

## DEADLINES AND INSTALLMENTS FOR CORPORATIONS

### Deadlines: Filing and Payment of Tax Owing

	If Corporation is a CCPC throughout the year AND claimed the Small Business Deduction	All other corporations
<b>Deadline for tax return (T2)</b>	6 months after year end	6 months after year end
<b>Deadline for taxes owing</b>	3 months after year end	2 months after year end

### By law, who needs to file a corporate tax return (T2)?

All Corporations **other than registered charities** need to file a tax return if **any** of the following applies:

- Corporation was a Canadian resident during any time in the year; or
- Corporation Carried on business in Canada; or
- Corporation earned taxable capital gains in Canada; or
- Corporation disposed of Taxable Canadian Property

### Interest

- Interest is assessed when:
  - balance owing is not paid on time; and
  - when late/insufficient installments are made
- **The interest rate on late taxes = regular prescribed rate + 4%** (in 2012, this is 1% + 4%= 5% total)

### Penalties

<b>Penalty for late filing</b>	5% of taxes owing is the penalty + 1% for each COMPLETE month you are late for a maximum of 12 months  If previous offence the 5% becomes 10% and the 1% becomes 2% (i.e. penalty doubles)
<b>Penalty for late/insufficient Installments</b>	50% * [interest owing on late or insufficient installment – greater of (\$1,000 and 25% of would be interest had no installments were made)]

### Installments

#### When is a corporation required to make installments?

A corporation is required to make instalments for the current year, if the **previous year's net taxes payable** (also called "balance owing") is greater than **\$3,000**

### What are the dates for instalment payments for corporations?

Payments need to be made **by the end of the month (or quarter for those corporations that qualify)**

### Quarterly Installments (applicable to small Canadian Controlled Private Corporations)

If **all** of the following conditions are met, a corporation is allowed to make quarterly installment payments::

1. The corporation must be a **CCPC throughout the entire year**; and
2. In the **current or previous year**:
  - a. The corporation claimed the **small business deduction**; and
  - b. The corporation had Taxable income  $\leq$  **\$500,000**; and
  - c. The corporation had Taxable Capital Employed In Canada  $\leq$  **\$10 Million**; and
3. The corporation has a **perfect compliance history** in the last 12 months

***Taxable Capital Employed in Canada** = Liabilities + Shareholders' Equity less debt and equity investments in other corporations.*

### Monthly Installments

- All other corporations make monthly installment payments

### Amount of Installments: Three Options

Corporations have three options to calculate the installment payments;

#### Monthly Installments:

1. Monthly Payments =  $1/12$  \* estimated net taxes for the current year
2. Monthly Payment =  $1/12$  \* Prior year net taxes
3. Payment for First 2 Months =  $1/12$  \* Second Prior Year's Net Tax  
Payment for remaining 10 Months =  $1/10$  \*(Prior Year Net Tax – 2 \*  $1/12$  \* Second Prior Year Net Tax)

#### Quarterly Installments:

1. Quarterly Payments =  $1/4$  \* estimated net taxes for the current year
2. Quarterly Payment =  $1/4$  \* Prior year net taxes
3. Payment for 1<sup>st</sup> Quarter =  $1/4$ \* Second Prior Year's Net Tax  
Payment for 3 Quarters =  $1/3$  \*(Prior Year Net Tax –  $1/4$  \* Second Prior Year Net Tax)