, try to resolve the matter with the CRA employee you have been dealing with or call the telephone number provided in the CRA's correspondence. If you do not have contact information, go to **cra.gc.ca/contact**.

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

If you are still not satisfied, you can file a service complaint by filling out Form RC193, *Service-Related Complaint*. For more information, go to **cra.gc.ca/complaints**.

If the CRA has not resolved your service-related complaint, you can submit a complaint with the Office of the Taxpayers' Ombudsman.

Reprisal complaint

If you believe that you have experienced reprisal, fill out Form RC459, *Reprisal Complaint*.

For more information about reprisal complaints, go to **cra.gc.ca/reprisalcomplaints**.

Tax information videos

We have a tax information video series for new small businesses that provides an introduction to topics such as registering a business, GST/HST, and payroll. To watch our videos, go to **cra.gc.ca/videogallery**.