



INSTALMENTS

1. What are Instalment Payments?

Instalment payments to the Canada Revenue Agency (CRA) are a method of paying taxes *in advance* throughout the year, rather than making a lump sum payment at the end of the tax year for taxes owed. This system ensures that individuals and businesses meet their tax obligations in a timely manner.

Instalment payments are separate from the tax owing amount from previous year. Therefore, they do NOT function as a payment plan for your previous year's tax liabilities.

2. How do Instalment Payments Work?

- Calculation: The CRA determines the instalment amounts based on the taxpayer's *previous year's tax liability* or an estimate of the current year's tax liability.
- Payment Frequency: Instalment payments are typically made quarterly, with due dates falling on the 15th of March, June, September, and December.

3. Receiving the Instalment Schedule

- Requirement: The CRA determines whether an individual or business is required to pay taxes through instalments based on their previous tax return or income projections.
- Notification: Here at Misfeldt & Gunn CPAs we will provide you with your instalment schedule. However, taxpayers who are required to make instalment payments also receive an instalment reminder notice from the CRA. This notice includes the payment due dates and the calculated instalment amounts.

4. Importance of Following the Instalment Schedule

- Compliance: Following the instalment schedule is crucial to ensure compliance with the CRA's tax regulations. *Failure to make instalment payments or not adhering to the schedule may result in interest charges.*
- Avoiding Interest Charges: Paying taxes in advance through instalments helps individuals and businesses avoid or minimize interest charges that would otherwise accrue on the tax balance owed.
- If you anticipate changes in your tax situation for the upcoming tax year and expect not to owe any taxes, you can disregard the instalment schedule.

5. Methods of payments for instalments

- Online, visit the tax payment website for quick and convenient electronic payment. Choose online banking, pre-authorized debit (PAD) payments, or debit card payments, as credit cards are not accepted.
- In-person, you can pay at your Canadian bank or credit union using a cheque or debit card. Remember to bring your printed remittance voucher(s) for reference. Alternatively, you can make a payment at a Canada Post location using debit or cash.
- For mail, prepare a check or money order with your remittance voucher and send it to the designated tax office.