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Calculation of Instalments for Corporations

Corporations that use form CO-1027

Complete form CO-1027 for any corporation required to pay instalments of income tax or compensation tax for financial institutions to the Minister of Revenue of Québec. The form can also be used to calculate instalments of the tax on capital for insurance corporations (Part VI of the *Taxation Act*) or life insurers (Part VI.1 of the *Taxation Act*).

A corporation is required to pay instalments if its total income tax and tax on capital payable (excluding the compensation tax for financial institutions) for the current taxation year and the previous taxation year exceeds **\$3,000** for **each** taxation year.

Tax credits

The refundable tax credits to which a corporation is entitled for a taxation year can be used to reduce the amount of the instalments it is required to pay for the year. However, they must be used to reduce the instalments for the year in chronological order, beginning with the first instalment.

If the total amount of the tax credits is more than the total amount of the instalments, the difference will be applied to the balance that must be paid on the balance due date.

Quarterly instalments

A corporation required to pay instalments must do so on or before the last day¹ of each quarter of the current taxation year if it meets the following conditions (taking into account all associated corporations):

- It is a Canadian-controlled private corporation.
- Its taxable income for the current taxation year or the previous year is \$500,000 or less.
- It has income from a business that it actively carried on during the current taxation year or had such income during the previous year.
- Its paid-up capital² for the current taxation year or the previous year is \$10 million or less.
- It met its tax obligations over the past 12 months.

Monthly instalments

A corporation required to pay instalments that does not meet the conditions set out in the previous paragraph must pay monthly instalments. These instalments must be paid on or before the last day³ of each month of the current taxation year.

A corporation that fails to pay a quarterly instalment on or before the due date must begin to pay monthly instalments the following month.

For more information, refer to section 1027 of the *Taxation Act*.

Interest on instalments

The corporation must pay interest, capitalized daily, on any instalment (or portion thereof) not paid on or before the due date. Furthermore, additional interest of 10% per year, capitalized daily, applies to any instalment (or portion thereof) not paid on or before the due date, unless the corporation has paid an amount corresponding to 90% or more of the instalment it was supposed to pay.

Interest on a balance due

If, at the end of the current taxation year, the amount of income tax and taxes payable is greater than the amount for the previous taxation year and, as a result, the corporation has a balance due after taking into account the instalments it paid, the corporation must pay that balance due on or before the last day of the second month following the end of its taxation year. Interest will be charged on any unpaid balance after that date.

1 Information about the corporation

01a	Québec enterprise number (NEQ)	01b	Identification number	File	05	End date of fiscal period
				IC 0001		
02	Name of corporation					

Check the box on form CO-1027 that corresponds to the instalment frequency.

06 Quarterly 07 Monthly

Y Y Y Y M M D D

2 Income tax instalments

If the corporation's previous taxation year or second previous taxation year had fewer than 365 days, complete part 6 of form CO-1027 before completing part 2 of the form.

Estimated income tax for the current taxation year. To help you calculate this amount, complete form CO-771, *Calcul de l'impôt sur le revenu d'une société*.

25

Income tax payable for the previous taxation year.⁴ This amount corresponds to the first instalment base of income tax for the corporation.⁵

26

Income tax payable for the second previous taxation year.⁶ This amount corresponds to the second instalment base of income tax for the corporation.⁷

27

Use either Method A or Method B below to calculate the amounts the corporation must pay quarterly or monthly, as applicable.

Method B is to your advantage if:

- the amount on line 26 is less than the amount on line 25; **and**
- the amount on line 27 is less than the amount on line 26.

Method A

Enter the amount shown on line 25 or line 26, whichever is **less**.

Divide line 30 by line 31.

**Amount of each quarterly instalment
or each monthly instalment, as applicable**

Quarterly instalments

30	
÷	31
	4
=	32

Monthly instalments

30	
÷	31
	12
=	32

Method B

Amount on line 27

Divide line 33 by line 34.

**Amount of the first quarterly instalment
or each of the first two monthly instalments, as applicable**

Quarterly instalments

33	
÷	34
	4
=	35

Monthly instalments

33	
÷	34
	12
=	35

Amount on line 26

If the first instalment is a **quarterly instalment**, enter **1/4** of the amount shown on line 33.

If the first two instalments are **monthly instalments**, enter **1/6** of the amount shown on line 33.

Subtract line 37 from line 36. If the result is negative, enter 0.

Surplus

Divide line 38 by line 39.

**Amount of each of the next three quarterly instalments
or each of the next 10 monthly instalments, as applicable**

36	
–	37
	38
÷	39
	3
=	40

36	
–	37
	38
÷	39
	10
=	40

Check the box on form CO-1027 that corresponds to the calculation method used and carry the instalment amounts to part 5 of the form.

41 Method A

42 Method B

3 Instalments of tax on capital for an insurance corporation or a life insurer

If the corporation's previous taxation year or second previous taxation year had fewer than 365 days, complete part 6 of form CO-1027 before completing part 3 of the form.

Estimated tax on capital for the current taxation year ⁸	49	
Tax on capital payable for the previous taxation year. This amount corresponds to the first instalment base of tax on capital for the corporation. ⁹	50	
Tax on capital payable for the second previous taxation year. This amount corresponds to the second instalment base of tax on capital for the corporation. ¹⁰	51	

Use either Method A or Method B below to calculate the amounts the corporation must pay quarterly or monthly, as applicable.

Method B is to your advantage if:

- the amount on line 50 is less than the amount on line 49; **and**
- the amount on line 51 is less than the amount on line 50.

Method A		Quarterly instalments	Monthly instalments
Enter the amount shown on line 49 or line 50, whichever is less .	54		54
	÷ 55	4	÷ 55
Divide line 54 by line 55.			12
Amount of each quarterly instalment or each monthly instalment, as applicable	= 56	= 56	

Method B		Quarterly instalments	Monthly instalments
Amount on line 51	57		57
	÷ 58	4	÷ 58
Divide line 57 by line 58.			12
Amount of the first quarterly instalment or each of the first two monthly instalments, as applicable	= 59		
Amount on line 50	60		60
If the first instalment is a quarterly instalment , enter 1/4 of the amount shown on line 57.			
If the first two instalments are monthly instalments , enter 1/6 of the amount shown on line 57.	– 61		– 61
Subtract line 61 from line 60. If the result is negative, enter 0.			
Surplus	= 62		= 62
	÷ 63	3	÷ 63
Divide line 62 by line 63.			10
Amount of each of the next three quarterly instalments or each of the next 10 monthly instalments, as applicable	= 64	= 64	

Check the box on form CO-1027 that corresponds to the calculation method used and carry the instalment amounts to part 5 of the form.

65 Method A

66 Method B

4 Instalments of compensation tax for a financial institution

If the corporation's previous taxation year or second previous taxation year had fewer than 365 days, complete part 6 of form CO-1027 before completing part 4 of the form.

Estimated compensation tax for the current taxation year. To help you calculate this amount, complete form CO-1159.2, *Calcul de la taxe compensatoire des institutions financières*.

73		
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Compensation tax payable for the previous taxation year. This amount corresponds to the first instalment base of compensation tax for the corporation.¹¹

74		
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Compensation tax payable for the second previous taxation year. This amount corresponds to the second instalment base of compensation tax for the corporation.¹²

75		
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Use either Method A or Method B below to calculate the amounts the corporation must pay quarterly or monthly, as applicable.

Method B is to your advantage if:

- the amount on line 74 is less than the amount on line 73; **and**
- the amount on line 75 is less than the amount on line 74.

Method A

Enter the amount shown on line 73 or line 74, whichever is **less**.

Divide line 78 by line 79.

**Amount of each quarterly instalment
or each monthly instalment, as applicable**

Quarterly instalments

78	4
÷ 79	
= 80	

Monthly instalments

78	12
÷ 79	
= 80	

Method B

Amount on line 75

Divide line 81 by line 82.

**Amount of the first quarterly instalment
or each of the first two monthly instalments, as applicable**

Quarterly instalments

81	4
÷ 82	
= 83	

Monthly instalments

81	12
÷ 82	
= 83	

Amount on line 74

If the first instalment is a **quarterly instalment**, enter **1/4** of the amount shown on line 81.

If the first two instalments are **monthly instalments**, enter **1/6** of the amount shown on line 81.

Subtract line 85 from line 84. If the result is negative, enter 0.

Surplus

Divide line 86 by line 87.

**Amount of each of the next three quarterly instalments
or each of the next 10 monthly instalments, as applicable**

84	3
- 85	
= 86	
÷ 87	
= 88	

84	10
- 85	
= 86	
÷ 87	
= 88	

Check the box on form CO-1027 that corresponds to the calculation method used and carry the instalment amounts to part 5 of the form.

89 Method A

90 Method B

5 Amounts of instalments

5.1 Amount of the first quarterly instalment or each of the first two monthly instalments

Amount on line 32 or line 35, depending on the method chosen		93	
Amount on line 56 or line 59, depending on the method chosen	+	94	
Amount on line 80 or line 83, depending on the method chosen	+	95	
Add lines 93 through 95.			
Amount of the first quarterly instalment or each of the first two monthly instalments	=	96	

5.2 Amount of each of the next three quarterly instalments or each of the next 10 monthly instalments

Amount on line 32 or line 40, depending on the method chosen		97	
Amount on line 56 or line 64, depending on the method chosen	+	98	
Amount on line 80 or line 88, depending on the method chosen	+	99	
Add lines 97 through 99.			
Amount of each of the next three quarterly instalments or each of the next 10 monthly instalments	=	100	

6 Instalment bases of income tax, tax on capital and compensation tax payable if the previous taxation year or the second previous taxation year of the corporation had fewer than 365 days

6.1 First instalment base

Complete section 6.1 of form CO-1027 if the corporation's previous taxation year had **fewer** than 365 days.

		A Income tax	B Tax on capital	C Compensation tax
Enter in the appropriate column the amount of income tax, tax on capital or compensation tax payable for the previous taxation year.	110			
	×	111		
Multiply line 110 by line 111.	=	112		
Number of days in the previous taxation year	÷	113		
Divide line 112 by line 113. If the previous taxation year had 183 days or more, carry the amount on line 114 to line 26, line 50 or line 74, as applicable. Otherwise, complete lines 115 through 120.	=	114		
Enter in the appropriate column the amount of income tax, tax on capital or compensation tax payable for the last taxation year that preceded the previous taxation year and had more than 182 days.	115			
	×	116		
Multiply line 115 by line 116.	=	117		
Number of days in the last taxation year that preceded the previous taxation year and had more than 182 days	÷	118		
Divide line 117 by line 118.	=	119		
Enter the amount shown on line 114 or line 119, whichever is greater . Carry this amount to line 26, line 50 or line 74, as applicable.	120			

6.2 Second instalment base

Complete section 6.2 of form CO-1027 if the corporation's second previous taxation year had **fewer** than 365 days.

Enter in the appropriate column the amount of income tax, tax on capital or compensation tax payable for the second previous taxation year.

Multiply line 130 by line 131.

Number of days in the second previous taxation year

Divide line 132 by line 133. If the second previous taxation year had 183 days or more, carry the amount on 134 to line 27, line 51 or line 75, as applicable. Otherwise, complete lines 135 through 140.

Enter in the appropriate column the amount of income tax, tax on capital or compensation tax payable for the last taxation year that preceded the second previous taxation year and had more than 182 days.

Multiply line 135 by line 136.

Number of days in the last taxation year that preceded the second previous taxation year and had more than 182 days

Divide line 137 by line 138.

Enter the amount shown on line 134 or line 139, whichever is **greater**. Carry this amount to line 27, line 51 or line 75, as applicable.

	A Income tax	B Tax on capital	C Compensation tax
130			
× 131	365	365	365
= 132			
÷ 133			
= 134			
135			
× 136	365	365	365
= 137			
÷ 138			
= 139			
140			

Notes

1. A corporation required to pay quarterly instalments must pay the first instalment within three months less one day after the first day of the taxation year. Subsequent instalments must be paid each quarter on the same day as the first instalment.
2. If the corporation claimed the deduction for a manufacturing corporation (code 08) on line 393 or line 394 of form CO-1136, *Calcul du capital versé*, you must add the deduction to the paid-up capital.
3. A corporation required to pay monthly instalments must pay the first instalment within one month less one day after the first day of the taxation year. Subsequent instalments must be paid each month on the same day as the first instalment.
4. You must calculate the income tax payable for the previous taxation year and the income tax payable for the second previous taxation year without taking into account the following deductions:
 - the deduction for income from a major investment project;
 - the deduction for income from a large investment project;
 - the deduction of an amount that relates to an event that occurred in a subsequent taxation year, such as the carry-back of a loss (a loss incurred in 2020 carried back to 2019) or the unused portion of the foreign tax credit that relates to a subsequent taxation year.
5. A corporation formed as a result of an **amalgamation** of two or more corporations must calculate its first and second instalment bases by adding the first and second instalment bases of the corporations it replaces.

A parent corporation that **winds up** a subsidiary of which it owns at least 90% must add the subsidiary's first and second instalment bases to its own first and second instalment bases for the year of winding-up.

For the taxation year following the year of winding-up, the parent corporation must add to its first instalment base an amount calculated as follows:

First instalment base of the subsidiary for the year of winding-up	×	Number of complete months before the winding-up	
		12	Amount to be added

The parent corporation must also add the first instalment base of the subsidiary for the year of winding-up to its own second instalment base for the taxation year following the year of the winding-up.

Where a corporation receives all or substantially all of the property of another corporation with which it is not dealing at arm's length, and sections 518, 529 and 851.22.34 of the *Taxation Act* apply to the disposition of any of the property, the other corporation's first and second instalment bases must be added to its own first and second instalment bases. Such a situation is subject to the same aforementioned rules that apply to the winding-up of a subsidiary.

6. See note 4.
7. See note 5.
8. To help you calculate this amount, complete:
 - form CO-1167, *Société d'assurance – Calcul des primes payables, des primes taxables et de la taxe sur le capital relative à l'assurance maritime*, and line 434 of form CO-17, *Déclaration de revenus des sociétés*, for an insurance corporation; or
 - form CO-1175.4, *Société d'assurance vie – Calcul de la taxe sur le capital*, for a life insurer.
9. See note 5.
10. See note 5.
11. See note 5.
12. See note 5.