

To Pay or Not to Pay Personal and Corporate Tax Instalments?

That is The Question!

By: Catherine Fulcher, CPA, CA

Any corporation or individual who had a tax balance owing of greater than \$3,000 in the previous year has an installment requirement and not paying them on time can be very costly. The CRA can charge interest compounded daily, along with penalties. The current CRA prescribed rate for the last half of 2024 is 9% (10% in the first half). The penalty is calculated in 3 parts:

- A) 25% of the total interest if no instalments were paid**
- B) The higher of \$1,000 and A**
- C) The total actual interest charges less the amount in B divided by 2**

For example, if the instalment interest is \$1,500 but would have been \$2,500 if no instalments were made, the penalty is calculated as follows:

**\$1,500 less \$1,000 (the higher of the flat rate and $\$2,500 \times 25\% = 625$)
which is $\$500$ divided by 2 = $\$250$ penalty.**

If you have not made instalments yet, it's not too late to catch up! Payments can be made at any time to stop the interest from accruing. Early payments can be made to offset some of the previous interest incurred.

A reminder that the corporate instalments are due on the first of every month and personal instalments are due quarterly with the next payment due December 15th.

Any final balances owing for corporations are due 2 months after the corporation's fiscal year end for most businesses and 3 months after the corporation's fiscal year end for some qualifying CCPCs.

The preceding information is for educational purposes only. As it is impossible to include all situations, circumstances and exceptions, a further review should be done by a qualified professional. No individual or organization involved in either the preparation or distribution of this letter accepts any contractual, tortious, or any other form of liability for its contents.