

DEADLINES AND INSTALLMENTS FOR INDIVIDUALS

Deadlines: Filing and Payment of Tax Owing

	Individuals with no business income	If Individual or his cohabiting spouse carried on a business
Deadline for filing tax return (T1)	April 30 th of the following year	June 15 th of the following year
Deadline for taxes owing	April 30 th of the following year	April 30 th of the following year

By law, who needs to file a personal tax return (T1)?

You need to file a tax return if any of the following applies:

- If you owe taxes
- If you disposed of taxable Canadian property
- If you had taxable capital gains
- If you have amount outstanding on a home buyer's plan (HBP) or a lifelong learning plan (LLP)

Interest

- Interest is assessed when
 - balance owing on April 30th 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

Penalty for late filing	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)
Penalty for late/insufficient Installments	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 an individual required to make installments?

An individual is required to make instalments for the current year, if the **previous year's net taxes payable** (tax payable less withholding; also called "balance owing") is greater than \$3,000

What are the dates for instalment payments for individuals

Individuals make quarterly installment payments by the following dates: **March 15, June 15, September 15, and December 15**

Amount of Installments: Three Options

Individuals have three options to calculate the installment payments;

1. **Quarterly Payments** = $\frac{1}{4}$ * estimated net taxes for the current year
 2. **Quarterly Payment** = $\frac{1}{4}$ * Prior year net taxes
 3. **Payment for First 2 Quarters (March, June)** = $\frac{1}{4}$ * Second Prior Year's Net Tax
Payment for remaining 2 Quarters (Sept, Dec) = $\frac{1}{2}$ * (Prior Year Net Tax - 2 * $\frac{1}{4}$ * Second Prior Year Net Tax)
- CRA's by default sends quarterly installments reminders using option #3; if you pay what they tell you on the reminder, you will not be charged any interest on late installments
 - they use option 3 because they would not have enough information to use option 1 or 2, since a tax return does not need to be filed until April 30th or June 15th
 - If income is on a downward trend, it makes sense to use option 1 or option 2; but the risk of using these methods is that they would require some estimation. If you're estimates are low, CRA will charge interest on late installments (see above)