

# Guide for Employers

## Source Deductions and Contributions

### 2007

Short Version



The information contained in this guide does not constitute a legal interpretation of Québec or federal laws or regulations. **Nor does this guide contain any legislative amendments for the 2007 taxation year that were announced after October 23, 2006.** You should therefore verify that the texts contained herein are in conformity with current fiscal legislation.

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# 1 Introduction

## 1.1 Purpose of the guide

This guide is for you if

- you are an employer that has at least one establishment located in Québec;
- you pay any of the following types of remuneration to an employee, from one of your establishments located in Québec:
  - a salary or wages (see section 1.4 for information on the term “salary or wages”),
  - a retiring allowance (see the definition in section 5.13.1),
  - a death benefit (see the definition in section 5.13.2),
  - workers’ compensation – CSST;
- the employee to whom you pay the remuneration is resident in Canada, works **only** in Québec and is an employee of one of your establishments located in Québec.

## 1.2 Contents

This guide, which is a short version of the *Guide for Employers* (TP-1015.G-V), is designed to inform you of your obligations as an employer. It also contains information pertaining to the Québec income tax, employee QPP contributions and QPIP premiums that you must withhold from the remuneration mentioned in section 1.1, and the QPIP premiums and the contributions to the QPP, to the health services fund, and to the financing of the CNT that you are required to pay as an employer.

The guide also contains information about the computerized calculation of source deductions and employer contributions.

However, **you will not find in this guide information on the following subjects**, which are covered in guide TP-1015.G-V:

- income tax withholdings on remuneration you pay as a payer. You pay remuneration as a payer if, for example, you pay
  - a retirement benefit or an annuity (for example, a retirement benefit from an RPP, or an annuity from an RRSP, a RRIF or a DPSP);
  - an amount under a profit-sharing plan, an employee benefit plan, or an employee trust;
  - an amount under a retirement compensation arrangement;
  - a single payment from an RRSP or an RPP;
  - wage loss replacement benefits paid under a wage loss replacement plan to which the employer contributed;
  - government benefits (for example, employment insurance benefits, parental insurance benefits or an earnings supplement);
- twice-monthly or weekly remittance frequencies;

- remuneration or number of pay periods not covered in the *Source Deduction Table for Québec Income Tax* (TP-1015.TI-V), in the *Source Deduction Tables for QPP Contributions* (TP-1015.TR-V and TP-1015.TR.12-V) or in the *Table for Québec Parental Insurance Plan Premiums* (TP-1015.TA-V);
- the exemption from the contribution to the health services fund for a major investment project, a stock exchange business or securities clearing-house business, or a business operated in a biotechnology development centre (BDC), an information technology development centre (ITDC), a new economy centre (NEC) or the Montréal international trade zone at Mirabel;
- the contribution to the Fonds national de formation de la main-d’œuvre (FNFMO). You are subject to this contribution if your total payroll exceeds \$1 million;
- the compensation tax payable by a specified financial institution;
- the remuneration paid to
  - an employee of an employment agency,
  - an employee who is not resident in Canada,
  - an employee who works partly or entirely outside Québec,
  - an employee of an international financial centre (IFC),
  - a Québec sailor engaged in international freight transportation,
  - a foreign specialist, a foreign researcher (including a foreign researcher on a post-doctoral internship) or a foreign professor who has a five-year tax exemption because he or she holds a certificate or a qualification certificate from a government body,
  - a foreign producer,
  - a member of the Canadian Forces or a police force who was assigned to a special mission;
  - a foreign farm worker;
- the remuneration paid from an establishment located outside Québec;
- salary deferral arrangements and self-funded leaves of absence;
- QPP contributions and QPIP premiums in the event of a corporate amalgamation;
- QPP contributions in the event of a phased retirement arrangement;
- services performed for you by an employee of an employer that does not carry on business in Québec.



## 1.3 Abbreviations used in the guide

CIP	Co-operative investment plan
CNT	Commission des normes du travail
CPP	Canada Pension Plan
CSST	Commission de la santé et de la sécurité du travail
FTQ	Fédération des travailleurs et travailleuses du Québec
GST	Goods and services tax
NEQ	Numéro d'entreprise du Québec (Québec enterprise number)
QPIP	Québec parental insurance plan
QPP	Québec Pension Plan
QST	Québec sales tax
REQ	Registraire des entreprises
RPP	Registered pension plan
RRSP	Registered retirement savings plan
SIN	Social insurance number

## 1.4 Information on certain terms used in the guide

Below you will find information on a number of terms that we use frequently in this guide. **These definitions are specific to this guide.**

### Employee

The term “employee” is used to designate an individual who holds employment (which includes an office). See the definition of “employment” below.

### Employment

The term “employment” is used to designate work carried out by an individual under a written or verbal contract of employment. Employment also includes an office.

An office is a position for which an individual is entitled to be remunerated. For example, a member of the board of directors of a corporation holds an office, even if he or she performs no administrative duties. An individual who is an elected or appointed representative also holds an office.

### Employment income

For the purposes of this guide, employment income includes income from an office.

### Individual

An individual is a natural person.

### Person

The term “person” is used to designate both a natural person and a legal person.

## Remuneration

Remuneration includes salary or wages and any other amount paid by an employer (for example, a retiring allowance).

### Remuneration, salary or wages paid

When we refer to “remuneration paid” or “salary or wages paid,” this covers remuneration, salary or wages that are **paid, allocated, granted or awarded**.

For example, if in a given week you pay an employee his or her regular salary of \$400 and also grant the employee a taxable benefit in kind (that is, other than in cash) worth \$200, the **salary paid** is \$600. In other words, the benefit **granted** is considered salary or wages **paid**.

If you **allocate** tips to an employee, these tips constitute salary or wages **paid** to the employee.

### Salary or wages

The term “salary or wages” refers to gross employment income and therefore includes the following amounts, and any similar payment, made to an employee:

- taxable benefits (including taxable allowances);
- commissions;
- overtime pay;
- vacation pay;
- retroactive payments of salary or wages, including payments resulting from a collective agreement signed before the death of an employee;
- tips (including allocated tips);
- advances;
- bonuses;
- certain amounts paid further to an industrial accident – CSST (see section 10.1);
- indemnities paid further to a precautionary cessation of work (that is, the amount paid to an employee under the *Act respecting occupational health and safety* for the first five days following the date on which the employee ceased to work);
- directors’ fees;
- amounts paid after an employee’s death (other than a death benefit), if such payments were foreseeable at the time of the death (see section 10.2);
- fees paid in the course of employment (for example, fees paid to council or committee members);

## 2 Principal changes

This chapter outlines the principal changes to the *Guide for Employers* (TP-1015.G-V) for 2007. Some of the changes came into effect in 2006, further to tax measures announced by the Ministère des Finances, after publication of the TP-1015.G-V guide for 2006.

### 2.1 Source Deductions Return (form TP-1015.3-V)

Effective in 2007, the amount for a severe and prolonged impairment in mental or physical functions is indexed annually. Form TP-1015.3-V has therefore been modified to include this amount with amounts that are indexed annually.

#### Using table TP-1015.TI-V

When using table TP-1015.TI-V to withhold income tax, you have no adjustment to make **if the last TP-1015.3-V form that the employee completed for you was for 2003 or a subsequent year.** If this is the case, the amount for a severe and prolonged impairment in mental or physical functions is already included with the amounts used to determine the deduction codes in table TP-1015.TI-V and, beginning in 2007, these codes will take into account the indexation of the amount for a severe and prolonged impairment in mental or physical functions, even if the form dates from 2003, 2004, 2005 or 2006, instead of 2007.

However, **if the last TP-1015.3-V form that the employee completed for you dates from before 2003,** the amount for a severe and prolonged impairment in mental or physical functions is included with the amounts that reduce the remuneration subject to income tax withholding. If this is the case, you must ask the employee **(and any other employees concerned)** to complete the 2007-01 version of the form. By doing so, you will ensure that

- the amount for a severe and prolonged impairment in mental or physical functions will be taken into account in table TP-1015.TI-V, since it will be included with the amounts used to determine the deduction codes; and
- you will no longer have to take into account the amount for a severe and prolonged impairment in mental or physical functions in calculating the remuneration subject to income tax withholding.

#### Using mathematical formulas

When using mathematical formulas to withhold income tax, you must add \$2,250 to the indexed value of variable  $E_1$  and subtract \$2,250 from the value of variable  $E_2$  for 2006 **if the last TP-1015.3-V form that the employee completed for you was for 2006 or a previous year.** If this is the case, the amount

for a severe and prolonged impairment in mental or physical functions is included in variable  $E_2$  and this variable does not include the annual indexation of the amounts on lines 1 through 5 of form TP-1015.3-V.

If you are unable to identify the employees who have claimed the amount for a severe and prolonged impairment in mental or physical functions, notify all of your employees. Employees who wish to take advantage of the indexation can then complete the 2007-01 version of form TP-1015.3-V. Consequently, you will not have any amounts to add to the indexed value of variable  $E_1$  or to subtract from the value of variable  $E_2$  for 2006.

### 2.2 Indexation of the amounts shown on form TP-1015.3-V

The new amounts used to determine deduction codes for 2007 are shown in the table below. The figures for 2006 are provided for information purposes.

	2007	2006
Basic amount	\$9,750	\$9,555
Amount transferred from one spouse to the other	\$9,750	\$9,555
Basic amount for children of full age enrolled in post-secondary studies	\$2,705	\$2,650
Additional amount for the first child designated as a child of full age enrolled in post-secondary studies (provided the employee does not have a minor child)	\$230	\$225
Basic amount for other dependants who are of full age	\$2,705	\$2,650
Amount for a child who is a minor or of full age and is enrolled in full-time vocational training at the secondary level or in full-time post-secondary studies	\$1,860	\$1,825
Amount for a single-parent family	\$1,465	\$1,435
Amount for a severe and prolonged impairment in mental or physical functions	\$2,295	\$2,250
Amount for a person living alone	\$1,180	\$1,155
Reduction threshold used to calculate the net family income (This income is used to calculate the amount with respect to age, for a person living alone and for retirement income.)	\$29,290	\$28,710
Indexation factor for 2007: 2.026%		

## 2.3 Indexation of thresholds for the three income tax brackets

For 2007, the income tax rates applicable to the three income tax brackets remain at 16%, 20% and 24%. However, the thresholds that determine the bracket in which an individual's taxable income is situated have been indexed as follows:

- The 16% rate applies to taxable income of up to \$29,290. (The threshold was previously \$28,710.)
- The 20% rate applies to taxable income over \$29,290 but not over \$58,595. (The threshold was previously \$57,430.)
- The 24% rate applies to taxable income over \$58,595.

## 2.4 Bonuses and retroactive pay

You are required to withhold income tax from an amount you pay as a bonus or retroactive pay. For amounts paid in 2007, the threshold that determines the method to be used to calculate the income tax withholding has been raised from \$11,950 to \$12,200.

## 2.5 Elimination of the Service Employment Paycheque

The Service Employment Paycheque, a payment procedure managed by the Services de paie Desjardins and used to pay salaries or wages eligible for the tax credit for home-support services for seniors, is eliminated beginning in 2007.

## 2.6 Mass transit passes

Under a measure that took effect on March 24, 2006, the amount you reimburse to your employees for a mass transit pass (or the value of a pass you provide to your employees) does not constitute a taxable benefit, provided the pass is to be used for commuting between the employees' usual place of residence and their place of work. Consequently, the value of such a pass is not subject to source deductions of income tax, employee and employer QPP contributions, contributions to the health services fund and to the financing of the CNT. Nor should you include the value of such passes in your total payroll used to calculate your rate of contribution to the health services fund.

The value of a mass transit pass is not subject to QPIP premiums where you **provide** the pass to your employees, but it is subject to these premiums if you **reimburse** the cost of the pass to your employees.

For more information, see the brochure *Taxable Benefits* (IN-253-V).

## 2.7 Increase in the maximum deduction for employment income

Effective in 2007, the maximum deduction for employment income that any employee may claim is increased from \$500 to \$1,000. More specifically, this deduction is equal to the lower of the following amounts:

- 6% of the employment income received by the employee in the year; or
- \$1,000.

### Note

Effective in 2006, an employee to whom you pay a salary or wages is not entitled to the deduction for employment income if the salary or wages consist solely of the value of taxable benefits related to a prior office or employment, such as the value of a benefit related to contributions paid to a private health services plan or other taxable benefits.

### Using table TP-1015.TI-V

If you use table TP-1015.TI-V, you do not have to take the increased deduction into account in calculating remuneration subject to source deductions of income tax; it is already included in the table.

However, in the case of an employee who is not entitled to the deduction for employment income because the employee's remuneration consists solely of the value of taxable benefits related to a prior office or employment, you must add an additional amount of income tax to the income tax that you withhold based on the employee's deduction code, to ensure that the employee's source deductions are not too low. This additional amount of income tax is provided for in the adjustment column (column Y) of table TP-1015.TI-V.

### Using the mathematical formulas

Changes have been made to the mathematical formulas to take into account the increase in the maximum deduction for employment income. For further information, see section 11.2.3.

## 2.8 Maximum pensionable earnings (QPP)

Maximum pensionable earnings for the purposes of the Québec Pension Plan (QPP) have been increased from \$42,100 to \$43,700 for 2007. The maximum annual contribution to be withheld for any employee has therefore been increased from \$1,910.70 to \$1,989.90.

## 2.9 Optional participation in the QPP by Indian employees whose employment is excepted by reason of a tax exemption

Effective July 1, 2006, you may elect to have all your Indian employees resident in Canada participate in the QPP in respect of their employment excepted from the QPP by reason of a tax exemption. The employment in question is employment that gives entitlement to a deduction for employment income situated on a reserve or premises.

To make this election, you must complete form RR-2-V, *Election to Participate in the Québec Pension Plan: Indian Employees Whose Employment Is Excepted by Reason of a Tax Exemption*, and submit the form to Revenu Québec. Once it has been made, **this election is irrevocable.**

The election becomes effective on the date you indicate on the form. However, the date must be after June 30, 2006, but not before the date the form is filed with Revenu Québec.

For further information, see section 10.5.

## 2.10 Information concerning the QPIP

### Maximum insurable earnings

The maximum insurable earnings subject to QPIP premiums have been increased from \$57,000 to \$59,000 for 2007. As a result, the maximum employee premium is \$245.44 (instead of \$237.12) and the maximum employer premium is \$343.97 (instead of \$332.31).

### Remuneration subject to QPIP premiums

Special rules apply to certain sums paid to employees in respect of employer and employee QPIP premiums. For further information, see sections 4.2.2.1, 4.2.2.4, 7.3 and 7.4.

### Excluded employment

Changes have been made to the list of categories of employment considered to be excluded employment. For further information, see section 7.4.

### Employees who die or cease to be resident in Canada

The eligible salary or wages of an employee who dies or ceases to be resident in Canada in 2007 are subject to the QPIP for the period of the year prior to death or the termination of residence in Canada, since the moment that immediately precedes death or the termination of residence is deemed to be the end of the year.

## 2.11 Maximum remuneration subject to the contribution to the financing of the CNT

In 2006, the portion of the remuneration that exceeded \$57,000 was not subject to the payment of a contribution to the financing of the CNT. This amount is increased to \$59,000 for 2007.

## 2.12 Elimination of the concept of “person of Indian ancestry”

Effective in 2007, only persons having Indian status within the meaning of the *Indian Act* (that is, individuals who are registered or are entitled to be registered as Indians with the Department of Indian and Northern Affairs) may take advantage of the tax-exemption measures reserved for Indians.

Consequently, if you have employees who were previously considered to be persons of Indian ancestry and these individuals are not entitled to Indian status, the remuneration you pay them becomes subject to the same tax treatment as that applicable in respect of non-Indians. You will henceforth be required to withhold income tax and employee QPP contributions from such remuneration, and also to remit employer QPP contributions.

## 2.13 Mathematical formulas

Changes to the mathematical formulas are explained in Chapter 11.

## 2.14 New form

Form RR-2-V, *Election to Participate in the Québec Pension Plan: Indian Employees Whose Employment Is Excepted by Reason of a Tax Exemption*, has been introduced to enable you to make the irrevocable election explained in section 2.9.

## 3 Obligations as an employer or a payer

### 3.1 What are your responsibilities to Revenu Québec?

You are required to

- withhold Québec income tax from the remuneration you pay in 2007 as an employer;
- withhold QPP contributions from the salaries or wages (see section 1.4 for information on the term “salary or wages”) that you pay to your employees in 2007;
- withhold QPIP premiums from the salary or wages that you pay to your employees in 2007 (see section 7.3);
- remit to Revenu Québec the amounts withheld, as well as
  - your employer QPP contributions,
  - your employer QPIP premiums,
  - your employer contribution to the health services fund,
  - your employer contribution to the financing of the CNT;
- file by February 29, 2008 an RL-1 slip for each employee to whom in 2007 you pay salary or wages or any other remuneration for which you should file an RL-1 slip;
- file the *Summary of Source Deductions and Employer Contributions* (form RLZ-1.S-V) for 2007 generally by February 29, 2008, if in 2007 you are required
  - to file an RL-1 slip,
  - to withhold Québec income tax, QPP contributions and QPIP premiums,
  - to pay employer QPP contributions, employer QPIP premiums or the employer contribution to the health services fund,
  - to pay the employer contribution to the financing of the CNT.

If you do not prepare and file your own RL-1, slips, make sure the person or firm that files the slips also files form RLZ-1.S-V. You are responsible for seeing that they are filed. If the other person does not file the forms, you must file them yourself.

#### Important

Every amount you deduct, withhold or collect as an employer pursuant to a fiscal law is deemed to be held in trust for the government until you pay the amount to the government in the prescribed manner and within the prescribed time period. Such amounts are deemed to constitute a separate fund that is not part of your property.

### 3.2 Solidary liability

Certain persons may be held solidarily liable with an employer for the payment of the employer’s source deductions and employer contributions. Such persons include

- directors of a corporation;
- members of a partnership;
- businesses that offer payroll management and processing services.

#### 3.2.1 Directors of a corporation

##### 3.2.1.1 Source deductions

If a corporation fails to make source deductions of income tax respecting remuneration paid to a person resident in Canada, the corporation and its directors are not liable for the amounts. However, the corporation and its directors in office at the time of the omission are solidarily liable for any penalties and interest related to the source deductions that should have been made and remitted.

If a corporation fails to remit any source deductions of income tax that it made, the corporation and its directors in office at the time of the omission are solidarily liable for the payment of the amounts, including any related penalties and interest.

##### 3.2.1.2 QPP contributions and QPIP premiums

If a corporation fails to withhold or remit employee and employer QPP contributions and QPIP premiums, the corporation and its directors in office at the time of the omission are solidarily liable for the payment of the amounts, including any related penalties and interest.

##### 3.2.1.3 Contribution to the health services fund and other employer contributions

If a corporation fails to remit its employer contributions, the corporation and its directors in office at the time of the omission are solidarily liable for the payment of the amounts, including any related penalties and interest.

##### 3.2.1.4 Exceptions

The solidary liability of directors does not apply where

- a director acted with reasonable care, diligence and skill under the circumstances;
- a director could not, under the same circumstances, have been aware of the omission; or
- at least two years have elapsed since a former director ceased to be a director of the corporation.



### 3.2.2 Members of a partnership

If a partnership fails to meet its obligations as an employer, the members of the partnership may be held liable for amounts that were not withheld or remitted, including any related penalties and interest.

### 3.2.3 Businesses that offer payroll management and processing services

Any person who authorizes the payment of amounts subject to source deductions or causes such payments to be made is solidarily liable with the employer for the payment of the source deductions. If, for example, you deal with a business that offers payroll management and processing services, the business is liable, along with you, for the payment of your source deductions (income tax, QPP contributions and QPIP premiums).

## 3.3 Remitting source deductions and employer contributions

### 3.3.1 General information

Source deductions of Québec income tax, QPP contributions and QPIP premiums must be remitted to Revenu Québec **periodically**, along with your employer QPP contributions, QPIP premiums and contribution to the health services fund. At the end of each year, Revenu Québec estimates your remittance frequency for the following year. You will be notified if your frequency will not be the same as for the current year (for more information, see section 3.3.2).

Your employer contributions to the financing of the CNT must be remitted **once a year**.

### Table

Source deductions and employer contributions for 2007	Due date
<ul style="list-style-type: none"> <li>Source deductions</li> <li>QPP contributions</li> <li>QPIP premiums</li> <li>Contribution to the health services fund<sup>1</sup></li> </ul>	According to the frequency of your remittances for 2007 (see section 3.3.4)
<ul style="list-style-type: none"> <li>Contribution to the financing of the CNT</li> </ul>	February 29, 2008
<p>1. The contribution to the health services fund that you are required to pay periodically is calculated on the basis of an estimated contribution rate, unless you are a public-sector employer. At the end of the year, you must determine your actual contribution rate. Any balance payable resulting from the difference between your actual contribution rate and your estimated contribution rate must be paid by February 29, 2008.</p> <p><b>Important</b> If you stop making remittances of source deductions and employer contributions in 2007 because you stop operating your business or no longer have employees, see section 3.5.</p>	

### 3.3.2 Frequency of your remittances

Revenu Québec may authorize you to remit income tax withholdings, QPP contributions, QPIP premiums and the contribution to the health services fund for 2007

- annually, if the total of your source deductions and employer contributions for 2006 is \$1,200 or less, or the estimated total for 2007 is \$1,200 or less;
- quarterly, if your **average monthly remittance** for 2005 or 2006 is \$1,000 or less, and you have fulfilled all your fiscal obligations in the last 12 months.

If you do not meet the aforementioned conditions, you must make your remittances for 2007

- monthly, if your **average monthly remittance** for 2005 is less than \$15,000;
- twice-monthly, if your **average monthly remittance** for 2005 is at least \$15,000 but less than \$50,000;
- weekly, if your **average monthly remittance** for 2005 is \$50,000 or more.

If the frequency of your remittances for 2007 is annual or quarterly, you may be able to change the frequency (see section 3.3.3).

Your **average monthly remittance** for a year is determined by **dividing** the total of the amounts you were required to remit as income tax withholdings, QPP contributions, QPIP premiums and the contribution to the health services fund **by** the number of months in the year (maximum of 12) for which the amounts were remitted.

If you are a corporation, your **average monthly remittance** is

- equal to the total of your **average monthly remittance** and that of every corporation associated with you, where it is determined on the basis of the 2005 taxation year;
- equal to the total of your **average monthly remittance**, where it is determined on the basis of the 2006 taxation year.

#### **Note**

Under fiscal legislation, it is your responsibility to determine the frequency with which you must make remittances of source deductions and employer contributions. To make your task easier, Revenu Québec **estimates**, at the end of each year, your remittance frequency for the following year. We then notify you if your frequency will not be the same as for the current year.

At the time Revenu Québec reviews your file, not all of the pertinent data may be available. Consequently, you may be assigned a remittance frequency that is not in accordance with the rules outlined in this section. If this happens and the frequency does not suit you, contact the office of Revenu Québec that handles your account and request authorization to make remittances at the frequency applicable under fiscal law.

#### **Information regarding quarterly remittances**

Revenu Québec may authorize you to file quarterly if it considers that you have fulfilled your fiscal obligations in the last 12 months. You are considered to have fulfilled your fiscal obligations in the last 12 months if, among other things, you have remitted within the prescribed time period

- the amounts you deducted at source and your employer contributions;
- the consumption taxes you collected.

#### **Note**

If you have more than one employer account, you must meet the applicable conditions for each account.

Revenu Québec does a yearly review to determine which employers may make remittances on a quarterly basis. However, if you wish to make quarterly remittances and believe you meet the requirements, you may contact an office of Revenu Québec any time during the year.

If you cease to meet the requirements during the year, Revenu Québec will send you a notice informing you that you can no longer make remittances on a quarterly basis. You will then have to make monthly remittances for the rest of the year. You will also have to remit, by the 15th day of the month following the month in which the notice is sent to you, any source deductions and employer contributions that are due.

#### **Note**

For information regarding weekly and twice-monthly remittances, consult the *Guide for Employers* (TP-1015.G-V).

### **3.3.3 Changing the remittance frequency (annual and quarterly remittances)**

Even if Revenu Québec authorizes you to make annual or quarterly remittances in 2007, you may elect to make remittances

- monthly, in all cases;
- twice-monthly, if your **average monthly remittance** for 2005 is at least \$15,000 but less than \$50,000;
- weekly, if your **average monthly remittance** for 2005 is \$50,000 or more.

Likewise, if Revenu Québec authorizes you to make annual remittances in 2007, you may elect to make quarterly remittances instead if your **average monthly remittance** for 2005 or 2006 is \$1,000 or less, and you have fulfilled all your fiscal obligations in the last 12 months.

If you wish to change the frequency of your remittances, contact the office of Revenu Québec that handles your account. You cannot make the change until you receive form LMU-5-V, *Notice of Change in Filing Frequency of Returns*.

### 3.3.4 Making remittances

The due dates for remitting your source deductions, your employer QPP contributions, QPIP premiums and contribution to the health services fund.

Remittance frequency in 2007	Date by which your remittance must be made <sup>1</sup>		Form to be used <sup>2</sup>	Notes
Annual <sup>3</sup>	The 15th day of the month following the last month of the year in which remuneration was paid (January 15, 2008, in most cases)		TPZ-1015.R.14.1-V	N/A
Quarterly <sup>3</sup>	Payment of remuneration	Due date	TPZ-1015.R.14.4-V	
	January, February and March 2007	April 15, 2007		
	April, May and June 2007	July 15, 2007		
	July, August and September 2007	October 15, 2007		
	October, November and December 2007	January 15, 2008		
Monthly <sup>3</sup>	The 15th day of the month, for remuneration paid in the previous month		TPZ-1015.R.14.1-V	Every three months, Revenu Québec will send you three copies of form TPZ-1015.R.14.1-V, along with a statement of the amounts remitted to date. In January, for example, you will receive your forms for January, February and March.

1. The date of receipt of a payment is the date on which it is received at an office of Revenu Québec or at a financial institution. The date of the postmark is not taken into account. For a postdated cheque, the date of receipt is the date on which the cheque can be cashed.
2. If you received a remittance form, you must return it to Revenu Québec even if you made no source deductions and are not required to remit employer contributions for the period concerned. If you have no remittance to make, enter 0 in the "Amount payable" box. If you are filing your source deductions and employer contributions return by Internet, see section 3.3.4.2.
3. If payment falls due on a Sunday or a statutory holiday, the due date is extended to the next day that is not a Sunday or a statutory holiday. No extension is granted if payment falls due on a Saturday.

#### 3.3.4.1 Payment by mail, at an office of Revenu Québec or at a financial institution

You must submit a duly completed copy of form TPZ-1015.R.14.1-V or TPZ-1015.R.14.4-V, as applicable, with your remittance. If you do not have the form, enclose a letter clearly indicating your name, identification number, Québec enterprise number (NEQ) and complete address, and a statement giving full particulars regarding income tax withholdings, QPP contributions, QPIP premiums and your contribution to the health services fund. Remember to indicate on the statement the period covered by the payment.

Cheques or money orders should be made payable to the Minister of Revenue of Québec.

#### Important

If you received a remittance form, you must return it to Revenu Québec even if you made no source deductions and are not required to remit employer contributions for the period. **If you have no remittance to make, enter 0 in the "Amount payable" box.**



### 3.3.4.2 Payment by Internet

You may remit your source deductions and employer contributions to Revenu Québec by Internet, provided your financial institution offers this possibility and you are registered for Clic Revenu electronic services. Contact your institution to find out if it offers this service.

You may also make your remittances by Internet if you are registered for Clic Revenu electronic services and you report source deductions and employer contributions by Internet.

#### Important

You are required to file your source deductions and employer contributions return online even if, for a given period, you did not make source deductions and you have no employer contributions to remit.

Even if you submit your source deductions and employer contributions return by Internet, you may receive a paper copy of a remittance form (form TPZ-1015.R.14.1-V or TPZ-1015.R.14.4-V) from Revenu Québec. In this case, **do not return the form to Revenu Québec.**

For more information on Clic Revenu electronic services, consult our Web site at [www.revenu.gouv.qc.ca](http://www.revenu.gouv.qc.ca).

### 3.3.4.3 Preauthorized debit

You may use the preauthorized debit service to remit your source deductions and employer contributions on the date of your choice (payments may be postdated), provided you meet the following conditions:

- You are registered for Clic Revenu electronic services.
- You have an account at a participating financial institution (contact your institution to find out if it offers this service).
- You have completed form LMW-2.DP-V, *Authorization Form (Business PAD)*.

For further information on this subject, consult our Web site at [www.revenu.gouv.qc.ca](http://www.revenu.gouv.qc.ca).

### 3.3.4.4 Balance payable for 2007

You must pay the **full amount** of your source deductions, your employer QPP contributions, QPIP premiums and contribution to the health services fund, for a given period, within the time limit applicable to your remittance frequency (see the table in section 3.3.4).

If you have a balance owing for 2007 because your remittances were lower than required, the balance may bear interest as of the due date for each remittance.

### Balance payable resulting from estimates

If you have a balance owing because you had to use estimated data to calculate your periodic remittances, you must pay the balance within the time limits provided for below. This may be the case, for example, if

- you used an estimated rate to calculate your periodic remittances of the contribution to the health services fund; or
- you used estimated data to calculate the value of the taxable benefit respecting an automobile made available to an employee.

Please note that you are not required to pay a balance of less than \$2.

You must pay the balance of your source deductions and your employer QPP contributions and QPIP premiums **when you make your last remittance for the month of December, not when you file your *Summary of Source Deductions and Employer Contributions* (form RLZ-1.S-V)**. If you do not pay your balance until you file form RLZ-1.S-V, you will be charged interest and you may have to pay a penalty.

You must also pay the balance of your contribution to the health services fund when you make your last remittance for the month of December, **except the portion of the balance that results from the difference between the actual contribution rate and the estimated contribution rate.**

To calculate the amount of your periodic remittances of the contribution to the health services fund for 2007, you are required to use an estimated contribution rate, **which must be determined according to the rules given in section 8.5**. If the estimated rate is lower than your actual contribution rate, which is determined at the time of filing form RLZ-1.S-V, you will have a balance owing. The balance resulting from the difference between these rates must be received at an office of Revenu Québec or at a financial institution **by the deadline for filing form RLZ-1.S-V**.

If the contribution rate that you used to determine your periodic remittances was lower than your estimated contribution rate, and also turns out to be lower than your actual contribution rate, the following rules apply:

- If your actual contribution rate is lower than your estimated contribution rate, the balance resulting from the difference between the actual contribution rate and the rate that you used may bear interest as of the due date for each remittance.
- If your actual contribution rate is higher than your estimated contribution rate, the portion of the balance resulting from the difference between the actual rate and the estimated rate may be paid as late as the deadline for filing form RLZ-1.S-V. The other portion of the balance may bear interest as of the due date for each remittance.

### 3.3.4.5 Can Revenu Québec send your remittance forms directly to the person who prepares your paycheques?

You can authorize the person who prepares your paycheques to receive remittance forms, the *Summary of Source Deductions and Employer Contributions* (RLZ-1.S-V) and other pertinent documents on your behalf. Revenu Québec will then send all of the necessary documents directly to the preparer and you will no longer have to act as an intermediary.

If you are registered for Clic Revenu, use the “Change of Address” service to make the necessary modifications. If you are not registered for Clic Revenu, contact the office of Revenu Québec that handles your account.

## 3.4 Starting a new business

### 3.4.1 First remittance

If you are a new employer, you must make your remittances monthly. If you are remitting source deductions and employer contributions for the first time and you do not have a remittance slip, submit a cheque or money order payable to the Minister of Revenue of Québec, along with a letter indicating

- your name and address,
- the period covered by your payment, and
- the amount of your income tax withholdings, QPP contributions, QPIP premiums and contribution to the health services fund.

If you do not have an identification number, your payment and letter should be sent to the Service à la clientèle (customer services) of the office of Revenu Québec that handles your account. An account will be opened in your name and you will receive a remittance form for your next payment.

If you already have an identification number, send your payment and letter to the office of Revenu Québec that handles your account. Be sure to mention your identification number in your letter.

To obtain an identification number, see section 3.4.2.

#### Note

If you are new employer, you cannot make remittances on a quarterly basis. However, if, after operating your business for 12 months, you wish to make quarterly remittances and believe that you meet the applicable conditions, contact the office of Revenu Québec that handles your account.

### 3.4.2 Registering for Revenu Québec files

If you are a new employer, you must register with Revenu Québec in order to obtain the identification number referred to in section 3.4.1. To register, you may

- use the electronic service “Registering a new business for Revenu Québec files” available on the Revenu Québec Web site (please note that some businesses cannot use this service); or
- complete form LM-1-V, *Application for Registration*.

For more information regarding new businesses, consult the Revenu Québec Web site at [www.revenu.gouv.qc.ca](http://www.revenu.gouv.qc.ca).

### 3.4.3 Québec enterprise number (NEQ)

The Québec enterprise number (or “NEQ,” for “numéro d’entreprise du Québec”) is an identification number used by businesses operating in Québec, and is valid for all Québec government departments and agencies. This number is assigned to a business when it registers with the Registraire des entreprises (REQ), pursuant to the *Act respecting the legal publicity of sole proprietorships, partnerships and legal persons*.

In their communications with Revenu Québec, businesses may use their NEQ or any other identification numbers currently in use at Revenu Québec. The NEQ is indicated by Revenu Québec on all documents (forms, letters, etc.) sent out to businesses.

Sole proprietorships and partnerships (including limited partnerships, general partnerships and undeclared partnerships) operating in Québec may register with Revenu Québec or a clerk of the Superior Court. However, legal persons must register with the REQ, which is authorized to register all legal forms of business.

#### **Sole proprietorship**

A business operated by an individual who is its sole owner.

#### Note

A sole proprietorship is not obliged to obtain an NEQ if its business name includes the owner’s first and last name.

### 3.5 You stop making remittances

If you stop remitting source deductions and employer contributions in 2007, you must make your remittance and file the following forms within the time limit applicable to your situation:

- remittance form TPZ-1015.R.14.1-V or TPZ-1015.R.14.4-V;
- the *Summary of Source Deductions and Employer Contributions* (form RLZ-1.S-V or RLZ-1.ST-V);
- temporary RL-1 slips (form RL-1.T or form RL-1.TL for laser or ink-jet printers) or regular RL-1 slips (form RL-1).

See the following table to find out when each form must be submitted to Revenu Québec.

Forms to be transmitted	Deadline for submitting forms based on your situation in 2007		
	You continue to operate your business.		You stop operating your business.
	You temporarily stop making remittances (e.g., seasonal business).	You permanently stop making remittances (e.g., you no longer have employees).	
Remittance form (and your remittance)	Same time limit as would apply if you continued to make remittances <sup>1</sup>	The 20th day of the month after the month of your last remittance of source deductions and employer contributions	The 7th day after the day on which you stop operating your business
Temporary RL-1 slips (form RL-1.TL) and form RLZ-1.ST-V or RL-1 slips and form RLZ-1.S-V	N/A	The 20th day of the month after the month of your last remittance <sup>2</sup>	The 30th day after the day on which you stop operating your business <sup>3</sup>
	February 29, 2008		

1. To find out the time limit, see the table in section 3.3.4.

Please note that you must continue to file a remittance form for each period (provided you receive a form). Indicate, on each form you submit, the date on which you expect to resume making source deductions.

2. By the same date, you must also remit copies 2 and 3 of the RL-1 slips to your former employees, and pay your contribution to the financing of the CNT. Use the remittance slip enclosed with form RLZ-1.ST-V (or form RLZ-1.S-V, if the 2007-10 version is available) to make your payment, unless you are making remittances by Internet.

If your actual contribution rate for the health services fund is different from the rate that you used on your first summary of source deductions and employer contributions, you must file a second summary (form RLZ-1.S-V) by February 29, 2008. Write the word "Amended" at the top of page 1 of this form. On the second summary and the remittance slip, complete only the lines that concern the contribution to the health services fund.

3. By the same date, you must also remit copies 2 and 3 of the RL-1 slips to your former employees, and pay your contribution to the financing of the CNT. Use the remittance slip enclosed with form RLZ-1.ST-V (or form RLZ-1.S-V, if the 2007-10 version is available) to make your payment, unless you are making remittances by Internet.

In calculating your contribution to the health services fund, you must determine your total payroll based only on the salaries or wages that you paid to your employees from January 1, 2007, to your business's closing date. Do not include salaries or wages paid by employers associated with you on the business's closing date. However, if you are operating another business on December 31, 2007, you must recalculate your total payroll and take into account the salaries or wages paid by employers associated with you on December 31, 2007. As a result, your contribution rate may be different from the rate you used on form RLZ-1.ST-V (or form RLZ-1.S-V, if the 2007-10 version is available) to calculate your contribution to the health services fund for 2007.

If the contribution rate is different, you must file, by February 29, 2008, a second summary (form RLZ-1.S-V) for the business you ceased to operate. Write the word "Amended" at the top of page 1 of this form. On the second summary and the remittance slip, complete only the lines that concern the contribution to the health services fund. If the contribution rate is the same, you are not required to file a second summary for the business.

## 3.6 What should you do if an employee leaves?

If one of your employees leaves his or her employment before the end of 2007, you may prepare the RL-1 slip at that time and give the employee copies 2 and 3. If the 2007 version of the RL-1 slip is not available, use the 2006 version; simply cross out "2006" and indicate "2007." Submit copy 1 of the RL-1 slip, along with the RL-1 slips of your other employees, when you file your *Summary of Source Deductions and Employer Contributions* (form RLZ-1.S-V) for 2007.

## 3.7 Source Deductions Return (form TP-1015.3-V)

Employees use form TP-1015.3-V, *Source Deductions Return*, to report the deductions and personal tax credits to which they are entitled. You can then take these amounts into account when you calculate income tax withholdings.

### Important

You are required to keep the TP-1015.3-V forms submitted to you and to provide them to Revenu Québec on request.

### Note

You will note, from the information below, that an employee is not required to complete a copy of form TP-1015.3-V each year. **However, because of the changes made for 2007, certain employees will be required to complete the 2007-01 version of the form** (see section 2.1).

### 3.7.1 Filing deadline

Employees must provide you with a duly completed TP-1015.3-V form

- when they begin to work for you;
- within 15 days after an event that will reduce the amounts indicated on the previous TP-1015.3-V form completed. If the amounts used to determine the deduction code (lines 2 through 9) are reduced but the code does not change, the employee does not have to file another copy of form TP-1015.3-V;
- when they ask you not to withhold income tax from their employment income for the year (see section 3.7.6).

### Increase in deductions and credits

An employee may complete form TP-1015.3-V at any time in order to indicate an increase in the deductions or credits to which he or she is entitled.

### 3.7.2 What if the employee does not submit the form?

If an employee does not complete form TP-1015.3-V, you must take into account only the basic amount of \$9,750 (line 1 of the form) in calculating income tax withholdings. In that case, use "A" as the deduction code.

### 3.7.3 Annual indexation

The personal income tax system has been automatically indexed since January 1, 2002. The new amounts used to determine deduction codes are shown in section 2.2.

Please note that an employee who has already completed form TP-1015.3-V does not have to complete another copy of the form simply because the income tax system is indexed; the indexation will not affect his or her deduction code.

However, if an employee entered an amount for a severe and prolonged impairment in mental or physical functions and the TP-1015.3-V form that the employee completed for you dates from before 2003, you must ask the employee (and **any other employees concerned**) to complete the 2007-01 version of the form (see section 2.1).

### 3.7.4 Deduction code "0"

An employee who has already asked another employer to take into account the basic amount of \$9,750 may complete form TP-1015.3-V to request that you use code "0." This will ensure that the basic amount of \$9,750 is not taken into account twice.

### 3.7.5 Line 19 of the form

You must take into account the amount entered on line 19 of form TP-1015.3-V to calculate the remuneration subject to source deductions of income tax. Subtract this amount from the remuneration you pay to the employee (see section 5.4.1).

### 3.7.6 Exemption from source deductions respecting employment income (deduction code "X")

Do not withhold Québec income tax from an employee's **employment income** for 2007 if the employee entered "X" on line 20 of the 2007-01 version of form TP-1015.3-V because he or she estimates that his or her total income from all sources for the year will be less than the total of the following amounts:

- the amount entered on line 10 of the form, multiplied by 1.25;
- the amount entered on line 19 of the form.

### 3.7.7 Must you always take form TP-1015.3-V into account?

You must take form TP-1015.3-V into account when you pay remuneration referred to in section 5.2.1 (remuneration for which source deductions must be made using table TP-1015.TI-V or the mathematical formulas).

However, if you pay remuneration referred to in section 5.2.2 (remuneration respecting which source deductions must be made using a fixed rate), you must withhold income tax directly from the amount, without taking into account form TP-1015.3-V (or, if the employee did not provide you with form TP-1015.3-V, without taking into account the basic amount of \$9,750).

For example, if you paid a retiring allowance of \$10,000 (in a single payment) to an employee, you are required to withhold 20% in income tax directly from the allowance. The amount withheld is therefore \$2,000 (\$10,000 x 20%).

**Note**

If Revenu Québec has authorized you to decrease the amount of income tax withheld because the employee has submitted form TP-1016-V, *Application for a Reduction in Source Deductions of Income Tax*, you must take this authorization into account.

### 3.8 Application for a Reduction in Source Deductions of Income Tax (form TP-1016-V)

Revenu Québec may authorize you to **decrease an employee’s remuneration subject to source deductions of income tax** because of the deductions to which the employee is entitled in the calculation of net or taxable income. The deductions may be for (among other things)

- contributions to the employee’s RRSP or a spousal RRSP (unless, under an agreement with the individual, you deduct the contributions from the employee’s salary or wages and remit them directly to the RRSP issuer, and thus already take the contributions into account in calculating the individual’s remuneration subject to source deductions of income tax);
- a loss related to a business;
- legal fees and expenses respecting an objection;
- business investment losses.

Revenu Québec may also authorize you to **decrease the amount of income tax withheld** from the employee’s salary or wages, because the employee is entitled to **tax credits** such as

- the tax credit for charitable donations, gifts to a government, gifts to a political education organization and other gifts;
- the tax credit for medical expenses;
- the tax credit for tuition or examination fees;
- the tax credit for expenses incurred to obtain medical services not available in the area in which the employee lives;
- the tax credit respecting a labour-sponsored fund (unless you withhold amounts from the individual’s remuneration for the purchase of shares giving entitlement to this credit, and thus already take these amounts into account in calculating the employee’s salary or wages subject to source deductions of income tax).

As indicated above, a reduction in source deductions of income tax is applied by decreasing either the remuneration subject to source deductions or the amount of income tax to be withheld, not by increasing the amounts indicated on form TP-1015.3-V. The amount of the reduction authorized by Revenu Québec must be distributed evenly over the pay periods remaining in the year (see examples 1 and 2 opposite).

**Important**

**The authorization is valid only for the year in which the application is made.**

In most cases (see the note below), an employee who wishes to apply for such a reduction must submit a duly completed copy of form TP-1016-V, *Application for a Reduction in Source Deductions of Income Tax*. Revenu Québec will send the employee a letter specifying the amount of the reduction that you must take into account. **The employee must then submit the letter to you.**

**Note**

In certain circumstances, Revenu Québec will grant a general exemption from source deductions, for example, in the case of employees who receive a lump-sum pay-equity settlement and undertake to deposit all or a portion of the amount received in an RRSP. Contact Revenu Québec for more information.

<b>Example 1</b>			
Employee’s gross remuneration for the pay period			\$1,000
<b>Minus:</b> Contribution to an RPP		–	\$60
Remuneration subject to source deductions of income tax (before reduction)		=	\$940
<b>Minus:</b> Reduction per pay period			
Reduction authorized for RRSP contributions	\$3,000		
Number of pay periods remaining in the year	÷	30	
	=	\$100	– \$100
Remuneration subject to source deductions of income tax for the pay period		=	\$840

<b>Example 2</b>			
Reduction authorized for a tax credit for charitable donations			\$1,150
Number of pay periods remaining in the year	÷	40	
Reduction per pay period	=	\$28.75	
Québec income tax withholding for the pay period (before reduction)			\$165.00
<b>Minus:</b> Reduction		–	\$28.75
Québec income tax withholding for the pay period		=	\$136.25



### 3.9 Additional withholdings of income tax (forms TP-1017-V, TP-1015.N-V and TP-1015.3-V)

An employee may elect to have an additional amount of income tax withheld from his or her income subject to source deductions of income tax. To make the election, the individual must complete one of the following forms and submit it to you:

- *Request to Have Additional Income Tax Withheld at Source* (form TP-1017-V), or
- *Source Deductions Return* (form TP-1015.3-V).

The additional amount of income tax is deducted for each pay period.

A self-employed fisher who wishes to have income tax withheld may complete form TP-1015.N-V, *Election by Fishers to Have Income Tax Deducted at Source*. The tax withholding must represent 16% of the amounts paid to the fisher as proceeds of disposition of the catch.

The elections described above remain in effect until the employee submits a new TP-1015.3-V, TP-1017-V or TP-1015.N-V form, as applicable.

You are required to withhold the additional amount of income tax, provided the request is made within a reasonable time and before you pay the amount respecting which income tax is withheld.

#### Important

**You must keep the TP-1015.3-V, TP-1017-V and TP-1015.N-V forms submitted to you and provide them to Revenu Québec on request.**

### 3.10 Filing your RL-1 slips and form RLZ-1.S-V

You are required to file RL-1 slips and the *Summary of Source Deductions and Employer Contributions* (form RLZ-1.S-V), for 2007 by February 29, 2008.

However, you may be required to submit the forms before February 29, 2008, if you cease making remittances of source deductions and employer contributions during 2007 because you stop operating your business or no longer have employees. See section 3.5 if you are in this situation.

If you do not file the required forms by the prescribed date, Revenu Québec may apply a penalty of \$25 per day, to a maximum of \$2,500. In addition to the penalty, fines may be imposed.

#### Important

If you do not prepare and file your own RL-1 slips, make sure the person or firm that files the slips also files the *Summary of Source Deductions and Employer Contributions* (form RLZ-1.S-V). You are responsible for seeing that they are filed. If the other person does not file the forms, you must file them yourself.

### 3.11 Registers and supporting documents

At your establishment or residence in Québec, or at another location designated by Revenu Québec, you must keep registers and supporting documents indicating the amounts paid to employees (that is, the amounts on which your source deductions and employer contributions are based). In the event of an audit, these documents must be made available to Revenu Québec.

Where a register or supporting documents are kept by means of an electronic device or a computer system, no function of any computer program or electronic component may be used to modify, correct, delete, cancel or otherwise alter information without preserving both the original data and all subsequent modifications, corrections, deletions, cancellations and alterations. A person who keeps a register or supporting documents by means of an electronic device or a computer system will be presumed to have used such a function if a computer program or electronic component having the function is found in any place or premises in which the person carries on a business, keeps property, does anything related to any business, or keeps (or should keep) registers pursuant to a fiscal law. This presumption may not apply if it can be shown that the function concerned is incorporated into a computer program or an electronic component without the knowledge or consent of the person who keeps the register or supporting documents.

**Registers and supporting documents must generally be kept for six years after the last taxation year to which they relate. However, if you file certain documents for a given year late, you must keep your registers and supporting documents for six years after the date on which you submitted the documents, rather than for six years after the last taxation year to which the registers and supporting documents relate. This applies, for example, if you fail to file the following documents within the prescribed time limits:**

- the corporation income tax return (CO-17);
- the personal income tax return (TP-1-V).

Registers and supporting documents kept on an electronic or computerized medium must be retained in an intelligible form on the same medium for six years after the last taxation year to which they relate.

To obtain authorization to destroy documents before the six-year period has expired, you must submit a written and signed request to the office of Revenu Québec in your area. The request must contain the following information:

- a precise description of the documents to be destroyed;
- the taxation years covered by the request;
- any other pertinent information.

### 3.12 Sanctions

Severe penalties and fines may be imposed on employers that contravene the provisions of the *Taxation Act*, the *Act respecting the Québec Pension Plan*, the *Act respecting parental insurance*, the *Act respecting the Régie de l'assurance maladie du Québec*, the *Act respecting the Ministère du Revenu*, the *Act respecting labour standards* or the regulations made under these laws. Sanctions may be applied, for example, where an employer fails to keep adequate registers and books of account or fails to file the returns required with respect to source deductions, employer contributions, etc.

Accordingly, if you fail to deduct or withhold an amount under a fiscal law within the time limit specified in the law, you are liable to a penalty equal to 15% of the amount.

You are also liable to a penalty if you fail to pay or remit, within the time limit specified in a fiscal law, an amount that you deducted, withheld or collected and that you were required to pay or remit under a fiscal law. The rate of the penalty, which varies according to the number of days you are late in fulfilling the obligation, is 7% from the 1st to the 7th day, 11% from the 8th to the 14th day, and 15% as of the 15th day.

Moreover, if you fail to file form TPZ-1015.R.14.1-V or TPZ-1015.R.14.4-V within the time limit specified in the *Regulation respecting the Taxation Act*, you are liable to a penalty of \$25 per day, to a maximum of \$2,500. This penalty also applies if you fail to file your RL-1 slips and form RLZ-1.S-V (or form RLZ-1.ST-V, if applicable), within the prescribed time limits.

In addition to the above-mentioned penalties, fines may be imposed.

## 4 Are you required to make source deductions and pay employer contributions?

### 4.1 Conditions that must be met

You must make source deductions and pay employer contributions with respect to certain amounts you pay to your employees, provided the basic conditions given in this section are met.

		Basic conditions	
		A	and B
Québec income tax	The amount paid is subject to source deductions of income tax (see section 4.2).	<p>The amount is paid to an employee who reports for work at one of your establishments<sup>1</sup> in Québec.</p> <p><b>OR</b></p> <p>The amount is paid to an employee who is not required to report for work at any of your establishments<sup>1</sup> (in Québec or elsewhere), but is paid from one of your establishments<sup>1</sup> in Québec.</p>	
QPP (employee and employer contributions)	The amount paid is subject to QPP contributions (see section 4.2).		
QPIP (employee and employer premiums)	The amount paid is subject to QPIP premiums (see section 4.2).		
Health services fund	The amount paid is subject to the contribution to the health services fund (see section 4.2).		
CNT	The amount paid is subject to the contribution to the financing of the CNT (see section 4.2).		
<p>1. The term “establishment” has the meaning given in the <i>Taxation Act</i>.</p>			

In accordance with these basic conditions in the table above, you are not required to make source deductions or pay employer contributions respecting amounts that you pay to an employee who reports for work **only** at one of your establishments outside Québec.

### 4.2 Is the payment subject to source deductions and employer contributions?

#### 4.2.1 Table

Refer to the following table to determine whether certain amounts you pay are subject to source deductions of income tax, employee and employer QPP contributions and QPIP premiums, employer contributions to the health services fund or to the financing of the CNT. Where this is the case, you must make the source deductions and pay the employer contributions respecting these amounts **if one of the conditions given in column B of the table in section 4.1 is met.**

#### Important

If the table directs you to a section of the guide, it is important to read that section for specific information. For example, according to the table, a taxable benefit granted in kind is not subject to QPIP premiums. However, as the table indicates, there is an exception to this rule which is explained in section 4.2.2.1.



## Table

	Income tax	QPP	QPIP	Health services fund	CNT
Bonuses and retroactive pay	Yes	Yes	Yes	Yes	Yes
Commissions	Yes	Yes	Yes	Yes	Yes
<b>CSST (see section 10.1)</b>					
Amount paid on the day of the accident	Yes	Yes	Yes	Yes	Yes
Deemed indemnity (amount paid to the employee after the day of the accident but before the CSST has decided whether to recognize the employee's entitlement to an indemnity)	No	No	No	No	No
Indemnities recognized by the CSST (income replacement indemnities)	No	No	No	No	No
Indemnities not recognized by the CSST (salary or wages)	No	Yes	Yes	Yes	Yes
Death benefits paid by an employer <sup>1</sup>	Yes	No	No	No	No
Death benefits received from the Régie des rentes du Québec	No	No	No	No	No
<b>Directors' fees</b>					
Directors' fees paid to a director who does not receive a salary	Yes	Yes	Yes	Yes	No
Directors' fees paid to a director who also receives a regular salary	Yes	Yes	Yes	Yes	No
<b>Indemnities paid upon termination of a contract of employment</b>					
Indemnity in lieu of notice (see section 4.2.2.2)	Yes	No	Yes	No	Yes
Other indemnities paid as damages upon cancellation of a contract of employment	Yes	No	No	No	Yes
Indemnity paid further to a precautionary cessation of work (that is, amounts paid to an employee under the <i>Act respecting occupational health and safety</i> for the first five days following the date on which the employee ceased to work)	Yes	Yes	Yes	Yes	Yes
Non-taxable benefits	No	No	Yes/No <sup>2</sup>	No	No
Patronage dividends	No	No	No	No	No
Retiring allowance (see the definition of this term in section 5.13.1) <b>other than indemnities paid upon the termination of a contract of employment</b>	Yes	No	No	No	No
Single payments (see section 5.14.1)	Yes	No	No	No	No
Salaries or wages <sup>3</sup> (see section 4.2.2.3)	Yes	Yes	Yes	Yes	Yes
Taxable benefits in cash (see section 4.2.2.1)	Yes	Yes	Yes	Yes	Yes
Taxable benefits in kind (see section 4.2.2.1)	Yes	Yes	No	Yes	Yes
Tips (including allocated tips)	Yes	Yes	Yes/No <sup>4</sup>	Yes	Yes
Vacation pay	Yes	Yes	Yes	Yes	Yes

1. See the definition of this term in section 5.13.2. Do not confuse death benefits paid by an employer with the amounts described in section 10.2, which are paid following the death of an employee. You must also not confuse the death benefits paid by an employer with the death benefits received from the Régie des rentes du Québec.
2. Special rules apply in respect of the QPIP. See section 4.2.2.4.
3. The term "salary or wages" covers the payments listed in section 1.4. However, in respect of the QPIP, refer instead to section 7.3. Note that some of these payments (for example, taxable benefits) are also indicated elsewhere in this table. Where this is the case, consult the appropriate sections of the table for more specific information.
4. Allocated tips are not subject to QPIP premiums.

## 4.2.2 Additional information

### 4.2.2.1 Taxable benefits

#### General information

Taxable benefits that you grant to an employee **in cash** are considered salary or wages. If you grant a taxable cash benefit to an employee during a pay period, you must add the value of the benefit to the employee's regular salary or wages when calculating remuneration subject to source deductions of income tax, pensionable salary or wages for the purposes of the QPP, eligible salary or wages for the purposes of the QPIP, and remuneration subject to employer contributions. See note 1 for special rules concerning the QPP and note 2 for special rules concerning the QPIP.

Taxable benefits that you grant to an employee **in kind** (that is, other than in cash) are also considered salary or wages. However, such benefits are, with one exception (see note 2), not subject to employee and employer QPIP premiums even though they are considered to be salary or wages. Therefore, if you grant a taxable benefit in kind to an employee during a pay period, add the value of the benefit to the employee's regular remuneration in order to calculate the employee's remuneration subject to source deductions of income tax, pensionable salary or wages for the purposes of the QPP, remuneration subject to employer contributions to the QPP, the health services fund and the contribution to the financing of the CNT.

Note that you are not required to make source deductions or pay employer QPP contributions on a taxable benefit in kind if you are not paying the employee any other sum in cash or by cheque for the pay period in which the benefit is granted. However, you must include the benefit in the calculation of your employer contribution to the health services fund and your contribution to the financing of the CNT.

In calculating the value of a benefit, you must take into account the GST and QST that the employee would have paid had he or she purchased the property or service concerned. However, do not add the GST or the QST to taxable allowances or to other taxable benefits in cash.

Consult the brochure *Taxable Benefits* (IN-253-V) for particulars concerning the principal taxable benefits.

#### Special cases

##### Benefits granted to shareholders

The taxable benefits granted to a shareholder of a corporation or to a person related to a shareholder are not subject to source deductions (income tax, employee QPP contributions and employee QPIP premiums) or employer contributions **unless** the shareholder is also an employee of the corporation **and** receives the benefit as an employee rather than as a shareholder. In the latter case, the benefit must be treated as a taxable benefit. It is therefore subject to source deductions of income tax, employee and employer QPP

contributions, employee and employer QPIP premiums (unless the benefit is granted in kind), and employer contributions to the health services fund and to the financing of the CNT. See note 1 for special rules concerning the QPP and note 2 for special rules concerning the QPIP.

You will note that, according to the definitions of "employment" and "employee" in section 1.4, a shareholder of a corporation who is also a director of the corporation is both a shareholder and an employee of the corporation. If such a shareholder receives a benefit as a director (rather than as a shareholder), you must treat the benefit as if it were granted to an employee.

If the benefit is granted in kind and the director does not receive salary or wages in cash or by cheque for the pay period in which the benefit is granted, you are not required to make source deductions or pay employer QPP contributions and employer QPIP premiums.

However, you must include the benefit in the calculation of your employer contribution to the health services fund and your contribution to the financing of the CNT.

##### Benefits granted to partners

The taxable benefits granted to a partner or to a person related to a partner are not subject to source deductions (income tax, employee QPP contributions and employee QPIP premiums) or employer contributions.

##### Stand-by charge and operating costs for an automobile

The value of a taxable benefit respecting an automobile made available to an employee (or a person related to an employee) must be calculated over the course of the year and is therefore based on estimates. You must recalculate the benefit at the end of the year, on the basis of the actual number of kilometres travelled during the taxation year.

##### Contributions paid to a private health services plan

Since the value of this taxable benefit must be distributed over all of the pay periods, the amount representing the employee's coverage is necessarily based on estimates. You may use any reasonable estimation method (for example, the estimates may be based on data for the previous year or on a hypothetical premium). At the end of the year, however, you must recalculate the value of the benefit on the basis of the actual data.

##### Contributions paid to a multi-employer insurance plan

Once the total contributions you pay to a multi-employer insurance plan with regard to an employee reach an amount corresponding to a reasonable estimate of the value of the taxable benefit the employee would receive if he or she were covered by the plan for the entire year, you are not required to

continue withholding income tax respecting the contributions. However, you must continue to pay your employer contributions and to withhold QPP contributions. Please note that contributions paid to a multi-employer insurance plan are not subject to QPIP premiums.

#### Note 1

##### **Special rules concerning the QPP**

The following benefits **are not subject** to QPP contributions:

- a taxable benefit (including an allowance) related to the residence or lodgings provided to a member of the clergy, a member of a religious order or a regular minister of a religious denomination, where the person may, under the *Taxation Act*, deduct the value of this benefit in calculating his or her income;
- a taxable benefit granted to an employee for excepted employment;
- a taxable benefit granted to an employee before or during the month in which the employee reaches age 18;
- a taxable benefit granted to an employee as of the month following the month that includes the date (determined by the Régie des rentes du Québec) on which the employee becomes disabled.

#### Note 2

##### **Special rules concerning the QPIP**

As a rule, the following benefits **are subject** to employee and employer QPIP premiums:

- a taxable benefit granted to an employee in the form of gift certificates, gift coupons or smart cards if they can be converted into cash;
- a taxable benefit related to contributions to an employee's individual RRSP;
- a taxable benefit related to a meal provided to an employee if lodging is provided with the meal.

As a rule, the following benefits **are not subject** to employee and employer QPIP premiums:

- a taxable benefit granted to an employee for employment that is excluded for the purposes of the QPIP;
- a taxable benefit related to contributions to a **group** RRSP if the employee is not permitted to withdraw amounts before he or she retires or stops working, or if the employee is permitted to withdraw amounts from the RRSP under the Home Buyers' Plan (HBP) or the Lifelong Learning Plan (LLP).

The value of a taxable benefit **in kind** is not subject to employee and employer QPIP premiums, **other than** a benefit related to **board and lodging** granted to an employee for a pay period in which the employee receives cash remuneration. You must therefore add the value of the benefit to the employee's regular salary or wages when calculating his or her remuneration subject to source deductions of income tax, QPP contributions, QPIP premiums and your employer contributions.

#### **4.2.2.2 Indemnity in lieu of notice**

As indicated in the table in section 4.2.1, an indemnity in lieu of notice is subject to source deductions of income tax, employee and employer QPIP premiums and the contribution to the financing of the CNT.

The indemnity is subject to source deductions of income tax because, for the purposes of the *Taxation Act*, it is considered a retiring allowance. It is subject to QPIP premiums because it is subject to employment insurance premiums and all remuneration subject to these premiums is also subject to QPIP premiums. Finally, under the *Act respecting labour standards*, the indemnity is subject to the contribution to the financing of the CNT.

##### **Indemnity in lieu of notice**

Compensation paid to an employee where the employer terminates an employment contract without giving the employee the notice in writing required by the *Act respecting labour standards*, or where the employer does not give such notice within the time limit prescribed by that Act.

#### **4.2.2.3 Salaries or wages**

Special rules apply to certain salaries or wages that are subject to source deductions and employer contributions. These include

- salaries or wages paid to Indian employees (see section 10.5);
- salaries or wages paid to employees that are engaged in excluded employment, that is, employment not subject to QPP contributions or QPIP premiums (see sections 6.4 and 7.4);
- salaries or wages paid to domestics (see section 9.3);
- salaries or wages paid to employees under the *Act respecting labour relations, vocational training and manpower management in the construction industry* (see section 9.3);
- salaries or wages paid to employees if you are governed by a decree under the *Act respecting collective agreement decrees* and the remuneration is subject to a levy by a parity committee (see section 9.3).

You should therefore consult Chapters 5 to 10 of the guide before you conclude that a salary or wages are subject to source deductions and employer contributions.

#### 4.2.2.4 Special rules concerning the QPIP for certain non-taxable benefits

As a rule, the following non-taxable benefits **are subject** to employee and employer QPIP premiums:

- a non-taxable benefit related to a mass transit pass for which you **reimburse** an amount to your employee;
- a non-taxable benefit granted to an employee in the form of gift certificates, gift coupons or smart cards **if they can be converted into cash**;
- a non-taxable benefit related to an allowance paid to a municipal councillor for expenses inherent in the discharge of his or her duties;
- a non-taxable benefit related to an allowance for travel expenses paid to an employee in the construction sector;
- a non-taxable benefit related to an allowance paid to a member of a board of directors or a committee member for travel expenses.

As a rule, a non-taxable benefit related to a mass transit pass that you **provide** to your employee **is not subject** to employee and employer QPIP contributions.

# 5 Source deductions of Québec income tax

## 5.1 General information

Chapter 5 provides explanations on the source deductions of income tax you must make respecting the remuneration included in section 1.1. The calculation method you use will depend on the type of payment.

As a rule, for remuneration included in section 5.2.2, you must make source deductions using a fixed rate. For remuneration included in section 5.2.1, make source deductions using

- the *Source Deduction Table for Québec Income Tax* (TP-1015.TI-V), after having calculated the remuneration subject to income tax; or
- the mathematical formulas in Chapter 11.

Computer software (“WinRAS”), based on the mathematical formulas, is also available on the Revenu Québec Web site at [www.revenu.gouv.qc.ca](http://www.revenu.gouv.qc.ca). You can use the software to calculate (among other things) the source deductions of Québec income tax for each pay period.

### Remittances of source deductions

You must remit source deductions of income tax periodically. Use form TPZ-1015.R.14.1-V or TPZ-1015.R.14.4-V, according to your remittance frequency (see the table in section 3.3.4).

## 5.2 Remuneration subject to source deductions of income tax

Consult the table in section 4.2.1 to find out if the remuneration you pay is subject to source deductions of income tax. You must withhold income tax from the remuneration subject to source deductions **if one of the conditions given in column B of the table in section 4.1 is met.**

The method of calculating source deductions depends on the type of payment made. For certain remuneration, you are required to use the *Source Deduction Table for Québec Income Tax* (TP-1015.TI-V) or the mathematical formulas; for other remuneration, you must use a fixed rate or a special calculation method.

### 5.2.1 Remuneration for which source deductions must be made using table TP-1015.TI-V or the mathematical formulas

Use table TP-1015.TI-V or the mathematical formulas to calculate source deductions respecting salary or wages (see the information given on this expression in section 1.4), **other than**

- vacation pay paid to an employee **who is not taking holidays**, if you use table TP-1015.TI-V to make source deductions of income tax (see section 5.7.2);
- bonuses or retroactive pay, if you use table TP-1015.TI-V to make source deductions of income tax (see section 5.8);
- bonuses or retroactive pay, if you use the mathematical formulas and the total amount of the employee’s estimated annual salary or wages plus the bonus or retroactive pay does not exceed \$12,200 (see section 5.8);
- overtime paid in a pay period other than the period in which it was earned, if you use table TP-1015.TI-V to make source deductions of income tax (see section 5.9);
- directors’ fees paid to a director who does not receive salary or wages (see section 5.11);
- commissions paid to an employee who does not have to pay expenses or did not complete form TP-1015.R.13.1-V, *Statement of Commissions and Expenses for Source Deduction Purposes*, if the commissions are not paid to the employee on a regular basis and you use table TP-1015.TI-V to make source deductions of income tax (see section 5.12.1);
- single payments made further to an order or judgment, as salary or wages owed to an employee or former employee, if a portion of the amount paid relates to a previous year (see section 5.13.3);
- salary or wages referred to in section 5.3.

### 5.2.2 Remuneration respecting which source deductions must be made using a fixed rate

Use a fixed rate to calculate source deductions respecting the following types of remuneration:

- bonuses or retroactive pay, where the total amount of an employee’s estimated annual salary or wages plus the bonus or retroactive pay does not exceed \$12,200 (see section 5.8);
- single payments referred to in section 5.13 (for example, a retiring allowance);
- amounts paid as proceeds of disposition of the catch to a fisher who is self-employed, provided the fisher has completed form TP-1015.N-V (see section 3.9).

## 5.3 Remuneration not subject to source deductions of income tax

Remuneration that is not listed in section 5.2 is generally not subject to income tax; consequently, no tax should be withheld from the following remuneration:

- certain taxable benefits referred to in section 4.2.2.1;
- certain amounts paid further to an industrial accident – CSST (see section 10.1);
- patronage dividends;
- amounts that are not taxable;
- employment income paid to an employee who requested an exemption from source deductions by writing “X” on line 20 of the 2007-01 version of form TP-1015.3-V;
- employment income that gives entitlement to the deduction for employment income situated on a reserve or premises (see section 10.5.1.1).

In addition, the table in section 4.2.1 lists various types of payments and indicates whether they are subject to source deductions. If a type of remuneration you pay is not included in the table, consult the *Guide for Employers* (TP-1015.G-V).

## 5.4 Using table TP-1015.TI-V to calculate income tax withholdings

Table TP-1015.TI-V may be used to calculate income tax respecting remuneration that is paid weekly (52 pay periods per year), every two weeks (26 pay periods per year), twice-monthly (24 pay periods per year) or monthly (12 pay periods per year).

The amount of income tax that you must withhold as the employer will be based initially on the following factors:

- the employee’s remuneration subject to source deductions of income tax (see section 5.4.1);
- the deduction code entered on the employee’s *Source Deductions Return* (form TP-1015.3-V) (see section 5.4.2);
- the number of pay periods in the year (52, 26, 24 or 12).

You must also take into account

- any additional income tax withholdings the employee has requested on form TP-1015.3-V or TP-1017-V; and
- the amount of income tax that Revenu Québec authorized you to subtract from the employee’s source deductions of income tax, after the employee completed form TP-1016-V, *Application for a Reduction in Source Deductions of Income Tax*, with respect to **certain tax credits (and not deductions**, which are included in the calculation of the remuneration subject to source deductions of income tax) to which the individual is entitled, for example, the credit for charitable donations or for medical expenses.

If the amount of salary or wages you pay or the number of pay periods you have are not included in table TP-1015.TI-V, follow the instructions given in section 5.4.4 of the *Guide for Employers* (TP-1015.G-V).

### Note

Revenu Québec includes the sections “27 pay periods” and “53 pay periods” in the TP-1015.TI-V table only when many employers have that number of pay periods in the year. As this is not the case for 2007, you must follow the instructions in section 5.4.4 of the *Guide for Employers* (TP-1015.G-V) if you have 27 or 53 pay periods .

## 5.4.1 Calculating the remuneration subject to source deductions of income tax

In order to determine an income tax withholding using table TP-1015.TI-V, you must first calculate the remuneration subject to source deductions of income tax. The following table shows how this is done.

Remuneration subject to source deductions of income tax	
Calculation for a pay period	Remarks
◆ Gross salary or wages (except commissions)	See sections 5.6 to 5.11 and Chapter 10, where applicable, for information on certain types of salary or wages that you might pay during a pay period.
<b>plus</b>	
◆ commissions	See section 5.12.
<b>minus</b> the total of the following amounts:	
◆ contributions to an RPP	<p>Subtract, from the employee's gross salary or wages for the pay period, the amount of the contributions that you withheld and that you paid on his or her behalf to</p> <ul style="list-style-type: none"> <li>a defined contribution RPP; or</li> <li>a defined benefit RPP.</li> </ul> <p>If, in 2007, the employee pays contributions for services rendered prior to 1990, the amount you may subtract from the gross salary or wages for these contributions is limited (see section 5.4.1.1).</p>
◆ contributions to an RRSP	See section 5.4.1.2.
◆ contributions to a retirement compensation arrangement	Subtract, from the employee's gross salary or wages for the pay period, the amount of the contributions that you withheld and that you paid on his or her behalf to a retirement compensation arrangement.
◆ <b>75%</b> of the amount withheld from the employee's salary or wages for the purchase of shares in the Fonds de solidarité des travailleurs du Québec (FTQ) or Fondation, le Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l'emploi	<p>Subtract, from the employee's gross salary or wages for the pay period, 75% of the amount withheld if the following conditions are met:</p> <ul style="list-style-type: none"> <li>The employee has authorized you to withhold the amount.</li> <li>The shares purchased are class A shares of the Fonds de solidarité des travailleurs du Québec (FTQ), or class A or B shares of Fondation, le Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l'emploi.</li> <li>The employee is the first purchaser of the shares.</li> </ul> <p>The maximum amount that you may subtract from the gross salary or wages is \$3,750 per year.</p>
◆ <b>125%</b> of the amount withheld from the employee's salary or wages for the purchase of preferred shares qualifying under the CIP	<p>The amount to be subtracted for each pay period must not exceed <b>30%</b> of the result of the following calculation:</p> <ul style="list-style-type: none"> <li>the employee's gross salary or wages for the pay period;</li> </ul> <p><b>minus</b></p> <ul style="list-style-type: none"> <li>the contributions that the employee paid to an RPP for the pay period;</li> <li>the value of the preferred shares that you transferred for the pay period, at the employee's request, to an RRSP of which the employee or his or her spouse is the annuitant.</li> </ul> <p>For example, if for a pay period the employee received a gross salary or gross wages of \$3,400 and paid \$150 in RPP contributions, and the value of the shares transferred to an RRSP is \$250, the maximum you may subtract for the pay period is \$900 (30% x (\$3,400 – \$150 – \$250)).</p> <p>If the amount you would normally subtract for a pay period exceeds 30%, contact Revenu Québec to find out if you may subtract the entire amount.</p>
◆ travel deduction for residents of a designated remote area	See section 5.4.1.3.

## Remuneration subject to source deductions of income tax

Calculation for a pay period	Remarks
<p>◆ amount entered on line 19 of form TP-1015.3-V, <i>Source Deductions Return</i></p>	<p>You must take into account any amount the employee has indicated on line 19 of form TP-1015.3-V. Divide the amount by the number of pay periods remaining in the year, in order to determine how much to subtract from the individual's gross salary or wages for the pay period.</p> <p>The amount on line 19 of form TP-1015.3-V represents the total of the following amounts:</p> <ul style="list-style-type: none"> <li>• the housing deduction for residents of a designated remote area;</li> <li>• the deduction for support payments that are not tax exempt.</li> </ul>
<p>◆ amount of <b>deductions</b> authorized by Revenu Québec, if the employee completed form TP-1016-V for 2007</p>	<p>Divide this amount by the number of pay periods remaining in the year, in order to determine how much to subtract from the employee's gross salary or wages for the pay period.</p> <p><b>Do not take into account the tax credits</b> authorized by Revenu Québec, since they are used to reduce the income tax payable that is determined using table TP-1015.TI-V.</p>
<p>◆ portion of the salary or wages paid to an Indian that gives entitlement to the deduction for employment income situated on a reserve or premises</p>	<p>See section 10.5.</p>

### Important

In determining an employee's salary or wages subject to source deductions of income tax, do not subtract the employee's QPP contributions, QPIP premiums, employment insurance premiums or union dues from his or her gross remuneration.

### Example 1

Martha receives a weekly salary of \$1,000 (52 pay periods per year), as well as \$100 per week in taxable benefits. She contributes \$50 per week to an RPP. As a resident of a designated remote area, Martha is entitled to a weekly deduction of \$48 (amount indicated on form TP-1015.3-V, calculated for the pay period). The remuneration subject to source deductions of income tax is determined as follows:

Weekly salary (52 pay periods per year)		\$1,000	
Taxable benefits	+	\$100	
Gross salary	=	\$1,100	
<b>Minus</b>			
Contribution to an RPP withheld on the salary of \$1,000		\$50	
Deduction for residents of designated remote areas	+	\$48	
	=	\$98	– \$98
<b>Remuneration subject to source deductions of income tax</b>	=	\$1,002	

Once you have calculated the remuneration subject to source deductions of income tax, determine the amount of income tax to withhold by using table TP-1015.TI-V and following the instructions in section 5.4.3.

### Example 2

Tony receives monthly pension benefits of \$2,000 (12 pay periods per year), and \$15 per month in taxable benefits (for the health coverage he continues to receive under his former employer's private health services plan). Tony completes form TP-1016-V and Revenu Québec authorizes you to reduce Tony's remuneration subject to source deductions of income tax by \$80 per period. The remuneration subject to source deductions of income tax is determined as follows:

Monthly pension benefits (12 pay periods)		\$2,000	
Taxable benefits	+	\$15	
	=	\$2,015	
<b>Minus:</b> amount authorized by Revenu Québec after Tony completed form TP-1016-V	–	\$80	
<b>Remuneration subject to source deductions of income tax</b>	=	\$1,935	

Once you have calculated the remuneration subject to source deductions of income tax, determine the amount of income tax to withhold by using table TP-1015.TI-V and following the instructions in section 5.4.3.



### 5.4.1.1 Contributions to an RPP for service before 1990

There is a limit on the amount that an employee may deduct with respect to contributions made in 2007, for service rendered before 1990. Once you have reached this limit, you must stop reducing the employee's gross salary or wages, since the amount that exceeds the limit does not give entitlement to the deduction.

Employee who did not contribute to the RPP to which he or she makes contributions for service before 1990		Employee who contributed to an RPP
Situation in the year the service was rendered		
The employee did not contribute to <b>any</b> RPP.	The employee contributed to <b>another RPP and</b> the contributions for service before 1990 are paid under an agreement signed before March 28, 1988.	N/A
As a rule, the amount that the employee may deduct is equal to the lowest of the following amounts:		As a rule, the amount that the employee may deduct is equal to the lower of the following amounts:
(a) the total amount of the contributions (other than optional contributions to a defined contribution RPP) made by the employee after 1945, <b>minus</b> the total of the amounts he or she deducted with respect to these contributions for any year prior to 2007; (b) \$5,500; (c) \$5,500 <b>multiplied by</b> the number of years of service prior to 1990 for which the employee made the contributions referred to in (a) above, <b>minus</b> the total of the amounts he or she deducted with respect to these contributions for any year prior to 2007 and with respect to optional contributions for any year prior to 1987.		(a) the total amount of the contributions (other than optional contributions to a defined contribution RPP and the contributions covered in the column to the left) made by the employee after 1962, <b>minus</b> the total of the amounts he or she deducted with respect to these contributions for any year prior to 2007; (b) \$5,500 <b>minus</b> the total of the amounts deducted in 2007 with respect to the contributions covered in the column to the left and with respect to contributions for current service and for past service rendered after 1989.

### 5.4.1.2 Contributions to an RRSP

You may subtract the RRSP contributions made by an employee from the gross salary or wages for a pay period only if, further to an agreement with the employee, you withhold the contributions from the employee's salary or wages and remit the contributions directly to the issuer of an RRSP of which the employee or his or her spouse is the annuitant.

In most cases (see section 3.8), if the contributions are not remitted directly to the RRSP issuer, the employee may complete form TP-1016-V, *Application for a Reduction in Source Deductions of Income Tax*. Revenu Québec may then authorize you to reduce the employee's salary or wages subject to source deductions.

If an employee purchases shares in a labour-sponsored fund through source deductions, and requests the transfer of the shares to his or her RRSP or a spousal RRSP, you must subtract the value of the transferred shares (to a maximum of \$5,000) from the employee's gross salary or wages. Note: The fund may be the Fonds de solidarité des travailleurs du Québec (FTQ) or Fondation, le Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l'emploi.

If an employee purchases preferred shares qualifying under the CIP through source deductions, and requests the transfer of the shares to his or her RRSP or a spousal RRSP, you must subtract the value of the transferred shares from the employee's gross

salary or wages in order to calculate the salary or wages subject to source deductions of income tax.

### 5.4.1.3 Travel deduction for residents of a designated remote area

If an employee's salary or wages for a pay period includes the value of a **taxable benefit related to trips made by a resident of a designated remote area**, you must subtract the employee's allowable travel deduction from his or her gross salary or wages for the pay period. However, before subtracting the amount, you should make sure that the employee meets the criteria for claiming the deduction.

#### Does the value of the benefit included in the employee's salary or wages give entitlement to a travel deduction?

An employee may claim a travel deduction respecting a taxable benefit included in his or her gross salary or wages, if the following conditions are met:

- The employee has lived in a designated remote area for a period of at least six consecutive months that began or ended in the year.
- The trip was made **by the employee or by a member of his or her household** during the period of the year in which the employee lived and worked in the remote area.
- You are not related to the employee.

- The trip was made so that the employee or a member of the employee’s household could receive medical care not available in the place where they live, or for **another reason** (in the latter case, there is a limit on the number of trips that may be claimed; see the note below).
- Neither the employee nor any member of the employee’s household will claim, on his or her income tax return, another deduction or tax credit for medical expenses with respect to the taxable benefit.
- No form of financial assistance (other than this taxable benefit) was granted to the employee or a member of the employee’s household for travel expenses. Note that this last condition does not apply if the financial assistance was included in the income of the employee or a member of the employee’s household.

**Note**

The employee may be eligible for a deduction even if the trip in question was not made for medical reasons (that is, so that the employee or a member of the employee’s household could receive medical care not available in the place where they live). Trips for **non-medical reasons** include trips made in the course of the employee’s annual holidays, or because of a death or other misfortune. If the above-mentioned conditions are met, the employee may claim a deduction for a maximum of two trips for **non-medical reasons** for each member of the household (including the employee).

Calculate the amount of the deduction, where applicable, and subtract it from the gross salary or wages.

**How to calculate the amount to subtract from the employee’s gross salary or wages**

Subtract the amount that the employee can claim as a deduction for a travel-related benefit. To calculate that amount, multiply the value of the taxable benefit by

- 50%, if the remote area is located in an intermediate zone (see the 2006-10 version of the guide TP-350.1.G-V, *Deduction for Residents of Designated Remote Areas*);
- 100%, if the remote area is located in a northern zone (see the 2006-10 version of the guide TP-350.1.G-V).

However, the total amount that you subtract during the year for each trip may not exceed the result of the following calculation:

- the lower of the following amounts:
  - the cost of the trip (see guide TP-350.1.G-V);
  - the employee’s maximum allowable deduction for the trip (see “Column E: Additional limit” on page 9 of guide TP-350.1.G-V);
- multiplied by 50% or 100%, depending on whether the remote area is located in an intermediate zone or a northern zone.

**Restrictions**

If you expect that the trip will not be made in the year in which the benefit was granted, do not subtract an amount with respect to this trip in the calculation of the remuneration subject to income tax withholdings.

For further information, see guide TP-350.1.G-V, *Deduction for Residents of Designated Remote Areas*.

**5.4.2 Deduction codes and adjustment columns**

The deduction codes and adjustment columns used in table TP-1015.TI-V are given below.

**5.4.2.1 Deduction codes**

Amount (\$)	Code
Nil	<b>O</b>
1 – 9,750	<b>A</b>
9,751 – 11,000	<b>B</b>
11,001 – 13,000	<b>C</b>
13,001 – 15,500	<b>D</b>
15,501 – 16,500	<b>E</b>
16,501 – 17,500	<b>F</b>
17,501 – 19,000	<b>G</b>
19,001 – 20,000	<b>H</b>
20,001 – 22,500	<b>I</b>
22,501 – 25,000	<b>J</b>
25,001 – 26,000	<b>K</b>
26,001 – 27,000	<b>L</b>
27,001 – 28,000	<b>M</b>
28,001 – 30,000	<b>N</b>
30,001 or over	<b>N</b> – column Z (see section 5.4.2.2)
<b>Exemption</b>	<b>X</b>

The deduction code you must use is indicated on the *Source Deductions Return* (form TP-1015.3-V) completed by the employee.

### 5.4.2.2 Adjustment columns (columns Y and Z)

#### Column Y

If you are paying salary or wages to an employee whose salary or wages consist of only the value of taxable benefits relating to a former office or employment, the employee is not entitled to the deduction for employment income included in table TP-1015.TI-V. Such taxable benefits include, for example, contributions paid to a private health services plan or other taxable benefits.

In these cases, to ensure that the employee's source deductions are not too low, add the amount of income tax in adjustment column Y to the income tax that you must withhold according to the deduction code of the employee.

#### Note

If, according to the deduction code of the employee, you are not required to withhold income tax from the salary or wages you pay, disregard the income tax provided for in adjustment column Y. The amount in that column is to be taken into account only if you are required to withhold income tax.

#### Column Z

If the amount used to determine the deduction code exceeds \$30,000, subtract, for each increment of \$500 (or portion thereof), the amount in adjustment column Z of table TP-1015.TI-V from the amount in column N.

### 5.4.3 How to use table TP-1015.TI-V

To determine the amount of income tax to withhold from the remuneration subject to source deductions of income tax, proceed as follows:

- Refer to the section of the table corresponding to the number of pay periods in the year.
- In the left-hand column, locate the pay bracket corresponding to the employee's remuneration subject to source deductions of income tax for the pay period.
- Follow the line across to the right until you reach the column that corresponds to the deduction code indicated by the employee on form TP-1015.3-V to determine the amount of income tax to withhold. If no amount is indicated, do not withhold income tax.
- Where applicable, make the adjustments described in section 5.4.2.2.
- Where applicable, add to the withholding the additional income tax the employee has asked you to withhold. This amount is shown on the TP-1015.3-V or TP-1017-V form submitted to you by the employee.
- Where applicable, divide the total **tax credits** (for charitable donations, medical expenses, etc.) authorized by Revenu Québec after the employee completed form TP-1016-V, by the number of pay periods remaining in the year. Then subtract the result from the income tax to be withheld.

#### Note

The **deductions** authorized by Revenu Québec after the employee has completed form TP-1016-V are taken into account in the calculation of the remuneration subject to source deductions of income tax. For that reason, step (f) refers only to **tax credits** authorized by Revenu Québec.

#### Example 1

Weekly salary or wages (52 pay periods)	\$700
Value (GST and QST included) of meals and accommodation provided free of charge	+ \$100
	= \$800
<b>Minus:</b> Contributions to an RPP and deductions from line 19 of form TP-1015.3-V (calculated for the period in question)	- \$80
<b>Remuneration subject to source deductions of income tax</b>	= \$720
Deduction code indicated by the employee on form TP-1015.3-V	Code C

Determine the amount of income tax to withhold as follows:

- Refer to the section of table TP-1015.TI-V marked "52 pay periods per year."
- In the left-hand column, "Remuneration subject to source deductions," locate the bracket that includes \$720 (i.e., "\$720.00 - \$729.99").
- Follow the line across to the right until you reach column C.

The amount of income tax to withhold is \$69.83.

#### Example 2

Monthly pension benefits (12 pay periods)	\$4,000
<b>Remuneration subject to source deductions of income tax</b>	\$4,000
Deduction code indicated by the retiree on form TP-1015.3-V	Code E

Determine the amount of income tax to withhold as follows:

- Refer to the section of table TP-1015.TI-V marked "12 pay periods per year."
- In the left-hand column, "Remuneration subject to source deductions," locate the bracket that includes \$4,000 (i.e., "\$3,970 - \$4,009.99").
- Follow the line across to the right until you reach column E.

The amount of income tax to withhold is \$410.28.

## 5.5 Using the mathematical formulas to calculate income tax withholdings

Chapter 11 contains the mathematical formulas that you may use to calculate source deductions of income tax.

In sections 5.6 through 5.13, which explain how to calculate income tax withholdings and the remuneration subject to source deductions in the case of certain benefits and payments, you will also find specific information on the mathematical formulas.

If you calculate an income tax withholding using the mathematical formula applicable to regular payments and compare the result with the amount shown in the *Source Deduction Table for Québec Income Tax* (TP-1015.TI-V), you may find that the amounts are not identical. The difference is attributable to the fact that different elements are taken into account in the calculation.

## 5.6 Taxable benefits

### 5.6.1 General information

Taxable benefits in cash or in kind (that is, other than in cash) are considered salary or wages. Therefore, if you grant a taxable benefit to an employee during a pay period, you must add the value of the benefit to the employee's regular salary or wages when you calculate the remuneration subject to source deductions of income tax.

In calculating the value of a benefit, you must take into account the GST and QST that the employee would have paid had he or she purchased the property or service concerned. However, do not add GST or QST to taxable allowances or to other taxable benefits in cash.

If you use the mathematical formulas to calculate your income tax withholdings, you must include the value of the taxable benefit in variable G.

For detailed explanations of the principal taxable benefits, refer to the brochure *Taxable Benefits* (IN-253-V).

### 5.6.2 Information concerning certain taxable benefits

Section 4.2.2.1 provides information concerning the tax treatment of taxable benefits granted

- in cash;
- in kind (that is, other than in cash);
- to shareholders; or
- to partners.

You will also find specific information on the following taxable benefits:

- the standby charge and operating costs for an automobile;
- contributions paid to a private health services plan;
- contributions paid to a multi-employer insurance plan.

## 5.7 Vacation pay

### 5.7.1 Employees who take vacations

Where vacation pay is calculated on a percentage basis and paid to an employee who is taking holidays, you must use the applicable section of table TP-1015.TI-V, as indicated below:

- 2% – Use the section marked “52 pay periods per year.”
- 4% – Use the section marked “26 pay periods per year.”
- 6% – Divide the vacation pay by 3. Use the section marked “52 pay periods per year,” and multiply the weekly income tax withholding by 3.
- 8% – Divide the vacation pay by 4. Use the section marked “52 pay periods per year,” and multiply the weekly income tax withholding by 4.

### 5.7.2 Employees who do not take vacations

To calculate the amount of income tax to withhold from the vacation pay of an employee who is not taking holidays, use the method for bonuses given in section 5.8. If you are using the mathematical formulas, see section 11.3.1.2 or 11.3.2, as applicable.

### 5.7.3 Payments made to a trust as credits for vacation time accumulated

Payments that you make to a trust, as credits for vacation time accumulated by an employee, must be included in the employee's income for the year in which the payments are made. The payments are subject to source deductions of income tax just as if they had been paid directly to the employee.

## 5.8 Bonuses and retroactive pay

Bonuses and retroactive pay are subject to source deductions of income tax. The following examples show how to calculate the income tax to be withheld (see examples 1 and 2 for bonuses, and example 3 for retroactive pay), unless

- the total amount of an employee's estimated annual salary or wages plus the bonus or retroactive pay does not exceed \$12,200. In that case, income tax of 8% must be withheld from the bonus or retroactive pay;
- you are using the mathematical formulas and the total amount of the employee's estimated annual salary or wages plus the bonus or retroactive pay does not exceed \$12,200. In that case, do not use these formulas; simply withhold 8% income tax from the bonus or retroactive pay.

Do not withhold income tax if the employee completed the 2007-01 version of form TP-1015.3-V and entered “X” on line 20 of the form.

### Example 1

#### First bonus paid in the year

John, whose weekly remuneration subject to source deductions of income tax is \$540, receives a bonus of \$2,500. The deduction code on his TP-1015.3-V form is D.

(a) Divide the bonus by the number of pay periods in the year:  
 $\$2,500 \div 52 = \$48.08$ .

(b) Add \$48.08 to \$540, for a total of \$588.08 per week.

(c) To calculate the additional weekly source deduction of income tax resulting from the extra weekly income of \$48.08, consult the section of table TP-1015.TI-V marked "52 pay periods per year."

Amount withheld from \$588.08	\$31.58
Amount withheld from \$540	– \$25.08
<b>Additional source deduction</b>	<b>= \$6.50</b>

(d) To determine the amount to withhold from the bonus of \$2,500, multiply the additional source deduction of \$6.50 by 52 (that is, the number of pay periods in the year):  $\$6.50 \times 52 = \$338$ .

(e) The amount to be withheld from John's remuneration for the pay period is therefore \$363.08 (i.e.,  $\$25.08 + \$338$ ).

### Example 2

#### Other bonuses paid in the year

Laura, whose remuneration subject to source deductions of income tax is \$540 per week, receives a \$2,500 bonus in March and a \$1,040 bonus in July. The deduction code on her TP-1015.3-V form is E.

The income tax to be withheld from the first bonus is calculated as in example 1. The income tax to be withheld from the second bonus is calculated as follows:

(a) Divide the amount of the second bonus by the number of pay periods in the year:  $\$1,040 \div 52 = \$20$ .

Add the result to the weekly remuneration subject to source deductions:  $\$540 + \$20 = \$560$ .

(b) Divide the amount of the bonuses previously paid by the number of pay periods in the year:  $\$2,500 \div 52 = \$48.08$ .

(c) Add the amounts obtained in (a) and (b):  
 $\$560 + \$48.08 = \$608.08$ .

(d) Consult the section of table TP-1015.TI-V marked "52 pay periods per year" to calculate the additional weekly source deduction of income tax resulting from the second bonus.

Amount withheld from \$608.08 (\$560 + \$48.08)	\$31.53
Amount withheld from \$588.08 (\$540 + \$48.08)	– \$27.53
<b>Additional source deduction</b>	<b>= \$4.00</b>

(e) To determine the amount to withhold from the bonus of \$1,040, multiply the additional source deduction of \$4 by 52 (that is, the number of pay periods in the year):  $\$4 \times 52 = \$208$ .

Use the same method for each subsequent bonus paid to the employee.

### Example 3

#### Retroactive pay

Eric's remuneration subject to source deductions of income tax is increased from \$275 to \$300 a week, retroactive to 10 weeks. He is therefore entitled to \$250 ( $\$25 \times 10$ ) in retroactive pay. The deduction code on his TP-1015.3-V form is A.

(a) Consult the section of table TP-1015.TI-V marked "52 pay periods per year" to calculate the additional weekly source deduction of income tax resulting from the pay increase.

Amount withheld from \$300 a week	\$8.00
Amount withheld from \$275 a week	– \$4.24
<b>Additional source deduction</b>	<b>= \$3.76</b>

(b) Multiply the additional source deduction (\$3.76) by the number of weeks covered by the retroactive pay increase:  
 $\$3.76 \times 10 = \$37.60$ .

(c) The amount to be withheld from Eric's remuneration for the pay period is therefore \$45.60 (i.e.,  $\$8.00 + \$37.60$ ).

## 5.9 Overtime pay

### 5.9.1 If you are using table TP-1015.TI-V

If the overtime worked by an employee during a pay period is paid as soon as it is earned, that is, if you pay the amount at the same time as the employee's regular salary or wages for the period, simply add the amount of the payment to the regular salary or wages and calculate the income tax withholding in the usual way.

However, if the overtime is paid in a pay period other than the period in which it was earned (in other words, **if you are paying the employee for accumulated overtime**), calculate the income tax withholding according to the method applicable to bonuses. This method is described in section 5.8.

### 5.9.2 If you are using one of the mathematical formulas

If you are using the mathematical formula based on regular payments, use one of the two methods applicable to bonuses to calculate the income tax to be withheld from a payment for **accumulated overtime** (see section 11.3.1.2).

However, if the overtime worked by an employee during a pay period is paid at the same time as the regular salary or wages for the period, you are not required to use one of the methods applicable to bonuses. You may add the overtime pay to the regular salary or wages and include the result in variable G of the mathematical formula given in section 11.3.1.1.



If you are using the mathematical formula based on a cumulative average, include the payment for accumulated overtime in

- variable B if you are using Method 1 of this formula;
- variable B<sub>3</sub> if you are using Method 2 of this formula.

However, if the overtime worked by an employee during a pay period is paid at the same time as the regular salary or wages for the period, you may include the overtime pay in variable G (instead of in variable B or variable B<sub>3</sub>).

## 5.10 Tips

In calculating an employee's remuneration subject to source deductions of income tax, you must add the amounts of the following tips to the regular salary or wages:

- tips that result from tippable sales and that the employee reported during the pay period on the *Register and Statement of Tips* (TP-1019.4-V) or an equivalent document;
- tips unrelated to tippable sales (for example, tips the employee received as a hotel valet, porter, doorman or cloakroom attendant), reported by the employee on the *Register and Statement of Tips* or an equivalent document;
- tips that, because they constitute service charges added to the customer's bill, are distributed to the employee for the pay period and do not have to be reported on the *Register and Statement of Tips* or an equivalent document;
- tips that you allocated to the employee for the pay period because the amount of tips reported was less than 8% of tippable sales (or was less than the percentage set by Revenu Québec further to a request for a reduction in the allocation rate).

If you are using the mathematical formulas, include the tips in variable G.

### Important

When you cannot make all the source deductions because an employee's basic salary or wages (in cash) are insufficient, deduct amounts in the following order: employment insurance premiums, federal income tax, QPP contributions, QPIP premiums, union dues and Québec income tax.

If you are an employer in the restaurant and hotel sector, see the brochure *Tax Measures Respecting Tips* (IN-250-V) for more information concerning the reporting of tips, the tip-allocation mechanism and the refundable tax credit you may claim.

## 5.11 Directors' fees

If, for a pay period, you pay a member of your board of directors who is resident in Canada both directors' fees and a salary, add the value of the fees to the salary and make an income tax withholding in the usual way. If you are using the mathematical formulas, include the fees in variable G.

You are not required to withhold income tax if you pay **only** directors' fees to such a director and you estimate that the value of the fees for the year will not exceed the total of the amounts indicated by the director on lines 10 and 19 of form TP-1015.3-V (or \$9,750 if he or she did not complete the form). Otherwise, you must withhold income tax using the method explained below. (You must also use this method if the director entered the deduction code 0 on form TP-1015.3-V.)

Determine the amount of income tax to withhold as follows:

- (a) To obtain the monthly amount of directors' fees, divide the value of the fees by the number of months that have elapsed since the later of the following dates: the date of the last payment, or January 1, 2007.
- (b) In the section of table TP-1015.TI-V marked "12 pay periods per year," locate the monthly income tax withholding for the amount determined in (a), and multiply it by the number of months that have elapsed since the later of the following dates: the date of the last payment, or January 1, 2007. The result is the amount of income tax to withhold from the directors' fees.

You cannot use the mathematical formulas given in Chapter 11 with the method explained in the previous paragraph. You must therefore do the calculation yourself.

## 5.12 Commissions

Commissions paid to an employee constitute salary or wages, and are added to the regular salary or wages or similar payments. Employees who earn commissions and are required to pay certain employment expenses may elect to have only a percentage of their commissions included in their remuneration subject to source deductions of income tax. An employee who wishes to make such an election must complete form TP-1015.R.13.1-V, *Statement of Commissions and Expenses for Source Deduction Purposes*, and submit it to you within the time limit specified in the following paragraph. The employee may revoke the election at any time by notifying you in writing. The revocation takes effect on the date indicated on the notice.

For 2007, the employee must submit form TP-1015.R.13.1-V to you by the latest of the following dates:

- January 31, 2007;
- the 30th day after the date on which the employee begins to be remunerated on a commission basis;
- the 30th day after the date of an event that may change the percentage of commissions to be included in the remuneration subject to source deductions of income tax.

#### Note

An employee whose estimated commission income changes during the year must complete and submit another TP-1015.R.13.1-V form.

### 5.12.1 Employees who do not have to pay their expenses or who did not complete form TP-1015.R.13.1-V

In both these cases, if you use table TP-1015.TI-V and the commissions are **paid on a regular basis** to the employee, add them to the salary or wages when you calculate the remuneration subject to source deductions of income tax. Then determine the income tax withholding in the usual way (see section 5.4.3). If you are using the mathematical formulas, include the commissions in variable G.

However, if you use table TP-1015.TI-V and the commissions are **not paid on a regular basis**, you may use the method applicable to bonuses (see section 5.8). If you are using the mathematical formula based on regular payments, you may use either of the methods applicable to bonuses to calculate the income tax withholding. If you are using the mathematical formula based on a cumulative average, include the commissions in variable G.

### 5.12.2 Employees who pay their expenses and who completed form TP-1015.R.13.1-V within the prescribed time period

**If you are using table TP-1015.TI-V**, calculate the employee's remuneration subject to source deductions of income tax by adding to his or her basic salary or wages the result of the following calculation:

- the amount of the gross commissions paid to the employee for the pay period;
- multiplied by
- the percentage of commissions determined on form TP-1015.R.13.1-V.

Continue the calculation of the remuneration subject to source deductions of income tax (section 5.4.1) and determine the income tax withholding in the usual way (section 5.4.3).

**If you are using the mathematical formulas**, include the commissions in variable G.

## 5.13 Single payments

Certain **single** payments are subject to an income tax withholding of

- 16% (if the payment is \$5,000 or less); or
- 20% (if the payment is more than \$5,000).

This rule applies to the following **single** payments:

- a retiring allowance (see section 5.13.1);
- a death benefit (see section 5.13.2);
- a payment made further to an order or judgment respecting salary or wages owing to an employee or former employee (see section 5.13.3).

You cannot use the mathematical formulas to calculate the income tax withholding on single payments. Follow the instructions in this section of the guide.

### Single payment

Payment that is not part of a series of periodic payments.

#### Note

As a rule, a single payment is a payment made to an employee **only once during the year**, in settlement of an amount to which the employee is entitled. For example, a retiring allowance is considered a single payment if the employer pays the allowance in one payment or in several annual payments.

Where an amount is to be paid to an employee and, at the time of payment of a portion of that amount, the employer or payer cannot anticipate whether any other such payments will be made to the employee **during the year**, the payment is treated as a single payment and income tax is withheld at the rate of 16% or 20%, as applicable.

However, if the employer or payer does expect to make other such payments to the employee **during the year**, the employer or payer must contact Revenu Québec to find out if these payments can be considered single payments. If this is not the case, income tax must be withheld in the usual way.

### 5.13.1 Retiring allowances

A retiring allowance may be transferred in whole or in part to an RPP or an RRSP, either by you at the time of payment, or by the employee or former employee during the taxation year or during the 60-day period following the end of the year. You are not required to withhold income tax from the portion of the retiring allowance that is transferred directly to an RPP or an RRSP and that may be deducted from the employee's or former employee's income. The deductible amount is the amount determined under the *Income Tax Act* (Statutes of Canada).

### **Retiring allowance**

Amount paid to an employee upon

- loss of employment;
- retirement (in this case, the amount must be paid to the employee at the time of retirement, or after retirement in recognition of the employee's long service).

#### **Note**

A retiring allowance may include an amount reimbursed for sick leave accumulated but not used before the employee's resignation or retirement, an amount paid for damages, or an indemnity in lieu of notice.

### **5.13.2 Death benefits**

If you pay a death benefit, you must withhold income tax of 16% or 20% (see section 5.13) only **if the benefit is paid in the year of death or the following year.**

For other amounts paid after the employee's death, see section 10.2.

### **Death benefit**

Amount paid to the heirs of a deceased employee, in recognition of services rendered by the employee.

#### **Note**

Such a benefit may be, for example, an amount reimbursed for sick leave accumulated but not used before the employee's death.

### **5.13.3 Payment made further to an order or judgment**

You must withhold income tax of 16% or 20% (see section 5.13) from a payment made in compliance with an order or judgment respecting salary or wages owing to an employee or former employee, provided a **portion of the amount owing relates to a previous year.**



# 6 QPP contributions

## 6.1 General information

If you have an employee who is 18 years or over, you and the employee must contribute to the Québec Pension Plan (QPP). The QPP provides pension income to employees who have retired or who become disabled. If an employee dies, the QPP provides benefits to the employee's spouse or dependants.

QPP contributions are shared equally by the employer and the employee. You and the employee must pay contributions to the QPP until the pensionable salary or wages paid to the employee for the year reach the maximum pensionable salary or wages for the year. As the employer, you must withhold the employee's QPP contributions from his or her salary or wages and remit them to Revenu Québec at the same time you remit your QPP contribution.

Revenu Québec remits the employee and employer QPP contributions to the Régie des rentes du Québec. The Régie enters the amount of the contributions and the employee's pensionable salary or wages in the Record of Contributors.

### Important

**Every employee who contributes to the QPP must have a social insurance number (SIN).** This number ensures that the employee's contributions and pensionable salary or wages are correctly entered each year in the Record of Contributors kept by the Régie des rentes du Québec. The benefits to which the employee may be entitled are based on the data entered in this record.

The SIN is indicated on the social insurance card. Any employee who wishes to obtain an SIN or to correct the name on his or her social insurance card should contact a Human Resources Centre of Canada.

Under the *Act respecting the Québec Pension Plan*, you must require each of your employees who perform work in Québec to show you his or her social insurance card within 30 days of taking up employment. If you have an employee under the age of 18, you must ask to see the card in the month following his or her 18th birthday.

In your records and in all correspondence with Revenu Québec, and particularly on the employee's RL-1 slip, you must indicate the employee's first name, last name and SIN exactly as they appear on his or her social insurance card.

QPP contributions must be withheld from an employee's pensionable salary or wages even if the employee does not have an SIN or refuses to provide one.

This chapter contains the information you need to correctly meet your tax obligations with respect to QPP contributions. To deter-

mine the amount of the contributions you must withhold from the remuneration you pay your employees, you may use

- the *Source Deduction Tables for QPP Contributions* (TP-1015.TR-V if there are 52, 26 or 24 pay periods in the year, or TP-1015.TR.12-V if there are 12 pay periods); or
- the mathematical formula in section 11.4.

Computer software ("WinRAS"), based on the mathematical formulas, is also available on the Revenu Québec Web site at [www.revenu.gouv.qc.ca](http://www.revenu.gouv.qc.ca). You can use the software to calculate (among other things) the employee and employer QPP contributions for each pay period.

### Payment of the contributions

Employee and employer QPP contributions must be remitted periodically. Use form TPZ-1015.R.14.1-V or TPZ-1015.R.14.4-V, according to your remittance frequency (see the table in section 3.3.4).

### Note

The expression "pensionable salary or wages for the purposes of the QPP" means the salary or wages described in the *Act respecting the Québec Pension Plan* in the second paragraph of section 50 (for employee and employer contributions) and in section 45 (for optional contributions).

## 6.2 Maximum pensionable salary or wages and contribution rate

The QPP data for 2007 are given below. The 2006 data are provided for information purposes.

	2007	2006
Employee's maximum pensionable earnings <sup>1</sup>	\$43,700	\$42,100
Basic exemption	\$3,500	\$3,500
Employee's maximum contributory earnings	\$40,200	\$38,600
Contribution rate	4.95%	4.95%
Employee's maximum contribution	\$1,989.90	\$1,910.70
Employer's maximum contribution (per employee) <sup>2</sup>	\$1,989.90	\$1,910.70

1. The expression "pensionable earnings" is replaced by the expression "pensionable salary or wages" in this guide.
2. Your employer QPP contribution for an employee is equal to the QPP contribution you must **withhold** from the employee's pensionable salary or wages.

Once the employee's maximum annual contribution has been reached, you must stop withholding and paying QPP contributions with respect to the remuneration paid to the employee.

## 6.3 Remuneration subject to QPP contributions (pensionable salary or wages)

Refer to the table in section 4.2.1 to determine whether the remuneration you pay is subject to QPP contributions. As a rule, QPP contributions are withheld from employment income, such as salaries or wages (see section 1.4 for information on the expression “salary or wages”), **except** those described in section 6.4.

Salaries or wages are considered to be pensionable salaries or wages for the purposes of the QPP **if they are paid for work performed in Québec.**

### Work performed in Québec

Work is considered to be performed in Québec **if one of the conditions given in column B of the table in section 4.1 is met.** In such cases, you must withhold and pay QPP contributions with respect to the salaries or wages you pay that are subject to such contributions.

## 6.4 Remuneration not subject to QPP contributions

You are not to withhold or pay QPP contributions with respect to the following types of remuneration:

- the salary or wages paid to an employee
  - for excepted employment (see “Excepted employment,” below),
  - before or during the month in which the employee reaches age 18,
  - as of the month following the month that includes the date (set by the Régie des rentes du Québec) on which the employee becomes disabled,
  - after the employee’s maximum annual contribution has been reached (see section 6.6.3);
- certain taxable benefits referred to in section 4.2.2.1.

Similarly, you are not to withhold or pay QPP contributions with respect to the following types of remuneration (which are not subject to QPP contributions because they are not considered to be employment income):

- certain amounts paid further to an industrial accident – CSST (see section 10.1);
- retiring allowances (see the definition in section 5.13.1);
- death benefits (see the definition in section 5.13.2);
- patronage dividends.

### Excepted employment

The following categories of employment are excepted employment and are not subject to QPP contributions:

- employment in agriculture or an agricultural enterprise, horticulture, fishing, hunting, trapping, forestry, logging or lumbering, if
  - you pay the employee less than \$250 cash salary or wages during the year, or

- you hire the employee, in return for cash salary or wages, for fewer than 25 working days during the year;
- work performed by your child or dependant, for which no cash remuneration is paid;
- work performed by a member of a religious order who has taken a vow of poverty and whose salary or wages are paid to the religious order, either directly or by the member, provided an application was submitted in the prescribed manner before January 1, 1998;
- casual or short-term employment (excluding employment as an entertainer or performer) in a circus, show, exhibition or similar activity, where the employee
  - is not regularly employed by you, and
  - is employed by you for fewer than seven days in the year;
- casual or short-term employment on the occasion of a referendum or an election, on behalf of the federal government, a provincial government, a municipality or a school board, where the employee
  - is not regularly employed by you, and
  - is employed by you for fewer than 35 hours in the year, in order to work on the referendum or election;
- casual or short-term employment respecting disaster relief or rescue operations, if the employee is not regularly employed by you;
- employment conferring entitlement to a pension plan established by the *Courts of Justice Act* or the *Judges Act* (Statutes of Canada);
- employment of an Indian, if the income gives entitlement to the deduction for employment income situated on a reserve or premises and you have not made the irrevocable election to have the *Act respecting the Québec Pension Plan* apply to this employment (see section 10.5).

Employment in a transport business may also, in some cases, be considered excepted employment, if the work is performed partly in Québec and partly outside Canada. For more information, contact Revenu Québec.

## 6.5 Basic exemption

For 2007, the first **\$3,500** of an employee’s pensionable salary or wages is exempt from QPP contributions.

### 6.5.1 Continuous employment

Employment is considered **continuous** if it does not meet the definition of the expression “non-continuous employment” given in section 6.5.2.

#### 6.5.1.1 Regular pay periods

You must divide the basic exemption of \$3,500 by the number of pay periods in the year. For example, if you have 26 pay periods, divide \$3,500 by 26 to determine the amount of the pay period exemption, even if the employee does not work for you for the entire year.

If you are using the *Source Deduction Tables for QPP Contributions* (TP-1015.TR-V and TP-1015.TR.12-V), do not subtract the exemption from the pensionable salary or wages paid to the employee, because the tables take into account the pay period exemption.

If you pay pensionable salary or wages to the same employee more than once in the same pay period, you may use the tables (and take the exemption into account) for **only one** such payment. For subsequent payments of pensionable salary or wages in the pay period, simply withhold the lower of the following amounts:

- 4.95% of the pensionable salaries or wages (**without taking the exemption into account**);
- the employee's maximum annual contribution (see section 6.6.3) **minus** the contributions already withheld.

#### Note

The example in section 6.6.2 illustrates the above-mentioned rule.

If you are using the mathematical formula, the same rule applies: you cannot take into account the pay period exemption (V/P) more than once in the pay period.

### 6.5.1.2 Irregular pay periods

If an employee's pay periods are irregular, the pay period exemption is equal to the higher of the following amounts:

- \$3,500, multiplied by the number of days in the pay period and divided by 365;
- \$67.30.

If the result is an amount with a fraction of a cent, do not take the fraction into account.

To determine the exemption corresponding to the number of days included in an irregular pay period, refer to the table on the last page of the QPP tables in document TP-1015.TR-V.

### 6.5.2 Non-continuous employment

The pay period exemption for an employee whose employment is **non-continuous** is

- \$1.75 per hour, if the employee is paid by the hour ( $\$3,500 \div 2,000 \text{ hours} = \$1.75$ ); or
- \$14.58 per day, if the employee is paid by the day ( $\$3,500 \div 240 \text{ days} = \$14.58$ ).

#### Important

If you are using Table B in document TP-1015.TR-V, do not subtract the pay period exemption from the pensionable salary or wages paid to the employee, because the tables already take the exemption into account.

#### Note

If you have an employee whose employment is non-continuous, do not use the mathematical formula given in Chapter 11. Instead, do the calculations yourself or use Table B in document TP-1015.TR-V.

#### **Non-continuous employment**

Work performed for an employer that operates a business or has at least one full-time employee, where the work is performed by

- an employee whose pay period covers fewer than seven days; or
- an employee who normally performs the same type of work for two or more employers in turn.

## 6.6 Using the tables to calculate withholdings of employee contributions

For each pay period, you must withhold QPP contributions from the employee's gross pensionable salary or wages, that is, from the employee's pensionable salary or wages (see section 6.3) for the pay period calculated before any withholdings (union dues, contributions to an RPP, etc.) are taken into account.

**When the employee's maximum annual contribution is reached** (see section 6.6.3), **you must stop withholding QPP contributions.**

The QPP source deduction tables are contained in two documents: TP-1015.TR-V, for 52, 26 or 24 pay periods per year, and TP-1015.TR.12-V, for 12 pay periods per year. Use Table A of these documents for continuous employment, and Table B of document TP-1015.TR-V for non-continuous employment.

#### Important

As stated in section 6.5.1.1, the source deduction tables take into account the pay period exemption. Do not subtract the exemption from the pensionable salary or wages paid to the employee for the pay period.

### 6.6.1 How to use the tables

For continuous employment, locate the pay bracket that includes the employee's gross pensionable salary or wages in the "Remuneration" column of the section of Table A of document TP-1015.TR-V or TP-1015.TR.12-V corresponding to the number of your pay periods in the year. The amount to be withheld is shown in the "Deduction" column.

If employment is non-continuous and the employee is paid by the hour, locate the bracket that includes the employee's hourly wage in the "Rate per hour" section of Table B of document TP-1015.TR-V. The amount to be withheld for each hour for which the employee is remunerated is in the "Deduction" column.

If employment is non-continuous and the employee is paid by the day, locate the bracket that includes the employee's daily wage in the "Rate per day" section of Table B of document TP-1015.TR-V. The amount to be withheld for each day for which the employee is remunerated is in the "Deduction" column.

### Example 1

Mohammed, a 30-year-old employee whose employment is continuous, earns \$850 per week. In accordance with Table A of document TP-1015.TR-V, his employer must withhold a QPP contribution of \$38.99 in each of the first 51 pay periods in the year. The amount to be withheld in the 52nd pay period will be \$1.41, that is, \$1,989.90 (maximum contribution) minus \$1,988.49 (amount already withheld).

### Example 2

Susan, aged 22, earns \$30 per day. Her employment is non-continuous. Susan's employer must withhold a QPP contribution of \$0.76 per day (based on Table B of document TP-1015.TR-V).

## 6.6.2 Overtime pay, bonuses and retroactive pay

If, during a pay period, you pay an employee for overtime, and the amount is paid **separately from the employee's regular salary or wages**, you must withhold the lower of the following amounts:

- 4.95% of the gross amount of overtime pay (**without taking the exemption into account**);
- the employee's maximum annual contribution (see section 6.6.3) minus the contributions already withheld.

Do not take the pay period exemption into account, since you have already done so when calculating the QPP contribution on the regular remuneration for the period.

If you pay the overtime **along with the employee's regular salary or wages**, add the overtime pay to the remuneration and calculate the QPP contribution in the usual way.

Proceed in the same way for bonuses or retroactive pay.

### Example

Anna earns \$515 for the pay period from May 18 - 25, 2007, and also receives, separately from her regular wages, a bonus of \$100. To date, a total of \$500 in QPP contributions has been withheld from her wages.<sup>1</sup> In accordance with Table A of document TP-1015.TR-V, a QPP contribution of \$22.16 must be withheld from the regular wages, and \$4.95 (4.95% x \$100, no exemption) from the bonus of \$100. The total QPP contribution withheld for the pay period is therefore \$27.11.

If Anna's bonus were paid along with her regular wages, her employer would instead locate the pay bracket that includes pensionable salary or wages of \$615 (\$515 + \$100) in the "Remuneration" column of the section of Table A that covers 52 pay periods per year, and deduct the corresponding QPP contribution (\$27.11).

1. The balance to be withheld for the rest of the year is \$1,489.90, that is, the employee's maximum annual QPP contribution (\$1,989.90) minus the QPP contributions already withheld for the year (\$500). Therefore, the amount withheld for the pay period must not exceed \$1,489.90.

## 6.6.3 Maximum annual contribution

The total QPP contributions you withhold for an employee in 2007 must not exceed **\$1,989.90**. Once this limit is reached, do not withhold any more contributions. See the QPP data in section 6.2 to find out how the maximum annual contribution is determined.

### Special cases

The employee's maximum annual contribution must be reduced in the following cases:

- If an employee reaches age 18 in 2007, multiply \$1,989.90 by the number of months in the year that follow the month of the employee's 18th birthday, and divide the result by 12 (see example 1 below).
- If an employee dies in 2007, multiply \$1,989.90 by the number of months in the year up to and including the month of death, and divide the result by 12 (see example 2 below).
- If a QPP or CPP disability pension becomes payable to an employee in 2007, multiply \$1,989.90 by the number of months up to and including the month that includes the date (set by the Régie des rentes du Québec) on which the employee becomes disabled, and divide the result by 12.
- If a QPP or CPP disability pension ceases to be payable to the employee in 2007, multiply \$1,989.90 by the number of months that follow the month in which the pension ceases to be payable, and divide the result by 12.

### Example 1

Lisa turned 18 on August 15, 2007. She receives a salary of \$3,800 per month (\$45,600 per year), which exceeds the maximum pensionable salary or wages (\$43,700).

From January to August 2007, Lisa has no QPP contribution payable.

From September to December 2007,

- the basic monthly exemption is  $\$3,500 \div 12 = \$291.66$ ;
- the pensionable earnings are  $\$3,800 - \$291.66 = \$3,508.34$ ;
- the monthly QPP contribution withheld from Lisa's salary is therefore  $\$3,508.34 \times 4.95\% = \$173.66$ .

#### Maximum contribution for 2007:

$(\$1,989.90 \times 4) \div 12 = \$663.30$

Lisa's QPP contributions for 2007 must not exceed \$663.30.

### Example 2

At the time of his death, on March 15, 2007, Benjamin was receiving a weekly salary of \$900, and his pensionable salary was \$9,000.

From January to March 2007,

- the basic weekly exemption is  $\$3,500 \div 52 = \$67.30$ ;
- the pensionable earnings are  $\$900 - \$67.30 = \$832.70$ ;
- the weekly QPP contribution withheld from Benjamin's salary is therefore  $\$832.70 \times 4.95\% = \$41.22$ .

#### Maximum contribution for 2007:

$(\$1,989.90 \times 3) \div 12 = \$497.48$

Benjamin's QPP contributions for 2007 must not exceed \$497.48.

## 6.7 Using the mathematical formula to calculate withholdings of employee contributions

You can use the mathematical formula given in section 11.4 only for an employee whose employment is **continuous** (see the explanation of "continuous employment" in section 6.5.1) and whose pay periods are regular.

If you use this mathematical formula, you should read the following paragraphs.

You must withhold QPP contributions from the contributory earnings of an employee until the total contributions withheld since the beginning of the year equal the employee's maximum annual contribution. The expression "contributory earnings" refers to the portion of the pensionable salary or wages that exceeds the pay period exemption. In the mathematical formula, the contributory earnings are represented by the following equation:  $(S_3 - V/P)$ .

### Pay period exemption (V/P)

To calculate the pay period exemption for an employee whose employment is **continuous** (see the explanation of "continuous employment" in section 6.5.1) and whose **pay periods are regular**, divide the basic exemption of \$3,500 by the number of pay periods in the year.

Number of pay periods (P)	V/P
1	\$3,500.00
12	\$291.66
24	\$145.83
26	\$134.61
52	\$67.30

### Important

If an employee has not worked for you for the entire year, variable P corresponds to the number of pay periods for which you would have paid salary or wages to the employee had he or she worked for you for the entire year. For example, if an employee worked for two months in the year and is paid on a monthly basis, variable V/P is \$291.66 ( $\$3,500 \div 12$ ) for each pay of the employee. The exemption for this employee for the year is \$583.32, rather than the full annual exemption (\$3,500).

## 6.8 Employer contribution

You must pay a QPP contribution equal to the total of the QPP contributions **withheld** from the pensionable salaries or wages of your employees. You must remit your contribution to Revenu Québec at the same time you remit the contributions of your employees (see "Payment of the contributions" in section 6.1).

For example, if you make monthly remittances, calculate the total QPP contributions withheld from the salaries or wages paid to your employees during the month. Your monthly contribution is equal to this amount. Then add your contribution to those of your employees and enter the result in the appropriate box on remittance slip TPZ-1015.R.14.1-V.



## 6.9 Employer that succeeds another employer

If, during the year, you succeeded another employer as a consequence of the formation or winding-up of a corporation or of the acquisition of a major portion of the property of an undertaking or of a separate part of an undertaking, and there was no interruption of the employees' service, you must take into account the amounts that the previous employer deducted from the pensionable salaries or wages paid to the employees from the beginning of the year, up to the amount of employer contributions paid by the previous employer on these salaries or wages.

If either you or the previous employer failed to correctly withhold an employee's QPP contribution, both you and the other employer are obliged to remit the portion of the employee contribution that was not withheld. Each of you must also remit the corresponding employer contribution.

Consult section 6.9 of the *Guide for Employers* (TP-1015.G-V) for information pertaining to the following situations:

- corporate amalgamations;
- employees transferred from one employer to another, where the employer is a municipality, a metropolitan community, a school board, a CEGEP, a public institution, or a private institution under agreement within the meaning of the *Act respecting health services and social services* or the *Act respecting health services and social services for Cree Native persons*.

## 6.10 Tips

In calculating an employee's pensionable salary or wages, you must add the amounts of the following tips to the regular salary or wages:

- tips that result from tippable sales and that the employee reported during the pay period on the *Register and Statement of Tips* (TP-1019.4-V) or an equivalent document;
- tips unrelated to tippable sales (for example, tips the employee received as a hotel valet, porter, doorman or cloakroom attendant), reported by the employee on the *Register and Statement of Tips* or an equivalent document;
- tips that, because they constitute service charges added to the customer's bill, are distributed to the employee for the pay period and do not have to be reported on the *Register and Statement of Tips* or an equivalent document;
- tips that you allocated to the employee for the pay period because the amount of tips reported was less than 8% of tippable sales (or was less than the percentage set by Revenu Québec further to a request for a reduction in the allocation rate).

If you are using the mathematical formula, include the tips in variable  $S_3$ .

### Important

When you cannot make all the source deductions because an employee's basic salary or wages (in cash) are insufficient, deduct amounts in the following order: employment insurance premiums, federal income tax, QPP contributions, QPIP premiums, union dues and Québec income tax.

If you are an employer in the restaurant and hotel sector, see the brochure *Tax Measures Respecting Tips* (IN-250-V) for more information concerning the reporting of tips, the tip-allocation mechanism and the refundable tax credit you may claim.

## 6.11 Directors' fees

If you pay directors' fees to a director who is resident in Canada and **who also receives a regular salary**, add the amount of the fees to the salary and determine the QPP contribution in the usual way. If you pay **only** directors' fees to the person, divide the annual QPP exemption of \$3,500 by the number of fee payments made during the year.

### Example

Anita is a director of XYZ corporation. She receives \$1,000 in directors' fees each quarter, but no other remuneration. The exemption for each quarter is \$875 (that is, \$3,500 divided by four fee payments). The amount to be withheld is \$6.19, or  $4.95\% \times (\$1,000 - \$875)$ .

## 6.12 Employees who reach 18 in 2007 or who receive a disability pension

As stated in section 6.4, QPP contributions must not be withheld from the salary or wages paid to an employee

- before or during the month in which the employee reaches age 18;
- as of the month following the month that includes the date (set by the Régie des rentes du Québec) on which the employee becomes disabled.

## 6.13 Employees who are 70 or older in 2007 or who receive a retirement pension

You must withhold QPP contributions from the pensionable salary or wages paid to an employee during the year, even if the employee is 70 or older or receives a retirement pension under the QPP or the CPP.

## 6.14 Employees who work for more than one employer

You must make source deductions regardless of whether other amounts have been, are being or will be withheld by another employer with respect to the same employee, unless you have succeeded the other employer in the circumstances described in section 6.9. An employee whose contributions exceed the maximum annual contribution for the year may claim a refund of the excess contributions in his or her income tax return.

## 6.15 Was the correct amount of contributions withheld during the year?

You may use the following table to verify whether the total amount of QPP contributions you withheld in 2007 for an employee who held continuous employment was correct.

**Table**

<b>Continuous employment</b>		
<b>Employee's situation in 2007</b>	<b>Total employee QPP contributions for 2007</b> (choose the amount in column A or B, whichever is lower)	
	<b>A</b>	<b>B</b>
The employee was 18 or over <b>throughout the year</b> and did not receive a disability pension under the QPP or the CPP.	\$1,989.90	4.95% x [pensionable salary or wages for 2007 – (pay period exemption x number of pay periods for which you paid a pensionable salary or wages – amount by which the pay period exemption <sup>1</sup> exceeds the pensionable salary or wages for a pay period)]
The employee turned 18.	$\$1,989.90 \times (\text{number of months after the month of the employee's 18th birthday}) \div 12$	
The employee began to receive a disability pension under the QPP or the CPP.	$\$1,989.90 \times (\text{number of months up to and including the month that includes the date – set by the Régie des rentes du Québec – on which the employee becomes disabled}) \div 12$	
The employee stopped receiving a disability pension under the QPP or the CPP.	$\$1,989.90 \times (\text{number of months after the month in which the employee stopped receiving the disability pension}) \div 12$	
The employee died.	$\$1,989.90 \times (\text{number of months in the year up to and including the month of the employee's death}) \div 12$	
The employee was 17 or under <b>throughout the year</b> .	No QPP contributions	
1. The pay period exemption must not exceed the pensionable salary or wages for the period. For example, if the pay period exemption is \$67.30 and you paid a pensionable salary or wages of \$60 for a pay period, multiply the pay period exemption (\$67.30) by the number of pay periods for which you paid a pensionable salary or wages to the employee, and subtract \$7.30 from the result.		



### 6.15.1 Excess contributions

Under certain circumstances, you may have made an overpayment of QPP contributions for a year. This may happen if, for example, an employee died during the year, received a disability pension under the QPP after you deducted the maximum contribution for the year, or was under 18 when you withheld contributions.

The overpayment for the year will be refunded to you if you submit a **written** request within four years after the end of the year in which the excess amount was paid.

If the overpayment results from a decision under section 65 of the *Act respecting the Québec Pension Plan* or section 44 of the *Act respecting parental insurance* concerning the determination of an individual's employment status, or from a decision upon objection or appeal, you will receive a refund without having to request one.

Employees may request a refund of an overpayment for a given year by indicating the amount of their overpayment on line 452 of their income tax return for the year.

### 6.15.2 Insufficient QPP contributions

If you did not withhold a sufficient amount as a QPP contribution, you are required to remit to Revenu Québec the amount you did not withhold, together with the employer contribution. However, you may recover the employee contribution that you paid out of your own funds by deducting the amount from any pensionable salary or wages you pay the employee in the 12 months following the date on which the contribution should have been withheld. From each payment of pensionable salary or wages, you may withhold only one of the QPP contributions that you previously failed to withhold.

### 6.15.3 Time limit for Revenu Québec to make an assessment

Revenu Québec may recalculate the amount of the QPP contribution you are required to pay and make a reassessment or an additional assessment. Once you are notified of the amount assessed, you must pay it immediately. If you are not satisfied with the decision, you may request an explanation or take one of the steps described in the folder *Recourse for Your Tax-Related Problems* (IN-106-V).

Revenu Québec has four years after the date on which an amount becomes payable to make an assessment. However, this deadline does not apply if you

- have not filed a return;
- have made a false statement or committed fraud in supplying the required information; or
- have filed a waiver on the prescribed form.

## 6.16 Employee or self-employed?

You may ask Revenu Québec to determine a worker's employment status if you and the worker do not agree. Such a request must be transmitted to Revenu Québec by April 30 of the year following the calendar year to which the request applies. You must submit form RR-65-V, *Application for Determination of Status as an Employee or a Self-Employed Worker*, and form RR-65.A-V, *Questionnaire to Determine the Status of an Employee or a Self-Employed Person*. Revenu Québec must take into account the information provided by both parties, and make known its decision with dispatch and in the manner it considers suitable.

### Important

The decision rendered by Revenu Québec also applies for the purposes of the QPIP. In other words, a worker considered to be an employee for the purposes of the QPP is also considered an employee for the purposes of the QPIP, and a person considered to be self-employed for the purposes of the QPP is also considered self-employed for the purposes of the QPIP.

The reverse is also true, that is, a decision that determines the status of a worker for the purposes of the QPIP is also valid for the purposes of the QPP (see section 7.14).

### **Self-employed**

Individuals who are self-employed must base their QPP contributions on the income of the business they carry on (either directly or as an active member of a partnership), not on their drawings. As a rule, such individuals must pay their QPP contributions in instalments, separately from the QPP contributions of their employees. The amount of the instalments is generally indicated on form TPZ-1026.A-V, *Instalment Payments Made by an Individual*.

# 7 QPIP premiums

## 7.1 General information

The Québec parental insurance plan (QPIP) provides for the payment of benefits to an employee who takes a maternity, paternity, adoption or parental leave during which he or she sustains an interruption of earnings.

QPIP premiums must be paid by you and each of your employees – regardless of their age, their place of residence (generally speaking), and whether or not they receive benefits under the plan – until the eligible salary or wages paid to the employee for the year reach the maximum insurable earnings for the year. As the employer, you must withhold the employee's QPIP premiums from the employee's salary or wages and remit them to Revenu Québec at the same time you remit your employer QPIP premiums.

Revenu Québec remits the employee and employer QPIP premiums to the Parental Insurance Fund. The Ministère de l'Emploi et de la Solidarité sociale pays benefits to employees from this fund and issues an RL-6 slip to each beneficiary. **If you wish to obtain information for your employees about how to apply for benefits or about the payment of benefits, contact the Ministère d'Emploi et de la Solidarité sociale.**

This chapter contains the information you need to correctly meet your tax obligations with respect to QPIP premiums. To determine the amounts of the employee and employer QPIP premiums, you may use

- the *Table for Québec Parental Insurance Plan Premiums* (TP-1015.TA-V); or
- the mathematical formula in section 11.5.1 (for employee premiums) or section 11.5.2 (for employer premiums).

Computer software ("WinRAS"), based on the mathematical formulas, is also available on the Revenu Québec Web site at [www.revenu.gouv.qc.ca](http://www.revenu.gouv.qc.ca). You can use the software to calculate (among other things) the employee and employer QPIP premiums for each pay period.

### Payment of the premiums

Employee and employer QPIP premiums must be remitted periodically. Use form TPZ-1015.R.14.1-V or TPZ-1015.R.14.-V, according to your remittance frequency (see the table in section 3.3.4).

## 7.2 Maximum insurable earnings and contribution rate

The QPIP data for 2007 are given below. The 2006 data are provided for information purposes.

	2007	2006
Maximum insurable earnings	\$59,000	\$57,000
Employee's premium rate	0.416%	0.416%
Employee's maximum premium (\$59,000 x 0.00416)	\$245.44	\$237.12
Employer's premium rate	0.583%	0.583%
Employer's maximum premium (per employee) (\$59,000 x 0.00583)	\$343.97	\$332.31
Qualifying threshold <sup>1</sup>	\$2,000	\$2,000

1. If an employee's work income (which includes eligible salary or wages) for the year is less than \$2,000, the employee is not required to pay QPIP premiums. However, **regardless of the \$2,000 threshold, you must start withholding and paying QPIP premiums as soon as you pay the employee one dollar of eligible salary or wages** (see section 7.10).

Once the employee's maximum annual premium has been reached (\$245.44), you must stop withholding QPIP premiums from the employee's remuneration. You must also stop paying your employer premium because once the employee's maximum annual premium is reached, the employer's maximum annual premium (\$343.97) is also reached.

## 7.3 Remuneration subject to QPIP premiums

Refer to the table in section 4.2.1 to determine whether the remuneration you pay is subject to QPIP premiums. As a rule, remuneration subject to employment insurance premiums is also subject to QPIP premiums.

However, you may be required to withhold and pay QPIP premiums respecting remuneration that is not subject to employment insurance premiums. Employment that is not insurable under the *Employment Insurance Act* (Statutes of Canada) is not necessarily excluded employment under the *Act respecting parental insurance*. If this is the case, the amount of remuneration subject to QPIP premiums is equal to the remuneration from which you would have withheld employment insurance premiums had the employment been insurable under the *Employment Insurance Act*. For example, you must withhold and pay QPIP premiums respecting a salary or wages paid to a shareholder (or a shareholder's spouse) in his or her capacity as an employee, regardless of the number of shares held by the shareholder (or the shareholder's spouse).

You must withhold and pay QPIP premiums from remuneration subject to the premiums (hereinafter referred to as “eligible salary or wages”) **if one of the conditions given in column B of the table in section 4.1 is met.**

## 7.4 Remuneration not subject to QPIP premiums

You are not to withhold or pay QPIP premiums with respect to the following types of salary or wages:

- salary or wages paid
  - to an employee for excluded employment (see “Excluded employment,” below),
  - to an employee after his or her maximum annual premium has been reached,
- taxable benefits **in kind** (that is, other than in cash), except a taxable benefit for board and lodging granted to the employee for a pay period in which the employee receives cash remuneration;
- certain other taxable benefits referred to in section 4.2.2.1;
- allocated tips (see section 7.8).

Similarly, you are not to withhold or pay QPIP premiums with respect to the following types of remuneration (which are not considered employment income):

- certain amounts paid further to an industrial accident – CSST (see section 10.1);
- retiring allowances (see the definition in section 5.13.1), **other than an indemnity in lieu of notice** (see the definition in section 4.2.2.2);
- death benefits (see the definition in section 5.13.2);
- patronage dividends.

### Excluded employment

The following categories of employment are excluded employment, that is, they are not subject to QPIP premiums:

- the employment of a member of a religious order who has taken a vow of poverty and whose salary or wages are paid to the religious order, either directly or by the member;
- employment that constitutes an exchange of work or services;
- employment in agriculture, an agricultural enterprise or horticulture, if the person
  - is not regularly employed by you, and
  - is employed by you for fewer than seven days in the year;

- employment by the Government of Canada, the government of a province, a municipality or a school board in connection with a referendum or election, if the person
  - is not regularly employed by you, and
  - is employed by you for fewer than 35 hours in the year with respect to such referendum or election;
- employment (other than employment as an entertainer) in a circus, show, fair, parade, carnival, exposition, exhibition or similar activity, if the person
  - is not regularly employed by you, and
  - is employed by you for fewer than seven days in the year;
- employment in a rescue operation, if the person
  - is not regularly employed by you, and
  - is employed by you for fewer than seven days in the year;
- casual employment not performed in the course of your business or usual trade.

## 7.5 Using table TP-1015.TA-V to calculate employee and employer premiums

For each pay period, you must withhold the QPIP premium from the employee’s gross eligible salary or wages, that is, from the employee’s eligible salary or wages (see section 7.3) for the pay period calculated before any withholdings (union dues, contributions to an RPP, etc.) are taken into account.

Once the employee’s maximum annual premium has been reached (\$245.44), you must stop withholding QPIP premiums from the employee’s remuneration. You must also stop paying your employer premium because once the employee’s maximum annual premium is reached, the employer’s maximum premium (\$343.97) is also reached.

### How to use table TP-1015.TA-V

Table TP-1015.TA-V is used to calculate employee and employer premiums for a pay period.

The table contains

- a column for the employee premium;
- a column for the employer premium.

Be careful not to confuse the employee’s premium with your own.

To determine the amount to withhold or pay for a pay period, locate in the “Eligible salary or wages” column of the table the bracket that includes the employee’s gross eligible salary or wages for the pay period. Follow the line across to the “Employee premium” column (immediately to the right) and then to the “Employer premium” column (far right).

## Note

Unlike tables TP-1015.TI-V, TP-1015.TR-V and TP-1015.TR.12-V, table TP-1015.TA-V is not divided into sections corresponding to 52, 26, 24 or 12 pay periods. If you pay an employee \$1,000 in eligible salary or wages for a pay period, you must withhold \$4.16, regardless of the number of pay periods.

### Example 1

Charles earns an eligible salary of \$1,650 per week. For each of Charles' first 35 pay periods, his employer is required to withhold an employee premium of \$6.86 (based on table TP-1015.TA-V) and pay an employer premium of \$9.62 (based on table TP-1015.TA-V). For the 36th pay period

- the employer withholds an employee premium of \$5.34, that is, \$245.44 (maximum premium) minus \$240.10 (amount already withheld);
- the employer pays an employer premium of \$7.27, that is, \$343.97 (maximum premium) minus \$336.70 (amount already paid).

As of the 37th pay period, the employer must stop withholding and paying QPIP premiums for the year.

### Example 2

Nadia is paid an eligible salary of \$1,650 every two weeks. For each of Nadia's 26 pay periods, her employer is required to withhold an employee premium of \$6.86 (based on table TP-1015.TA-V) and pay an employer premium of \$9.62 (based on table TP-1015.TA-V).

## 7.6 Using the mathematical formulas to calculate employee and employer premiums

If you do not use table TP-1015.TA-V to calculate the employee QPIP premium, use the mathematical formula given in section 11.5.1. Revenu Québec also provides a mathematical formula to calculate your QPIP premium (see section 11.5.2). The formula calculates your employer premium **for each employee** for each pay period.

In these formulas, variable  $S_4$  represents the employee's gross eligible salary or wages for the pay period. To correctly determine the value of variable  $S_4$ , see section 7.3.

## 7.7 Employer that succeeds another employer

If, during the year, you succeeded another employer as a consequence of the formation or winding-up of a corporation or of the acquisition of a major portion of the property of an undertaking or of a separate part of an undertaking, and there was no interruption of the employees' service, you must take into account the amounts that the previous employer deducted from the eligible salaries or wages paid to the employees from the beginning of the year.

If either you or the previous employer failed to correctly withhold an employee's QPIP premium, both you and the other employer are obliged to remit the portion of the employee premium that was not withheld. Each of you must also remit the corresponding employer premium.

Your employer premium is equal to the difference between the premium the previous employer would have been required to pay for the year if you had not succeeded that employer and the premium the previous employer is required to pay for the year.

Consult section 7.7 of the *Guide for Employers* (TP-1015.G-V) for information on corporate amalgamation.

## 7.8 Tips

In calculating an employee's eligible salary or wages for the purposes of the QPIP, you must add the amounts of the following tips to the regular salary or wages:

- tips that result from tippable sales and that the employee reported during the pay period on the *Register and Statement of Tips* (TP-1019.4-V) or an equivalent document;
- tips unrelated to tippable sales (for example, tips the employee received as a hotel valet, porter, doorman or cloakroom attendant), reported by the employee on the *Register and Statement of Tips* or an equivalent document;
- tips that, because they constitute service charges added to the customer's bill, are distributed to the employee for a pay period and do not have to be reported on the *Register and Statement of Tips* or an equivalent document.

### Note

**You are not required to take into account tips that you allocated to the employee for the pay period because the amount of tips reported was less than 8% of tippable sales (or was less than the percentage set by Revenu Québec further to a request for a reduction in the allocation rate). These tips are not subject to the QPIP.**

If you are using the mathematical formula, include the tips (other than allocated tips) in variable  $S_4$ .

## Important

When you cannot make all the source deductions because an employee's basic salary or wages (in cash) are insufficient, deduct amounts in the following order: employment insurance premiums, federal income tax, QPP contributions, QPIP premiums, union dues and Québec income tax.

If you are an employer in the restaurant and hotel sector, see the brochure *Tax Measures Respecting Tips* (IN-250-V) for more information concerning the reporting of tips, the tip-allocation mechanism and the refundable tax credit you may claim.

## 7.9 Directors' fees

If you pay directors' fees to a director who is resident in Canada and who also receives a regular salary or if you pay only directors' fees to a director, **you must withhold and pay QPIP premiums, if one of the conditions given in column B of the table in section 4.1 is met.**

## 7.10 Employees with work income of less than \$2,000

As was previously stated in note 1 of the table in section 7.2, an employee is not required to pay QPIP premiums for the year if his or her work income (that is, eligible salary or wages and business income) for the year is less than \$2,000. **You must, however, start withholding and paying QPIP premiums as soon as you pay the employee one dollar of eligible salary or wages.**

Therefore, the \$2,000 threshold is not taken into account

- in the employee premiums you withhold;
- in your employer premiums.

If, however, the employee's work income for the year is less than \$2,000, the employee may claim a refund of the premiums in his or her income tax return.

Employer premiums are not reimbursed because the \$2,000 threshold does not apply to employer premiums.

## 7.11 Employees who work for more than one employer

You must make source deductions regardless of whether other amounts have been, are being or will be withheld by another employer with respect to the same employee, unless you have succeeded the other employer in the circumstances described in section 7.7. An employee whose premiums exceed the maximum annual premium for the year may claim a refund of the excess premiums in his or her income tax return.

## 7.12 Employees who die or cease to be resident in Canada

The eligible salary or wages of an employee who dies or ceases to be resident in Canada in 2007 are subject to the QPIP for the period of the year prior to death or to the termination of residence in Canada, since the moment that immediately precedes death or the termination of residence is deemed to be the end of the year.

## 7.13 Total premiums paid during the year

### 7.13.1 Excess premiums

#### 7.13.1.1 Excess employee premiums

If the amount of employee premiums you withheld from an employee's eligible salary or wages for a year is too high, the employee may claim a refund of the excess premiums in his or her income tax return for the year.

#### 7.13.1.2 Excess employer premiums

You may have made an overpayment of QPIP premiums for a year. The amount will be refunded to you if you submit a **written** request within four years after the end of the year in which the excess amount was paid.

If the overpayment results from a decision under section 65 of the *Act respecting the Québec Pension Plan* or section 44 of the *Act respecting parental insurance* concerning the determination of an individual's employment status, or from a decision upon objection or appeal, you will receive a refund without having to request one.

### 7.13.2 Insufficient premiums

If you did not withhold a sufficient amount as a QPIP premium, you are required to remit to Revenu Québec the amount you did not withhold, together with your employer premium. However, you may recover the employee premium that you paid out of your own funds by deducting the amount from any eligible salary or wages you pay the employee in the 12 months following the date on which the premium should have been withheld. From each payment of eligible salary or wages, you may withhold only one of the premiums that you previously failed to withhold.



### 7.13.3 Time limit for Revenu Québec to make an assessment

Revenu Québec may recalculate the amount of the QPIP premiums you are required to pay and make a reassessment or an additional assessment. Once you are notified of the amount assessed, you must pay it immediately. If you are not satisfied with the decision, you may request an explanation or take one of the steps described in *Recourse for Your Tax-Related Problems* (IN-106-V).

Revenu Québec has four years after the date on which an amount becomes payable to make an assessment. However, this deadline does not apply if you

- have not filed a return;
- have made a false statement or committed fraud in supplying the required information; or
- have filed a waiver on the prescribed form.

### 7.14 Employee or self-employed?

You may ask Revenu Québec to determine a worker's employment status if you and the worker do not agree. Such a request must be transmitted to Revenu Québec by April 30 of the year following the calendar year to which the request applies. You must submit form RR-65-V, *Application for Determination of Status as an Employee or a Self-Employed Worker*, and form RR-65.A-V, *Questionnaire to Determine the Status of an Employee or a Self-Employed Person*. Revenu Québec must take into account the information provided by both parties, and make known its decision with dispatch and in the manner it considers suitable.

### Important

The decision rendered by Revenu Québec also applies for the purposes of the QPP. In other words, a worker considered to be an employee for the purposes of the QPIP is also considered an employee for the purposes of the QPP, and a person considered to be self-employed for the purposes of the QPIP is also considered self-employed for the purposes of the QPP.

The reverse is also true, that is, a decision that determines the status of a worker for the purposes of the QPP is also valid for the purposes of the QPIP (see section 6.16).

### **Self-employed**

Individuals who are self-employed must base their QPIP premiums on the income of the business they carry on (either directly or as an active member of a partnership), not on their drawings. As a rule, such individuals must pay their premiums in instalments, separately from the QPIP premiums of their employees. The amount of the instalments is generally indicated on form TPZ-1026.A-V, *Instalment Payments Made by an Individual*.

# 8 Contribution to the health services fund

## 8.1 General information

As a rule, you must pay a contribution to the health services fund based on the total salaries or wages subject to the contribution that you paid to your employees. The contribution rate varies from 2.7% to 4.26%, depending on your total payroll. Certain public-sector employers must pay a contribution of 4.26%, regardless of their total payroll.

To calculate the contribution, you may use the mathematical formula given in section 11.6.

A computer software program ("WinRAS"), based on mathematical formulas, is also available on the Revenu Québec Web site at [www.revenu.gouv.qc.ca](http://www.revenu.gouv.qc.ca). You can use the software to calculate (among other things) the employer contribution to the health services fund.

### Payment of your contribution

The contribution must be remitted periodically. Use form TPZ-1015.R.14.1-V or TPZ-1015.R.14.4-V, according to your remittance frequency (see the table in section 3.3.4).

Consult section 8.5 for information on how to make periodic remittances of the contribution.

#### Note

As a rule, employees are not required to pay a contribution to the health services fund. However, in certain cases, employees must pay a contribution when they file their income tax return.

### Indian employers

Special rules apply to an employer that is an Indian, an Indian band or a band council (see section 10.4.2.).

## 8.2 Remuneration subject to the contribution

Refer to the table in section 4.2.1 to determine whether the remuneration you pay is subject to the contribution to the health services fund. As a rule, the contribution is based on employment income, such as salaries or wages (see section 1.4 for information on the term "salary or wages").

You must pay a contribution to the health services fund **if one of the conditions given in column B of the table in section 4.1 is met.**

You are not required to pay the contribution respecting certain salaries or wages subject to the contribution if you are an employer that is eligible for a temporary exemption (see section 8.3).

### Information concerning certain taxable benefits

Consult section 4.2.2.1 for information on taxable benefits granted

- in cash;
- in kind (that is, other than in cash);
- to shareholders; or
- to partners.

You will also find information concerning the following taxable benefits:

- the standby charge and operating costs for an automobile;
- contributions paid to a private health services plan;
- contributions paid to a multi-employer insurance plan.

## 8.3 Temporary exemptions

Certain employers are entitled to an exemption from the contribution to the health services fund. This section outlines the conditions they must meet in order to obtain the exemption.

#### Note

Even if you are entitled to an exemption, you must include the exempted salaries or wages in the **total payroll** used to determine your contribution rate.

### 8.3.1 Five-year exemption for new corporations

A new corporation whose first taxation year began before March 30, 2004 (but after March 25, 1997), may, under certain conditions, be exempted from the contribution for five years, provided the corporation's paid-up capital does not exceed \$15 million. The exemption period begins on the first day of the corporation's first taxation year. For example, a corporation whose first taxation year begins on February 1, 2004, is entitled to an exemption from the contribution respecting the salaries or wages paid from February 1, 2004, to January 31, 2009.

For salaries or wages paid after June 12, 2003, the exemption applies to 75% of the **first** \$700,000 of salaries or wages paid for the taxation year (see example 1 in section 8.5.1.2).



To calculate the exemption when you file the *Summary of Source Deductions and Employer Contributions* (form RLZ-1.S-V), use form LE-34-V, *Application for an Exemption from the Contribution to the Health Services Fund*. You are not required to submit form LE-34-V, but you must keep it for your files.

**Note 1**

If the taxation year is shorter than 51 weeks, you must reduce the \$700,000 ceiling in proportion to the number of days in the taxation year. For example, if your taxation year is 200 days long, the ceiling is \$383,562 (\$700,000 x 200/365). Similarly, if the end of the last taxation year for which the exemption may be claimed does not coincide with the end of the five-year exemption period, you must reduce the \$700,000 ceiling in proportion to the number of days in the taxation year that are included in the exemption period.

**Note 2**

If, at any time during your first taxation year or before the end of your exemption period, you no longer meet the conditions to be considered a new corporation, you may still, under certain circumstances, be entitled to an exemption from the contribution. For more information, contact Revenu Québec.

**Note 3**

If the corporation operates a manufacturing or processing business in a remote resource region referred to in section 8.3.2.1, see section 8.3.2.

**8.3.2 Temporary exemption for manufacturing businesses in remote resource regions**

A corporation that operates a manufacturing or processing business in one of the remote resource regions of Québec may, under certain conditions, be exempted from the contribution until December 31, 2010.

**Note**

Even if you have one or more establishments that are not located in a remote resource region, you may be exempted from the contribution if all or substantially all (90% or more) of your **total payroll** for the taxation year in question is attributable to employees who work at your establishments located in remote resource regions.

If you wish to claim the exemption when filing the *Summary of Source Deductions and Employer Contributions* (form RLZ-1.S-V), you must complete the work chart included in the *Guide to Filing the RL-1 Slip: Short Version* (RLF-1.GS-V). You are not required to submit the work chart, but you must keep it for your files.

If you are eligible for the five-year tax exemption for new corporations (see section 8.3.1), you may elect to claim instead the temporary exemption for manufacturing businesses (which, like

the five-year tax exemption for new corporations, applies not only to the contribution to the health services fund, but also to income tax and tax on capital). To make the election, complete part 1 of form CO-737.18.18, *Exonération pour les PME manufacturières des régions ressources éloignées*. This election is irrevocable.

**8.3.2.1 Remote resource regions**

The following administrative regions and regional county municipalities are remote resource regions:

- Bas-Saint-Laurent (region 01);
- Saguenay–Lac-Saint-Jean (region 02);
- Abitibi-Témiscamingue (region 08);
- Côte-Nord (region 09);
- Nord-du-Québec (region 10);
- Gaspésie—Îles-de-la-Madeleine (region 11);
- in Mauricie (region 04): the regional county municipalities of Haut-Saint-Maurice and Mékinac;
- in Outaouais (region 07): the regional county municipalities of La-Vallée-de-la-Gatineau and Pontiac;
- in Laurentides (region 15): the regional county municipality of Antoine-Labelle.

**8.3.2.2 Salaries or wages exempted from the contribution**

To determine the amount of salaries or wages exempted from the contribution for a taxation year included in your exemption period, you must do a calculation. The calculation will vary depending on the corporation’s paid-up capital (calculated on a consolidated basis) for the preceding taxation year.

Paid-up capital (calculated on a consolidated basis) for the preceding taxation year	Salaries or wages exempted for a taxation year that begins or ends in 2007
\$20 million or less	75% of salaries or wages paid
More than \$20 million but less than \$30 million	75% of <b>qualified salaries or wages</b> <sup>1</sup>
\$30 million or more	No exemption <sup>2</sup>

1. Use the following formula to calculate **qualified salaries or wages**:
 

Salaries or wages paid	x	\$30 million	–	paid-up capital (calculated on a consolidated basis) for the preceding taxation year	=	\$10 million
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2. Even if you cannot claim the exemption from the contribution for a particular taxation year, you may be entitled to the exemption for a subsequent taxation year if your paid-up capital (calculated on a consolidated basis) for the preceding taxation year is less than \$30 million.

## Example

### Basic data

Taxation year of the corporation	June 1, 2006, to May 31, 2007
Paid-up capital (calculated on a consolidated basis) for the taxation year ending on May 31, 2006	\$24,000,000
Salaries or wages paid from June 1, 2006, to May 31, 2007	\$260,000
Qualified salaries or wages for the taxation year <sup>1</sup>	$\$260,000 \times \frac{\$30,000,000 - \$24,000,000}{\$10,000,000} = \$156,000$

### Salaries or wages exempted for the taxation year

75% x \$156,000 = \$117,000

1. The paid-up capital for the preceding taxation year is between \$20 million and \$30 million. Calculate the **qualified salaries or wages**, that is, the salaries or wages on which the exemption rate of 75% applies.

### 8.3.2.3 Paid-up capital calculated on a consolidated basis

#### Paid-up capital calculated on a consolidated basis

The paid-up capital calculated on a worldwide basis, that is, by taking into account the paid-up capital of all the corporations with which a corporation is associated, regardless of where they carry out their activities and regardless of whether they are subject to the *Taxation Act*.

Your paid-up capital calculated on a consolidated basis for a particular taxation year therefore corresponds to

- your paid-up capital calculated for the preceding taxation year; and
- the paid-up capital of the corporations with which you are associated during the particular taxation year, calculated for their last taxation year ending in the 12 months preceding the particular taxation year.

#### Note

If this is your first taxation year, calculate the paid-up capital used to determine the exemption on the basis of your opening balance sheet, prepared according to generally accepted accounting principles.

## 8.4 Calculating the contribution

Your contribution to the health services fund for 2007 is the result obtained when you subtract the exempted salaries or wages (section 8.3) from the total salaries or wages you paid in 2007 that are subject to the contribution (section 8.2), and multiply that amount by a rate based on your **total payroll** for 2007. The rate varies from 2.7% to 4.26%.

The contribution is based on gross salaries or wages (that is, salaries or wages before source deductions).

### 8.4.1 Total payroll

Total payroll is used **only** for the purposes of determining your rate of contribution to the health services fund. For a calendar year, your total payroll equals the total **remuneration subject to the contribution** (section 8.2), including remuneration that gives entitlement to a temporary exemption (section 8.3), **paid by you and by any employer associated with you** at the end of the calendar year.

### Associated employers

Associated employers must be taken into account on a **worldwide basis** (that is, all employers associated at the end of the calendar year, **regardless of the location in which they carry out their activities and regardless of whether they are subject to the *Taxation Act***). Subject to certain adaptations, the rules set forth in the *Taxation Act* must be applied to determine whether two or more employers are considered to be associated.

### 8.4.2 Public-sector employers

The following public-sector employers are required to pay a contribution to the health services fund equal to 4.26% of their salaries or wages subject to the contribution, regardless of the amount of their total payroll:

- the government of Canada or of a province;
- a Canadian municipality;
- a mandatory body of the State or of the government of Canada, a province or a Canadian municipality;
- a Canadian public body (for example, a school board) that carries out government duties and is exempt from income tax at a given time in the calendar year;
- a corporation, commission or association that is exempt from income tax at a given time in the calendar year pursuant to section 985 of the *Taxation Act* (in particular, a corporation at least 90% owned by the State).

## 8.5 Periodic remittances of the contribution

If you are required to pay the contribution to the health services fund, you must make periodic remittances. Use form TPZ-1015.R.14.1-V or TPZ-1015.R.14.4-V, according to your remittance frequency. Refer to the table in section 3.3.4.

At the time you make your remittances in 2007, you will not know your actual contribution rate for the year because the rate depends on your **total payroll**, which cannot be determined until the end of the year. Consequently, in order to calculate your remittances for 2007, you must use an estimated contribution rate. If you are a new employer, you must use a special method to calculate the rate.

**Note**

If you are an employer referred to in section 8.4.2, you must calculate your periodic remittances using the 4.26% rate.

**8.5.1 Estimated contribution rate**

**8.5.1.1 You are a new employer**

In this case, the contribution rate for each remittance made during the **first two consecutive calendar years** in which you are subject to the contribution will correspond to the rate that would apply if your **total payroll** for the calendar year were equal to the portion of your **total payroll** paid from the beginning of the year to the end of the period covered by the remittance. The contribution rate must therefore be adjusted for each remittance period on the basis of the **cumulative total payroll** for the preceding periods, as shown in the following example.

<b>Example (monthly remittance)</b>				
Month	Total payroll for the month	Cumulative total payroll	Contribution rate	Date of remittance
January	\$425,460	\$425,460	2.7%	February 15
February	\$474,540	\$900,000	2.7%	March 15
March	\$611,420	\$1,511,420	2.9%	April 15
April	\$875,875	\$2,387,295	3.24%	May 15
May	\$1,219,457	\$3,606,752	3.72%	June 15
June	\$1,540,360	\$5,147,112	4.26%	July 15

- As long as the **total payroll** since the beginning of the year does not exceed \$1 million, the contribution rate remains 2.7%.
- Once the **total payroll** exceeds \$1 million (but is still less than \$5 million), the contribution rate is determined in accordance with the following formula:

$$W (\%) = 2.31 + (0.39 \times S)$$

In the formula, W represents the contribution rate, and S represents the result obtained by dividing the **cumulative total payroll** by \$1 million. For example, if your **total payroll** is \$1,500,000, the letter "S" equals 1.5. The contribution rate is therefore 2.9%.

Contribution rates must be rounded off to the second decimal place. Where the number in the third decimal place is 5 or more, the number in the second decimal place must be rounded off to the next highest number. For example, if the result is 2.934%, the contribution rate is 2.93%; if the result is 3.285%, the rate is 3.29%; if the result is 2.899%, the rate is 2.9%.

- Once the **total payroll** reaches \$5 million, the contribution rate will be 4.26% until the end of the year.

**Starting with the third calendar year**, you must determine your contribution rate by following the instructions in section 8.5.1.2.

**8.5.1.2 You are not a new employer**

In this case, your contribution rate is the rate that would apply if your **total payroll** for 2007 were the same as your total payroll for 2006.

This means that your estimated contribution rate for 2007 will be equal to your actual contribution rate for 2006. For example, if your **total payroll** for 2006 did not exceed \$1 million and your actual contribution rate for 2006 was therefore 2.7%, your periodic remittances of the contribution for 2007 must be based on a rate of 2.7%.

**Example 1**

**Basic data for a new corporation entitled to the five-year exemption where the corporation is in its fourth year of operation**

Taxation year of the corporation	March 1, 2006, to February 28, 2007
Remittance frequency for 2007	Monthly
Total payroll for the 2006 calendar year	\$800,000
Actual contribution rate for the 2006 calendar year	2.7%
Salaries or wages paid during the month of January 2007	\$15,000
Salaries or wages paid from March 1, 2006, to December 31, 2006	\$690,000

**Salaries or wages exempted for the month of January 2007**

The lower of the following amounts, multiplied by 75%:

- \$10,000 (\$700,000 – \$690,000);
- \$15,000.

$$\$10,000 \times 75\% = \mathbf{\$7,500}$$

**Contribution to the health services fund payable on filing form TPZ-1015.R.14.1-V for the period from January 1 to January 31, 2007**

$$2.7\% \times (\$15,000 - \$7,500) = \mathbf{\$202.50}$$

## Example 2

### Basic data for a manufacturing business in a remote resource region

Taxation year of the corporation	January 1 to December 31, 2007
Paid-up capital (calculated on a consolidated basis) for the taxation year ending on December 31, 2006	\$5,000,000
Remittance frequency for 2007	Monthly
Total payroll for the 2006 calendar year	\$950,000
Actual contribution rate for the 2006 calendar year	2.7%
Salaries or wages paid during the month of January 2007	\$35,000

### Salaries or wages exempted for the month of January 2007

$$\$35,000 \times 75\% = \$26,250$$

### Contribution to the health services fund payable on filing form TPZ-1015.R.14.1-V for the period from January 1 to January 31, 2007

$$2.7\% \times (\$35,000 - \$26,250) = \$236.25$$

## 8.5.2 Can you use a rate that is lower than the estimated contribution rate?

If you expect that your **total payroll** for 2007 will be lower than your **total payroll** for 2006 and that, as a result, your actual contribution rate for 2007 will be lower than the estimated rate you would normally be required to use, you may use a lower rate to calculate your remittances.

However, if the contribution rate you use to calculate your periodic remittances is lower than your estimated contribution rate, and also turns out to be lower than your actual contribution rate, the following rules apply:

- If your actual contribution rate is lower than your estimated contribution rate, the portion of the balance resulting from the difference between the actual contribution rate and the contribution rate used may bear interest as of the due date for each remittance.
- If your actual contribution rate is higher than your estimated contribution rate, only the portion of the balance resulting from the difference between the actual contribution rate and the estimated rate may be paid by the deadline for filing form RLZ-1.S-V. The other portion of the balance may bear interest as of the due date for each remittance.

## 8.5.3 Deficient payments

If your payments of the contribution to the health services fund during the year were lower than they would have been had you based them on your estimated contribution rate, and this results in a balance owing, you will be charged interest on the balance. The interest will be calculated at the rate prescribed by law, as of the due date for each remittance.

A penalty of up to 15% of the unpaid amount may also be imposed.

## 8.6 Determining the actual contribution rate

You will determine your actual contribution rate for 2007 when you file the *Summary of Source Deductions and Employer Contributions* (form RLZ-1.S-V).

This rate will depend on your **total payroll** for 2007, as indicated below:

- If your **total payroll** is \$1 million or less, your contribution rate will be 2.7%.
- If your total payroll is more than \$1 million but less than \$5 million, your contribution rate will be determined according to the formula given in section 8.5.1.1, except that the letter "S" will represent the result obtained by dividing your **total payroll** for the calendar year by \$1 million.
- If your total payroll is \$5 million or more, your contribution rate will be 4.26%.

## 8.7 Balance resulting from the difference between the actual contribution rate and the estimated contribution rate

If your actual contribution rate is higher than your estimated contribution rate, you will have a balance payable. This amount must be received at an office of Revenu Québec or at a financial institution **no later than the due date for form RLZ-1.S-V**.

However, if the contribution rate you use is lower than your estimated contribution rate, see section 8.5.2.

## 9 Contribution to the financing of the CNT

### 9.1 General information

As a rule, you are required to pay a contribution to the financing of the Commission des normes du travail (CNT) equal to 0.08% of the total remuneration you paid to your employees that is subject to the contribution.

You must pay your 2007 contribution by February 29, 2008 (see section 9.5).

#### 9.1.1 Employers not subject to the contribution

Certain employers are not subject to the contribution to the financing of the CNT. The principal employers in this category are

- religious institutions;
- day-care centres;
- parity committees constituted under the *Act respecting collective agreement decrees*;
- fabriques;
- corporations of trustees for the erection of churches;
- institutions or charities whose object is to assist, directly and free of charge, persons in need;
- businesses whose labour relations are governed by the *Canada Labour Code* (such as banks, airports and radio stations);
- the Comité de gestion de la taxe scolaire de l'île de Montréal;
- public transit authorities mentioned in section 1 of the *Act respecting public transit authorities*;
- metropolitan communities;
- municipalities;
- school boards;
- educational institutions;
- the Québec government, its departments and certain of its agencies;
- the Commission de la construction du Québec;
- entities established by a Québec statute or by a decision of the Québec government, the Conseil du trésor or a minister;
- the Lieutenant-Governor, the National Assembly and any person appointed by the National Assembly to an office under the jurisdiction of the National Assembly;
- the federal government and its mandataries.

#### 9.1.2 Indian employer

Special rules apply for an employer that is an Indian, an Indian band or a band council (see section 10.4.3).

### 9.2 Maximum remuneration subject to the contribution and contribution rate

You will find below data respecting the contribution to the financing of the CNT for 2007. Data for 2006 are provided for information purposes.

	2007	2006
Maximum remuneration subject to the contribution	\$59,000	\$57,000
Contribution rate	0.08%	0.08%

### 9.3 Remuneration subject to the contribution

Refer to the table in section 4.2.1 to determine whether the remuneration you pay is subject to the contribution to the financing of the CNT. As a rule, the contribution is based on employment income, such as salaries or wages (see section 1.4 for information on the term "salary or wages"), **except** those described in section 9.4.

The contribution to the financing of the CNT must also be paid respecting the following types of remuneration:

- an indemnity in lieu of notice (see the definition in section 4.2.2.2);
- amounts paid as damages upon cancellation of an employment contract.

You must pay a contribution to the financing of the CNT respecting this remuneration **if one of the conditions given in column B of the table in section 4.1 is met.**

#### Information concerning certain taxable benefits

Consult section 4.2.2.1 for information on taxable benefits granted

- in cash;
- in kind (that is, other than in cash);
- to shareholders; or
- to partners.

You will also find information concerning the following taxable benefits:

- the standby charge and operating costs for an automobile;
- contributions paid to a private health services plan;
- contributions paid to a multi-employer insurance plan.



## 9.4 Remuneration not subject to the contribution

You are not required to pay a contribution to the financing of the CNT respecting the following types of remuneration:

- remuneration paid to an employee under the *Act respecting labour relations, vocational training and manpower management in the construction industry*;
- remuneration paid to an employee if you are governed by a decree adopted under the *Act respecting collective agreement decrees* and if the remuneration is subject to a contribution by a parity committee;
- the amount by which 50% of the remuneration earned by an employee using a truck, tractor, loader, skidder or similar heavy equipment that the employee provides at his or her own expense exceeds \$59,000;
- the amount by which the remuneration subject to the contribution paid for the year to an employee (other than an employee referred to in the previous point) exceeds \$59,000;
- remuneration paid to a domestic (see the definition opposite);
- remuneration paid to an employee who is totally excluded from the application of the *Act respecting labour standards*, under section 3 of the Act. This category of employees includes, in particular, students who work during the school year in an establishment selected by an educational institution, under a job induction program approved by the Ministère de l'Éducation, du Loisir et du Sport;
- remuneration paid to an employee whose duties consist solely in taking care of or providing care to a child or to a sick, handicapped or elderly person, where the care is provided in the home, and you are not seeking to make a profit from the work;
- directors' fees;
- remuneration paid to an employee by an institution, a regional board or a family-type resource referred to in the *Act respecting health services and social services*, in proportion to the amounts received by such entities under the Act;
- remuneration paid to an employee by an institution, a regional council or a foster family referred to in the *Act respecting health services and social services for Cree Native persons*, in proportion to the amounts received by such entities under the Act;

- certain taxable benefits described in section 4.2.2.1;
- certain amounts paid further to an industrial accident – CSST (see section 10.1);
- retiring allowances (see the definition in section 5.13.1), **other than an indemnity in lieu of notice** (see the definition in section 4.2.2.2) or an amount paid as damages upon cancellation of an employment contract (these two amounts are subject to the contribution to the financing of the CNT);
- death benefits (see the definition in 5.13.2);
- patronage dividends.

### Domestic

An employee who works for an individual and whose main function is the performance of domestic duties in the individual's dwelling. This includes an employee whose main function is to take care of or provide care to a child or to a sick, handicapped or elderly person, and to perform household chores in the dwelling that are not directly related to the immediate needs of the person in question.

## 9.5 Payment of the contribution

Your contribution to the financing of the CNT for 2007 must be received at an office of Revenu Québec or at a financial institution by February 29, 2008. When you pay the contribution, you must submit the remittance slip included with the *Summary of Source Deductions and Employer Contributions* (form RLZ-1.S-V). If you are making a remittance by Internet, do not submit the paper remittance slip to Revenu Québec.

To calculate your contribution, use form LE-39.0.2-V, *Calculation of the Employer Contribution to the Financing of the Commission des Normes du Travail*.

If you stop making remittances of source deductions and employer contributions in 2007 because you stop operating your business or no longer have employees, see section 3.5.

# 10 Special cases

## 10.1 Workers' compensation from the CSST

Section 10.1 provides an explanation concerning the amounts you pay to an employee who is absent from work following an industrial accident.

### Note

In this section, the term "net salary or wages" means net salary or wages as defined in the *Act respecting industrial accidents and occupational diseases*.

### 10.1.1 Amount paid on the day of the accident

If one of your employees suffers an employment injury and is unable to work for the rest of the day, you must pay the employee an amount equal to 100% of his or her **net salary or wages** for the portion of the day when the employee was absent. This amount constitutes salary or wages, and is therefore subject to income tax withholdings, QPP contributions, QPIP premiums, the contribution to the health services fund and the contribution to the financing of the CNT, and it should be included in your total payroll used to calculate your rate of contribution to the health services fund.

Please note that this amount is not reimbursed by the CSST.

### 10.1.2 Amounts paid in the days following the accident

Section 10.1.2 deals with amounts you paid to the employee during his or her absence.

#### 10.1.2.1 Are amounts paid to the employee during his or her absence deemed to be salary or wages?

Under the *Act respecting industrial accidents and occupational diseases*, you must pay the employee 90% of his or her **net salary or wages** for the first 14 days following the date on which the employee became unable to work. The CSST will reimburse you this amount once it receives your claim.

If the employee's absence lasts longer than 14 days (or longer than 15 days, including the date of the accident), and you continue to pay the employee an amount that does not exceed 90% of his or her **net salary or wages**, the CSST may reimburse you this amount if it recognizes that the employee is entitled to an indemnity.

Until the CSST renders its decision, Revenu Québec considers the amounts paid in the two periods described in the first two paragraphs of this section (10.1.2.1) to be income replacement

indemnities. This means that you must not make source deductions or pay employer contributions with respect to the **deemed indemnities** until you are informed of the CSST's decision

If you pay more than the amounts referred to in the first two paragraphs of this section (10.1.2.1), the excess amount constitutes salary or wages, and is therefore subject to source deductions and employer contributions. For example, if 90% of an employee's **net salary or wages** is equal to \$500, and you pay the employee \$600, you must withhold source deductions and pay employer contributions with respect to \$100 (\$600 – \$500).

#### 10.1.2.2 What happens when the CSST makes its decision?

##### The CSST recognizes the employee's entitlement to an indemnity

If the CSST recognizes the employee's entitlement to an indemnity, the amounts that you paid to the employee and that are reimbursed by the CSST qualify as **income replacement indemnities** and are not subject to source deductions or employer contributions. If, while waiting for the CSST's decision, you followed the instructions given in section 10.1.2.1 and treated the amounts paid as deemed indemnities, you will not have any adjustments to make. You do not have to report these amounts on an RL slip, as the CSST is responsible for reporting the amounts paid (and the amounts reimbursed) on an RL-5 slip issued to your employee.

##### The CSST does not recognize the employee's entitlement to an indemnity (or recognizes the entitlement only in part)

If, as a result of this decision, the CSST does not reimburse you for the deemed indemnities (or reimburses you only in part), the amount that is not reimbursed constitutes **salary or wages**. Consequently, this amount, minus the amounts reimbursed to you by the employee, is subject to source deductions and employer contributions. **However, even though the amount constitutes salary or wages, you are not required to make source deductions of income tax.**

#### 10.1.2.3 What if the decision pertains to an amount paid in a previous year?

If the amount that the CSST refuses to reimburse (and that is therefore considered salary or wages) was paid in a previous year, and you have already filed the RL-1 slip and the *Summary of Source Deductions and Employer Contributions* (form RLZ-1.S-V) for that year, you will need to include the portion that was not reimbursed on an amended RL-1 slip, and remit your employer contributions with respect to that portion, together with a new copy of form RLZ-1.S-V. For more information, refer to the *Guide to Filing the RL-1 Slip: Short Version* (RLF-1.GS-V).



### 10.1.3 Amounts paid for the employee's care or rehabilitation

In addition to the amounts referred to in sections 10.1.1 and 10.1.2, certain other amounts paid further to an industrial accident are considered to be income replacement indemnities and are therefore not subject to source deductions or employer contributions:

- the **net salary or wages** (100%) paid to an employee for each day or part of the day on which the employee was obliged to miss work in order to receive care or undergo medical tests, **unless the amounts were paid in respect of an employee who was absent from work in order to undergo a medical test at your request** (see "Employee absent in order to undergo a medical test at your request," below);
- the **net salary or wages** (100%) paid to an employee for each day or part of a day on which the employee was obliged to miss work in order to carry out activities as part of a personalized rehabilitation program.

If you pay more than the amounts referred to in the previous paragraph (for example, if you pay more than 100% of the employee's **net salary or wages**), the excess amount constitutes salary or wages, and is therefore subject to source deductions and employer contributions.

#### Note

You may ask the CSST to reimburse you for the **net salary or wages**.

### Employee absent in order to undergo a medical test at your request

If your employee is obliged to miss work for a day or part of a day to undergo a medical test at your request, you must, under the *Act respecting industrial accidents and occupational diseases*, pay 100% of the employee's **net salary or wages**. This amount will not be reimbursed by the CSST. As the amount paid constitutes salary or wages, it is subject to source deductions and employer contributions.

### 10.1.4 Self-insurer

The rules given in sections 10.1.1 through 10.1.3 also apply to amounts paid by a self-insurer. However, given that a self-insurer does not contribute to the CSST, the CSST does not reimburse the self-insurer. Consequently, in sections 10.1.1 to 10.1.3 the verb "reimburse" should be read as "recognize" (along with any other necessary changes).

If the CSST recognizes the employee's entitlement to an indemnity, the deemed indemnities that you paid to the employee qualify as **income replacement indemnities** and are therefore not subject to source deductions or employer contributions.

However, if the CSST refuses to recognize the employee's entitlement to an indemnity, the deemed indemnities that you paid to the employee constitute **salary or wages** and are, consequently, subject to source deductions and employer contributions. **However, even though the amounts not recognized by the CSST constitute salary or wages, you are not required to make source deductions of income tax with respect to the amounts.**

#### Self-insurer

An employer that does not contribute to the CSST but is required to pay employees the indemnities recognized by the CSST in the event of an industrial accident.

## 10.2 Amounts paid following the death of an employee

Where an employee dies during the year, any amounts the employee would have received during the year are subject to

- source deductions of income tax;
- employee and employer QPP contributions;
- employee and employer QPIP premiums;
- the employer contribution to the health services fund;
- the contribution to the financing of the CNT.

You must also include the amount in your total payroll used to calculate your rate of contribution to the health services fund.

Examples of such amounts include an amount for accumulated vacation time, or retroactive salary or wages paid under a collective agreement signed **before** the employee's death.

However, if the payment of such an amount was **unforeseeable** at the time of the employee's death, do not include it in the employee's income. This applies, for example, to a lump sum paid under a collective agreement signed **after** the employee's death.

#### Note

An amount paid for accumulated sick leave is considered a death benefit and is therefore subject only to income tax withholdings. Income tax is withheld at a rate of 16% or 20%, as applicable (see section 5.13.2).

## 10.3 Employment at a special work site or remote work location

A benefit granted in cash or in kind with respect to employment at a special work site or remote work location **is not taxable** if the benefit covers the employee's expenses incurred for board and lodging or for transportation, and if the conditions outlined in sections 10.3.1 and 10.3.2 are met.

**If the benefit is not taxable**, it is not subject to source deductions or employer contributions, and you must not include its value in your total payroll used to calculate your rate of contribution to the health services fund.

However, **if the benefit is taxable** because the conditions outlined below are not met, the benefit is subject to source deductions and employer contributions, and you must include its value in your total payroll used to calculate your rate of contribution to the health services fund.

#### Note

If the benefit for board and lodging (section 10.3.1) is taxable and granted in kind, it is subject to the QPIP only if you pay cash salary or wages for the pay period in which you grant the benefit to the employee. If the benefit for transportation (section 10.3.2) is taxable and granted in kind, it is not subject to the QPIP, regardless of whether you pay cash salary or wages for the pay period in which you grant the benefit to the employee.

### 10.3.1 Board and lodging

A benefit granted for the board and lodging of an employee is not taxable if all of the following conditions are met:

- The benefit corresponds to the employee's board and lodging expenses incurred for a period during which the employee's duties require the employee to be, **for at least 36 hours**, away from his or her principal place of residence or at a special work site or a remote work location.
- **Where the board and lodging were provided at a special work site**, the employee performed duties of a temporary nature at that work site, and the dwelling that is the employee's principal place of residence
  - remained available throughout the period for occupancy by the employee and was not rented to another person, and
  - was far enough from the special work site that the employee could not reasonably be expected to return home on a daily basis (see note 1 below).
- **Where the board and lodging were provided at a remote work location**, the location was so remote from any established community that the employee could not reasonably be expected to establish or maintain a dwelling there (see note 2 below).

#### Note 1

As a rule, Revenu Québec considers that an employee cannot reasonably be expected to travel daily to and from his or her principal place of residence if the distance between the principal place of residence and the place of work, by the most direct route ordinarily travelled, is over 80 kilometres. Where

this condition is not met, Revenu Québec may nonetheless consider such factors as

- road conditions;
- the means of transportation available;
- the number of hours of work required of the employee;
- the length of the rest period if the employee returns home daily;
- the employee's general physical and mental health;
- the amount of time it takes to travel the distance, and the time of day the travel is undertaken.

#### Note 2

As a rule, the work location is considered remote if it is 80 kilometres or more, by the most direct route ordinarily travelled, from the nearest established community of at least 1,000 inhabitants.

However, Revenu Québec may also consider such factors as

- the means of transportation available;
- the distance between the remote work location and the nearest established community of at least 1,000 inhabitants;
- the time required to travel the distance.

A community is considered to be an established community if it is made up of dwellings that are relatively close together and if people reside there on a permanent basis. An established community offers essential community services and housing facilities.

#### **Duties of a temporary nature**

Duties performed on a short-term or interim basis.

#### Note

As a rule, an employee's duties are considered to be of a temporary nature where it is expected that they will not provide continuous employment, for the employee or another person, for more than two years.

#### **Dwelling**

A house, an apartment or a similar place of residence in which a person ordinarily eats and sleeps and which is equipped with a kitchen and bathroom facilities.

#### Note

A dormitory, bunkhouse, hotel room or room in a boarding house is not a dwelling.

### 10.3.2 Transportation

A benefit granted for the transportation of an employee is not taxable if all of the following conditions are met:

- The benefit corresponds to the employee's transportation expenses incurred for a period during which the employee's duties require the employee to be, for at least 36 hours, away from his or her principal place of residence or at a special work site or a remote work location.
- For that period, the employee also received a benefit in cash or in kind in respect of board and lodging.
- The employee was transported
  - between his or her principal place of residence and the special work site, or
  - between the remote work location and a location in Canada or in the country in which he or she was employed.

## 10.4 Indian employer

### 10.4.1 Source deductions of income tax, QPP contributions and QPIP premiums

#### 10.4.1.1 Source deductions of income tax and QPP contributions

The rules concerning source deductions of income tax and QPP contributions apply to all employers, including Indian employers. Therefore, if you have an employee who is an Indian, the rules given in sections 10.5.1.1 and 10.5.2 apply to you.

However, a special rule applies where the employer is

- an Indian band that possesses a reserve;
- a band council that represents one or more Indian bands possessing reserves;
- an Indian organization controlled by one or more similar bands or band councils and exclusively devoted to the social, cultural, educational or economic development of Indians who, for the most part, live on reserves.

Such an employer is not required to withhold income tax or withhold and pay contributions to the QPP respecting the salary or wages paid to an Indian if the following conditions are met:

- The employer manages and administers the business on a reserve or premises.
- The Indian's employment duties are part of the employer's non-commercial activities which are intended for the well-being of Indians who live on a reserve.

#### 10.4.1.2 QPIP premiums

As in the case of employment insurance premiums, Indian employers, Indian bands and band councils are subject to QPIP premiums just like any other employer.

### 10.4.2 Employer contribution to the health services fund

If you are an employer that is an Indian, an Indian band or a band council, you are not required to pay the contribution to the health services fund respecting the salaries or wages that you pay to your employees from an establishment located on a reserve. This is the case regardless of whether the employees are Indians.

Moreover, no contribution to the health services fund is required with respect to salaries or wages that are reasonably attributable to the non-commercial activities of an Indian organization resident on a reserve and dedicated to the well-being of Indians who live on a reserve. One of the purposes of the organization must be the social, cultural, educational or economic development of Indians who live on a reserve, and the organization must fall within the jurisdiction of one or more bands or of one or more band councils representing one or more bands.

In all other cases, the employer must pay the contribution to the health services fund, even if the employer is an Indian, an Indian band, a band council or an Indian organization.

### 10.4.3 Contribution to the financing of the CNT

If you are an Indian employer, you are subject to the contribution to the financing of the CNT.

However, salaries or wages that are reasonably attributable to the non-commercial activities of an Indian band or a band council dedicated to the well-being of Indians who live on a reserve, within the scope of the powers conferred on the bands and band councils with respect to the administration of the bands, are not subject to the contribution to the financing of the CNT.

### 10.4.4 Do you have Indian employees?

If you have employees who are Indians, see section 10.5 below.

### 10.4.5 Definitions

#### Indian employer

An employer who is an Indian within the meaning of the *Indian Act* (Statutes of Canada), that is, an individual who is registered as an Indian with the Department of Indian and Northern Affairs Canada or is entitled to be so registered.

#### Note

A corporation whose shareholders are Indians cannot be considered an Indian employer because a corporation is a legal person, not an individual.

See section 10.5.3 for definitions of the following terms:

- Indian;
- Indian who lives on a reserve;
- reserve.

For definitions of the terms “Indian band” and “band council,” contact Revenu Québec.

## 10.5 Indian employees

This section is for all employers (regardless of whether they are Indians) that have an employee who is an Indian.

### 10.5.1 Salary or wages derived from employment duties performed partly or entirely on a reserve or premises

#### 10.5.1.1 Source deductions of income tax and QPP contributions

If an Indian performs his or her employment duties partly or entirely on a reserve or premises, you are not required to withhold income tax from the **employment income** (or portion thereof) **that gives entitlement to the deduction for employment income situated on a reserve or premises.**

Nor are you required to withhold or pay QPP contributions with respect to the **employment income that gives entitlement to the deduction**, unless you have made an irrevocable election on form RR-2-V, *Election to Participate in the Québec Pension Plan: Indian Employees Whose Employment Is Excepted by Reason of a Tax Exemption*.

If the conditions given in the following table are met, **all** of the employment income earned by an Indian **gives entitlement to the deduction**. If the conditions are not met, only the portion of the income attributable to the employment duties performed on the reserve or premises gives entitlement to the deduction.

Description of employment	Conditions that must be met for all the income from the employment to give entitlement to the deduction
At least 90% of the employment duties are performed on a reserve or premises.	None
More than 50% (but less than 90%) of the employment duties are performed on a reserve or premises.	<ul style="list-style-type: none"> <li>• The Indian lives on a reserve.</li> </ul> <b>or</b> <ul style="list-style-type: none"> <li>• The employer manages and administers the business on a reserve or premises.</li> </ul>
More than 50% of the employment duties are performed <b>outside a reserve or premises.</b>	<ul style="list-style-type: none"> <li>• The Indian lives on a reserve.</li> </ul> <b>and</b> <ul style="list-style-type: none"> <li>• The employer manages and administers the business on a reserve or premises.</li> </ul>
See section 10.4.1.1 (2nd and 3rd paragraphs) if the employer is an Indian band, a band council or an Indian organization that pays salary or wages to an Indian whose employment duties are part of the employer’s non-commercial activities which are intended for the well-being of Indians who live on a reserve.	

### Example

An employer that manages and administers a business on a reserve pays an Indian employee a gross salary of \$500 per week. 40% of the employee’s duties are performed on the reserve and 60% are performed outside the reserve. The employee does not live on a reserve.

In this case, the conditions for all the employment income to give entitlement to the deduction have not been met. When more than 50% of the employment duties are performed outside a reserve or premises, the Indian must live on a reserve for the full amount of employment income to be deducted in the calculation of his or her taxable income. Consequently, only the portion of the income attributable to the duties performed on the reserve (\$200, that is, 40% of \$500) is considered to be employment income situated on a reserve or premises and therefore gives entitlement to the deduction.

Consequently, the employer must withhold income tax only from the portion of the income attributable to the duties performed outside the reserve, that is, \$300 (60% of \$500).

If the same employee had lived on a reserve, the employer would not have been required to deduct income tax at source, because the conditions would have been met and the full amount of the income (\$500) would have given entitlement to the deduction.

### 10.5.1.2 QPIP premiums

All of the salary or wages paid to an Indian are subject to employee and employer QPIP premiums, even if the salary or wages are employment income that gives entitlement to the deduction for employment income situated on a reserve or premises.

This is the case for all employers, regardless of whether the employer is an Indian, an Indian band, a band council or an Indian organization.

### 10.5.1.3 Other employer contributions

#### Indian employer

Special rules apply to an employer that is an Indian, an Indian band, a band council or an Indian organization. See section 10.4.

#### Other employers

All of the salary or wages paid to an Indian are subject to the employer contribution to the health services fund and the contribution to the financing of the CNT, even if the salary or wages are employment income that gives entitlement to the deduction for employment income situated on a reserve or premises.

Similarly, all of the salary or wages paid to an Indian are included in your total payroll used to calculate your rate of contribution to the health services fund.

### 10.5.2 Other income attributable to employment duties performed partly or entirely on a reserve or premises

As a rule, you are not required to withhold income tax from amounts you pay to an Indian if the amounts are from employment income that gives entitlement to the deduction for employment income situated on a reserve or premises. Such an amount may be

- a benefit paid under the *Unemployment Insurance Act*, the *Employment Insurance Act* (Statutes of Canada) or the *Act respecting parental insurance*;
- a benefit paid under the *Act respecting the Québec Pension Plan* or under an equivalent plan, within the meaning of the Act;
- a retiring allowance;
- a benefit paid under an RPP;
- a benefit paid under a wage loss replacement plan to which the beneficiary's employer contributed.

Where only a portion of the employment income gives entitlement to the deduction (as in the example in section 10.5.1.1), only an equivalent portion of the amounts referred to in the preceding paragraph also gives entitlement to the deduction in the calculation of the taxable income of the Indian. Consequently, you are not required to withhold income tax from the portion of the amount that gives entitlement to the deduction.

### 10.5.3 Definitions

#### Dwelling

A house, an apartment or a similar place of residence in which a person ordinarily eats and sleeps and which is equipped with a kitchen and bathroom facilities.

#### Note

A dormitory, bunkhouse, hotel room or room in a boarding house is not a dwelling.

#### Indian

An individual who is an Indian within the meaning of the *Indian Act* (Statutes of Canada), that is, an individual who is registered as an Indian with the Department of Indian and Northern Affairs Canada or is entitled to be so registered.

#### Indian who lives on a reserve

An Indian who lives in a dwelling situated on a reserve, if the dwelling is his or her principal place of residence and the centre of his or her daily routine.

#### Premises

A place in Québec used exclusively for negotiations between the Québec government and an agency representing Indians of Québec and so designated by the government.

#### Reserve

A territory reserved for Indians that is

- a reserve within the meaning of subsection 2(1) of the *Indian Act* (Statutes of Canada);
- category IA or IA-N lands within the meaning of the *Cree-Naskapi (of Quebec) Act* (Statutes of Canada);
- the Indian settlements of Hunter's Point, Kitcisakik (Grand-Lac-Victoria) and Pakuashipi (Saint-Augustin);
- the Indian settlements referred to in the *Indians and Bands on Certain Indian Settlements Remission Order* or in the *Indians and Bands on Certain Indian Settlements Remission Order (1997)*; or
- Sechelt lands within the meaning of the *Sechelt Indian Band Self-Government Act* (Statutes of Canada).

For definitions of the terms "Indian band" and "band council," contact Revenu Québec.

# 11 Mathematical formulas to calculate Québec income tax withholdings, QPP contributions, QPIP premiums and the contribution to the health services fund

## 11.1 General information

You may use the mathematical formulas in this chapter to calculate Québec income tax withholdings. One formula is used to calculate withholdings for employees who receive a regular salary or wages. The other formula, used to calculate withholdings for employees whose remuneration varies, is based on a cumulative-averaging method. You will also find formulas for calculating

- employee QPP contributions;
- employee and employer QPIP premiums; and
- the employer contribution to the health services fund.

### Note

You cannot use the mathematical formulas to calculate source deductions of income tax if the source deduction is calculated using a fixed rate that must be applied to the gross remuneration. For example, you cannot use the formulas for single payments (see section 5.13).

## 11.2 Principal changes

### 11.2.1 Variable E – Total personal tax credits

The amount for a severe and prolonged impairment in mental or physical functions will be indexed annually, effective in 2007. Form TP-1015.3-V has been modified to include this amount with other amounts that are indexed annually (see section 2.1).

The indexation factor used to calculate the value of personal tax credits for 2007 is 2.026%. Thus, for 2007, variable E corresponds to the total of

- variable  $E_1$ 
  - multiplied by  $[1 + 0.02026$  (indexation factor for 2007)], for employees who did not complete the 2007-01 version of form TP-1015.3-V, unless the individual is an employee who took up employment duties in 2007, or
  - multiplied by 1, for employees who took up employment duties in 2007, and employees who completed the 2007-01 version of form TP-1015.3-V;

### plus

- the value of variable  $E_2$ .

### 11.2.2 Variables $E_1$ and $E_2$ – Personal tax credits

If the employee completed a previous version of form TP-1015.3-V (rather than the 2007-01 version) and claimed an amount for a severe and prolonged impairment in mental or physical functions on line 8, you must add \$2,250 (\$2,200 + \$50) to the indexed value of variable  $E_1$  and subtract \$2,250 (\$2,200 + \$50) from the value of variable  $E_2$  for 2006 because, effective in 2007, the amount became an amount that is indexed annually (see section 2.1). If the employee entered an amount that exceeds \$2,200, add \$50 for each \$2,200. If the employee entered \$4,400, you must add \$4,500 (\$4,400 + \$100) to the indexed value of variable  $E_1$  and subtract \$4,500 from the value of variable  $E_2$  for 2006.

If you cannot identify the employees concerned, **notify all of your employees of these changes**. Employees who wish to claim the increase can then complete version 2007-01 of form TP-1015.3-V. Consequently, you will not have to add amounts to the indexed value of variable  $E_1$  or subtract them from the value of variable  $E_2$  for 2006.

### 11.2.3 Variable H - Increase of the maximum amount of the deduction for employment income

The maximum amount of the deduction for employment income is increased from \$500 to \$1,000, effective in 2007. The deduction is equal to the lower of the following amounts:

- 6% of the employment income received by the employee during the year;
- \$1,000.



For the purposes of the increase in this deduction, the following changes have been made to the mathematical formulas.

	Variables	Formulas
Formula for section 11.3.1.1	D = Gross salary or wages subject to source deductions of income tax for the pay period. <b>Do not include</b> bonuses, retroactive pay or similar lump-sum payments. H = Deduction for employment income = 0.06 (D), maximum of 1,000/P	$I = [P (G - F - H)] - J - J_1$
Formula for section 11.3.1.2	$D_1 = B_1 + B_2 + G_1 + D$ H <sub>1</sub> = Total of the amounts included in variable H, <b>accrued</b> to the date the bonus, retroactive pay or similar lump-sum payment was paid H <sub>2</sub> = 0.06 (D <sub>1</sub> ), maximum of (1,000 - H <sub>1</sub> )/P	$I_1 = (G_1 - F_1 - H_1) + [Pr (G - F - H_2)] - J - J_1$
Formula for section 11.3.2.1	D = Gross salary or wages subject to source deductions of income tax for the pay period <b>plus</b> the total gross salary or wages since the beginning of the year (including variable B) H = Deduction for employment income = 0.06 (D), maximum of 1,000	$I = S_1 (G - F - H) + B - J - J_1$
Formula for section 11.3.2.2	D <sub>1</sub> = Total gross salary or wages since the beginning of the year, excluding variables B <sub>3</sub> and B <sub>4</sub> H <sub>1</sub> = 0.06 (D <sub>1</sub> + B <sub>3</sub> ), maximum of 1,000 H <sub>2</sub> = 0.06 (D <sub>1</sub> + B <sub>4</sub> ), maximum of 1,000	$I_3 = S_1 (G - F - H_1) + B_3 - J - J_1$ $I_4 = S_1 (G - F - H_2) + B_4 - J - J_1$

#### 11.2.4 Variable K – Adjustment of the income tax rates

For 2007, the income tax rates applicable to the three income tax brackets remain at 16%, 20% and 24%. However, the thresholds that determine the bracket in which an individual's taxable income is situated have been indexed as follows:

- The 16% rate applies to taxable income of up to \$29,290 (the threshold was previously \$28,710).
- The 20% rate applies to taxable income over \$29,290 but not over \$58,595 (the threshold was previously \$57,430).
- The 24% rate applies to taxable income over \$58,595.

The values of variable K have therefore been increased from \$1,148 to \$1,171 and from \$3,445 to \$3,515.

#### 11.2.5 Variable M – QPP

Maximum pensionable earnings under the QPP have been raised from \$42,100 to \$43,700. As a result, variable M, which was equal to \$1,910.70, is now equal to \$1,989.90.

#### 11.2.6 Variables N and N<sub>1</sub> – QPIP premiums

Maximum insurable earnings for the purposes of the QPIP have been raised from \$57,000 to \$59,000. As a result, variable N, which was \$237.12 is now \$245.44 and variable N<sub>1</sub>, which was \$332.31, is \$343.97.

### 11.3 Source deductions of Québec income tax

#### 11.3.1 Calculating income tax withholdings with respect to regular payments

You must use the formula in section 11.3.1.1 for the salary or wages that you pay at regular intervals to an employee.

If the payment you make to an employee covers not only the employee's regular salary or wages, but also a bonus, retroactive pay or similar lump-sum payment (for example, a payment covering accumulated overtime or unused vacation time), use one of the methods described in section 11.3.1.2.

##### Note

If the remuneration you pay varies in amount from one pay period to another (this may be the case if, for example, you pay commissions to an employee), use instead one of the methods described in section 11.3.2.

#### 11.3.1.1 Regular payments

##### Definition of variables

A = Québec income tax to be withheld at source for the pay period

$$= \boxed{(Y/P)} + L$$

▼  
If the result is negative, enter 0.



D = Gross salary or wages (see section 1.4 for information on the term “salary or wages”) subject to source deductions of income tax for the pay period. **Do not include** bonuses, retroactive pay or similar lump-sum payments.

E = Indexed value of the personal tax credits indicated on form TP-1015.3-V

$$= E_1 \times (1 + 0.02026) + E_2$$

If the result obtained is not a multiple of 5, round it off to the nearest multiple of 5. If the result is halfway between two multiples of 5, round it off to the higher multiple.

### Important

If variable  $E_1$  corresponds to one of the first two amounts mentioned in the definition of that variable, multiply variable  $E_1$  by 1 rather than by 1.02026. Variable  $E_1$  is to be indexed only if it corresponds to the third amount mentioned in the definition.

$E_1$  = One of the following amounts:

- the amount from line 7 of form TP-1015.3-V, for employees who completed the 2007-01 version of the form;
- \$9,750 (the basic amount for 2007), for employees who took up employment duties in 2007 and did not complete form TP-1015.3-V;
- the indexed value of variable  $E_1$  for 2006, **plus** \$2,250 (\$2,200 + \$50) for employees who completed a previous version of form TP-1015.3-V (rather than the 2007-01 version) **and** who entered an amount for a severe and prolonged impairment in mental or physical functions on line 8 of the form. If the employee entered an amount that exceeds \$2,200, add \$50 for each \$2,200. If the employee entered \$4,400, add \$4,500 (\$4,400 + \$100) to the indexed value of variable  $E_1$  for 2006.

### Note

The indexed value of variable  $E_1$  for 2006 is equal to the value of variable  $E_1$  for 2005, multiplied by the indexation factor for 2006. The indexed value of variable  $E_1$  for 2006 may also be obtained by doing the following calculation: value of variable E for 2006, **minus** the value of variable  $E_2$  for 2006.

$E_2$  = One of the following amounts:

- the amount from line 9 of form TP-1015.3-V, for employees who completed the 2007-01 version of the form;
- the value of variable  $E_2$  for 2006, **minus** \$2,250 (\$2,200 + \$50) for employees who completed a previous version of form TP-1015.3-V (rather than the 2007-01 version) **and** who entered an amount for a severe and prolonged impairment in mental or physical functions on line 8 of the form. If the employee entered an amount

that exceeds \$2,200, add \$50 for each \$2,200. If the employee entered \$4,400, subtract \$4,500 (\$4,400 + \$100) from the value of variable  $E_2$  for 2006.

F = Total of the following amounts for the pay period:

- amounts withheld as contributions to an RPP (see section 5.4.1.1);
- amounts withheld as contributions to an RRSP (see section 5.4.1.2);
- amounts withheld as contributions paid under a retirement compensation arrangement;
- the deduction respecting the CIP, that is, 125% of the amount withheld from the employee’s salary or wages for the purchase of preferred shares qualifying under the CIP (see section 5.4.1);
- the travel deduction for residents of a designated remote area (see section 5.4.1.3);
- the deduction for employment income situated on a reserve or premises (see section 10.5.1).

G = Gross salary or wages (see section 1.4 for information on the term “salary or wages”) subject to source deductions of income tax for the pay period. **Do not include** bonuses, retroactive pay or similar lump-sum payments.

H = Deduction for employment income  
= 0.06 (D), maximum of 1,000/P

I = Annual taxable income  
= [P (G – F – H)] – J –  $J_1$

J = Deductions indicated on line 19 of form TP-1015.3-V. If the value of J is determined after the first pay period in the year, it is instead equal to the result of the following calculation:

$$\frac{P(J_3)}{Pr}$$

$J_1$  = Annual deductions authorized by Revenu Québec after the employee completed form TP-1016-V, *Application for a Reduction in Source Deductions of Income Tax*. If the value of  $J_1$  is determined after the first pay period in the year, it is instead equal to the result of the following calculation:

$$\frac{P(J_2)}{Pr}$$

$J_2$  = Deductions authorized by Revenu Québec after the first pay period in the year

$J_3$  = Deductions indicated on line 19 of form TP-1015.3-V after the first pay period in the year

K = Constant applicable for the adjustment of the income tax rate (see the income tax table on the next page)

$K_1$  = Non-refundable tax credits for the year authorized by Revenu Québec after the employee completed form TP-1016-V, *Application for a Reduction in Source Deductions of Income Tax* (for example, the tax credit for charitable donations). If the value of  $K_1$  is determined after the first pay period in the year, it is instead equal to the result of the following calculation:

$$\frac{P(K_2)}{Pr}$$

$K_2$  = Non-refundable tax credits authorized by Revenu Québec after the first pay period in the year

$L$  = Additional source deduction of income tax requested by the employee on form TP-1017-V, source deduction of income tax requested by a fisher on form TP-1015.N-V, or amount indicated on line 11 of form TP-1015.3-V, for the pay period

$P$  = Number of pay periods in the year

$Pr$  = Number of pay periods remaining in the year

$Q$  = Amount withheld for the pay period for the purchase of class A shares in the Fonds de solidarité des travailleurs du Québec (FTQ) or class A or class B shares in Fondation, le Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l'emploi

**Note**

The total of the amounts withheld for the year must not exceed \$5,000. For the pay period in which the annual maximum is reached, the value of variable  $Q$  must be zero.

$T$  = Income tax rate applicable to the bracket of annual taxable income (variable  $I$ ) (see the income tax table below)

$Y$  = Québec income tax for the year  
 $= T(I) - K - K_1 - 0.20(E) - 0.15[P(Q)]$   
 If the result is negative, enter 0.

**Income tax table**

Annual taxable income (I)		T	K
Over	But not over		
\$0	\$29,290	16%	\$0
\$29,290	\$58,595	20%	\$1,171
\$58,595		24%	\$3,515

**11.3.1.2 Bonuses, retroactive pay or similar lump-sum payments**

You may use either of the following methods to calculate the income tax to be withheld from bonuses, retroactive pay or similar lump-sum payments (for example, a payment covering accumulated overtime or unused vacation time). Please note that Method 1 is more precise than Method 2.

**Note**

If you estimate that the total of the employee's annual salary or wages and the amount of the lump-sum payment will not exceed \$12,200, do not use these formulas. Simply withhold 8% income tax from the lump-sum payment. Do not withhold income tax if the employee completed the 2007-01 version of form TP-1015.3-V and entered "X" on line 20 of the form (see section 3.7.6).

**Method 1**

Certain variables are not defined below because they have the same value as the variables already defined for regular payments in section 11.3.1.1.

$A_1$  = Québec income tax to be withheld at source from a bonus, retroactive pay or similar lump-sum payment paid during the pay period  
 $= Y_2 - Y_1$

$B_1$  = Bonuses, retroactive pay or similar lump-sum payments paid since the beginning of the year (excluding variable  $B_2$ ) (see note 1 on the next page)

$B_2$  = Bonuses, retroactive pay or similar lump-sum payments paid during the pay period (see note 1 on the next page)

$D_1 = B_1 + B_2 + G_1 + D$

$F_1$  = Total of the amounts included in variable  $F$ , **accrued** to the date the bonus, retroactive pay or similar lump-sum payment was paid

$G_1$  = Gross salary or wages (see section 1.4 for information on the term "salary or wages"), **accrued** to the date the bonus, retroactive pay or similar lump-sum payment was paid

$H_1$  = Total of the amounts included in variable  $H$  (see section 11.3.1.1), **accrued** to the date the bonus, retroactive pay or similar lump-sum payment was paid

$H_2 = 0.06(D_1)$ , maximum of  $(1,000 - H_1)/P$

$$I_1 = \text{Annual taxable income to the date the bonus, retroactive pay or similar lump-sum payment was paid}$$

$$= (G_1 - F_1 - H_1) + [\text{Pr} (G - F - H_2)] - J - J_1$$

Pr = Number of pay periods remaining in the year

$$Y_1 = [T (I_1 + B_1)] - K - K_1 - 0.20 (E) - 0.15 [P(Q)]$$

(see note 2 below)

$$Y_2 = [T (I_1 + B_1 + B_2)] - K - K_1 - 0.20 (E) - 0.15 [P(Q)]$$

(see note 2 below)

### Note 1

If you took into account an amount included in variable F in calculating the income tax to be withheld from bonuses, retroactive pay or similar lump-sum payments you have paid since the beginning of the year (variable B<sub>1</sub>), including during the pay period (variable B<sub>2</sub>), you must reduce variables B<sub>1</sub> and B<sub>2</sub> accordingly.

### Note 2

In calculating variable Y<sub>1</sub>, determine the income tax rate (variable T) according to the result obtained when you add variables I<sub>1</sub> and B<sub>1</sub>. For example, if variable I<sub>1</sub> equals \$25,000 and variable B<sub>1</sub> equals \$5,000, the income tax rate (variable T) will be the rate applicable to taxable income of \$30,000 (\$25,000 + \$5,000), that is, 20%.

In calculating variable Y<sub>2</sub>, determine the income tax rate (variable T) according to the result obtained when you add variables I<sub>1</sub>, B<sub>1</sub> and B<sub>2</sub>.

## Method 2

- Determine the taxable income for the **regular payments (variable I)**. Please note that when you determine variable I, you **must not include** in variable F the portion of the amounts (mentioned in variable F) that pertains to bonuses, retroactive pay or similar lump-sum payments that you have paid since the beginning of the year, including those paid during the pay period.
- Determine the amount of the bonuses, retroactive pay or similar lump-sum payments you have paid since the beginning of the year (variable B<sub>1</sub>), without taking into account the amount paid during the pay period.
- Determine the amount of the bonuses, retroactive pay or similar lump-sum payments paid during the pay period (variable B<sub>2</sub>).
- Add the amounts determined in (a) through (c) to obtain the taxable income.

(e) Determine the tax rate that applies to the annual taxable income calculated in (d) (see the income tax table at the end of section 11.3.1.1).

(f) Multiply variable B<sub>2</sub> calculated in (c) by the tax rate determined in (e).

### Example

Tom, whose gross salary is \$700 per week, contributes \$25 per week to an RPP. His employer withholds \$73.21 in income tax from the salary paid each pay period.

During one pay period, Tom receives retroactive pay of \$4,000 in addition to his regular salary. During that pay period, Tom's RPP contribution is increased to \$165, of which \$140 pertains to the retroactive pay.

Variable I (\$700 – \$25) x 52 pay periods	=	\$35,100
Variable B <sub>1</sub>	+	\$00
Variable B <sub>2</sub> (\$4,000 – \$140)	+	\$3,860
<b>Annual taxable income</b>	=	<b>\$38,960</b>
The income tax rate applicable to this income is 20%.		
Retroactive pay	=	\$4,000
Contribution to an RPP	–	\$140
Variable B <sub>2</sub>	=	\$3,860
	x	0.20
<b>Income tax withholding from retroactive pay</b>	=	<b>\$772.00</b>
Income tax withholding from regular salary	+	\$73.21
<b>Total income tax withholding for pay period</b>	=	<b>\$845.21</b>

## 11.3.2 Calculating income tax withholdings on a cumulative-averaging basis

You must use one of the following methods to calculate source deductions of Québec income tax for employees whose remuneration varies (for example, employees who earn commissions).

Either of the following methods may be used to calculate income tax on bonuses, retroactive pay or similar lump-sum payments (for example, a payment covering accumulated overtime or unused vacation time).

Under Method 1, the Québec income tax to be deducted from these amounts is spread out over the pay periods remaining in the year. Under Method 2, the total amount of Québec income tax applicable to the bonus or retroactive pay is withheld for the pay period concerned.

## Note

If you estimate that the total of the employee's annual salary or wages and the lump-sum payment will not exceed \$12,200, do not use these formulas. Simply withhold 8% income tax from the lump-sum payment. Do not withhold income tax if the employee completed the 2007-01 version of form TP-1015.3-V and entered "X" on line 20 of the form (see section 3.7.6).

### 11.3.2.1 Method 1

#### Definition of variables

A = Québec income tax to be withheld at source for the pay period

$$= \frac{(Y/S_1) - M}{1} + L$$

▼  
If the result is negative, enter 0.

B = Bonuses, retroactive pay or similar lump-sum payments paid during the pay period, **plus** those paid since the beginning of the year

D = Gross salary or wages (see section 1.4 for information on the term "salary or wages") subject to source deductions of income tax for the pay period, **plus** the total gross salary or wages since the beginning of the year (including variable B)

E = Indexed value of the personal tax credits indicated on form TP-1015.3-V

$$= E_1 \times (1 + 0.02026) + E_2$$

▼  
If the result obtained is not a multiple of 5, round it off to the nearest multiple of 5. If the result is halfway between two multiples of 5, round it off to the higher multiple.

#### Important

If variable  $E_1$  corresponds to one of the first two amounts mentioned in the definition of that variable, multiply variable  $E_1$  by 1 rather than by 1.02026. Variable  $E_1$  is to be indexed only if it corresponds to the third amount mentioned in the definition.

$E_1$  = One of the following amounts:

- the amount from line 7 of form TP-1015.3-V, for employees who completed the 2007-01 version of the form;
- \$9,750 (the basic amount for 2007), for employees who took up employment duties in 2007 and did not complete form TP-1015.3-V;
- the indexed value of variable  $E_1$  for 2006, **plus** \$2,250 (\$2,200 + \$50) for employees who completed a previous version of form TP-1015.3-V (rather than the 2007-01 version) **and** who entered the amount for a severe and

prolonged impairment in mental or physical functions on line 8 of the form. If the employee entered an amount that exceeds \$2,200, add \$50 for each \$2,200. If you entered \$4,400, you must add \$4,500 (\$4,400 + \$100) to the indexed value of variable  $E_1$  for 2006.

## Note

The indexed value of variable  $E_1$  for 2006 is equal to the value of variable  $E_1$  for 2005, multiplied by the indexation factor for 2006. The indexed value of variable  $E_1$  for 2006 may also be obtained by doing the following calculation: value of variable E for 2006, **minus** the value of variable  $E_2$  for 2006.

$E_2$  = One of the following amounts:

- the amount from line 9 of form TP-1015.3-V, for employees who completed the 2007-01 version of the form;
- the value of variable  $E_2$  for 2006, **minus** \$2,250 (\$2,200 + \$50) for employees who completed a previous version of form TP-1015.3-V (rather than the 2007-01 version) **and** who entered an amount for a severe and prolonged impairment in mental or physical functions on line 8 of the form. If the employee entered an amount that exceeds \$2,200, add \$50 for each \$2,200. If the employee entered \$4,400, subtract \$4,500 (\$4,400 + \$100) from the value of variable  $E_2$  for 2006.

F = Total of the following amounts taken into account **since the beginning of the year (including the pay period)**:

- amounts withheld as contributions to an RPP (see section 5.4.1.1);
- amounts withheld as contributions to an RRSP (see section 5.4.1.2);
- amounts withheld as contributions paid under a retirement compensation arrangement;
- the deduction respecting the CIP, that is, 125% of the amount withheld from the employee's salary or wages for the purchase of preferred shares qualifying under the CIP (see section 5.4.1);
- the travel deduction for residents of a designated remote area (see section 5.4.1.3);
- the deduction for employment income situated on a reserve or premises (see section 10.5.1).

G = Gross salary or wages (see section 1.4 for information on the term "salary or wages") subject to source deductions of income tax for the pay period, **plus** the total gross salary or wages since the beginning of the year (**excluding variable B**)

H = Deduction for employment income  
= 0.06 (D), maximum of 1,000

I = Estimated annual taxable income  
 $= S_1 (G - F - H) + B - J - J_1$   
 If the result is negative, enter 0.

J = Deductions indicated on line 19 of form TP-1015.3-V

$J_1$  = Annual deductions authorized by Revenu Québec after the employee completed form TP-1016-V, *Application for a Reduction in Source Deductions of Income Tax*

K = Constant applicable for the adjustment of the income tax rate (see the income tax table at the end of section 11.3.1.1)

$K_1$  = Non-refundable tax credits for the year authorized by Revenu Québec after the employee completed form TP-1016-V, *Application for a Reduction in Source Deductions of Income Tax* (for example, the tax credit for charitable donations)

L = Additional source deduction of income tax requested by the employee on form TP-1017-V, source deduction of income tax requested by a fisher on form TP-1015.N-V, or amount indicated on line 11 of form TP-1015.3-V, for the pay period

M = Cumulative income tax withheld to the last pay period (do not take into account variable L)

P = Number of pay periods in the year

Q = Amount withheld for the pay period for the purchase of class A shares in the Fonds de solidarité des travailleurs du Québec (FTQ) or class A or class B shares in Fondation, le Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l'emploi, **plus** the amount withheld for this purpose since the beginning of the year

### Note

The total of the amounts withheld for the year must not exceed \$5,000. For the pay period in which the annual maximum is reached, the value of variable Q must be zero.

$S_1$  = Annualization factor (that is, the number of pay periods in the year, divided by the number corresponding to the current pay period)

### Examples of factor $S_1$

		52 pp	26 pp	24 pp
First pay period	$S_1$	52/1	26/1	24/1
Second pay period	$S_1$	52/2	26/2	24/2
Last pay period	$S_1$	52/52	26/26	24/24

T = Income tax rate applicable to the bracket of annual taxable income (variable I) (see the income tax table at the end of section 11.3.1.1)

Y = Québec income tax for the year  
 $= T(I) - K - K_1 - 0.20(E) - 0.15[S_1(Q)]$

### 11.3.2.2 Method 2

Certain variables used in Method 2 are not defined below because they are the same as those used in Method 1.

If you use Method 2, **you must first determine** the Québec income tax to be withheld from a bonus, retroactive pay or similar lump-sum payment that you paid during the pay period (variable  $A_3$ ), and **then determine** the Québec income tax to be withheld from the other salary or wages paid during the pay period (variable A). You proceed this way because the amount determined for variable  $A_3$  will affect the amount determined for variable A.

### Definition of variables

A = Québec income tax to be withheld at source from salaries or wages for the pay period (other than salary or wages referred to in variable  $A_3$ )

$$= \frac{(Y - M_1)}{S_1} - M + L$$

▼  
 If the result is negative, enter 0.

$A_3$  = Québec income tax to be withheld at source from a bonus, retroactive pay or similar lump-sum payment paid during the pay period

$$= Y_3 - Y_4$$

$A_4$  = Québec income tax to be withheld at source for the pay period

$$= A + A_3$$

$B_3$  = Variable  $B_4$ , **plus** the bonuses, retroactive pay or similar lump-sum payments paid during the pay period

$B_4$  = Bonuses, retroactive pay or similar lump-sum payments paid since the beginning of the year (other than those paid during the pay period)

$D_1$  = Total gross salary or wages (see section 1.4 for information on the term "salary or wages") since the beginning of the year, excluding variables  $B_3$  and  $B_4$

$$H_1 = 0.06 (D_1 + B_3), \text{ maximum of } 1,000$$

$$H_2 = 0.06 (D_1 + B_4), \text{ maximum of } 1,000$$



$$I_3 = S_1 (G - F - H_1) + B_3 - J - J_1$$

$$I_4 = S_1 (G - F - H_2) + B_4 - J - J_1$$

M = Cumulative income tax withheld to the last pay period (do not take into account variable L or M<sub>1</sub>)

M<sub>1</sub> = Cumulative income tax withheld from bonuses, retroactive pay or similar lump-sum payments paid since the beginning of the year (including variable A<sub>3</sub>)

Y<sub>3</sub> = Québec income tax for the year respecting the salaries or wages in variable B<sub>3</sub>  
 $= T(I_3) - K - K_1 - 0.20(E) - 0.15[S_1(Q)]$

Y<sub>4</sub> = Québec income tax for the year respecting the salaries or wages in variable B<sub>4</sub>  
 $= T(I_4) - K - K_1 - 0.20(E) - 0.15[S_1(Q)]$

## 11.4 QPP contributions

### 11.4.1 Calculating the employee contribution

The formula used to calculate the employee's contribution to the QPP is shown below.

$$C = 0.0495 (S_3 - V/P), \text{ to a maximum of } M - A_5$$

If variable C is an amount containing a fraction of a cent, do not take into account a fraction of less than half a cent. A fraction of one-half cent or more is considered a cent. If variable C is greater than 0 but less than one cent, you must withhold one cent as a contribution even if the fraction is less than half a cent. For example, if variable C is equal to a tenth of a cent, you must withhold \$0.01 (one cent).

If the result obtained in calculating the pay period exemption (V/P) contains three or more decimal places, keep only the first two decimal places and do not round off.

$$\text{Example: } V/P = \$3,500/52 = \$67.3077 = \$67.30$$

#### Definition of variables

A<sub>5</sub> = QPP contributions withheld since the beginning of the year

C = Employee QPP contribution for the pay period

M = Maximum employee QPP contribution for the year (\$1,989.90)

P = Number of pay periods in the year

S<sub>3</sub> = Gross pensionable salary or wages under the QPP for the pay period

V = Basic exemption for the year under the QPP (\$3,500)

#### Note

Where overtime pay, a bonus or retroactive pay is paid **separately** from the employee's basic salary or wages, and the pay period exemption (V/P) has already been taken into account, deduct 4.95% of the amount paid, to a maximum of M - A<sub>5</sub>.

### 11.4.2 Calculating the employer contribution

There is no mathematical formula to be used to calculate your employer contribution. You simply pay a contribution that is equal to the total amount of the contributions you **withheld** from your employees' pensionable salary or wages (as calculated using the formula in section 11.4.1).

## 11.5 QPIP premiums

The following two formulas are used to calculate the premiums for each pay period and for **each employee** (rather than for all employees). Therefore, you must apply both of the formulas to each employee for each pay period.

### 11.5.1 Calculating the employee premium

$$A_p = 0.00416 (S_4), \text{ to a maximum of } N - A_6$$

If variable A<sub>p</sub> is an amount containing a fraction of a cent, do not take into account a fraction of less than half a cent. A fraction of one-half cent or more is considered a cent. If variable A<sub>p</sub> is greater than 0 but less than one cent, you must withhold one cent as a premium even if the fraction is less than half a cent. For example, if variable A<sub>p</sub> is equal to a tenth of a cent, you must withhold \$0.01 (one cent).

#### Definition of variables

A<sub>p</sub> = Employee QPIP premium for the pay period

A<sub>6</sub> = Employee QPIP premiums withheld since the beginning of the year

N = Maximum employee QPIP premiums for the year (\$245.44)

S<sub>4</sub> = Employee's gross eligible salary or wages for the purposes of the QPIP for the pay period

### 11.5.2 Calculating the employer premium (with respect to an employee)

$$A_{p_1} = 0.00583 (S_4), \text{ to a maximum of } N_1 - A_7$$

If variable A<sub>p<sub>1</sub></sub> is an amount containing a fraction of a cent, do not take into account a fraction of less than half a cent. A fraction of one-half cent or more is considered \$0.01 (one cent).



## Definition of variables

$A_{p_1}$  = Employer QPIP premium for the pay period with respect to the employee

$A_7$  = Employer QPIP premiums calculated for previous pay periods with respect to the employee

$N_1$  = Maximum employer QPIP premiums for the year with respect to each employee (\$343.97)

$S_4$  = Employee's gross eligible salary or wages for the purposes of the QPIP for the pay period

## 11.6 Contribution to the health services fund

$$D_2 = W(S_2)$$

### Definition of variables

$D_2$  = Contribution to the health services fund for the pay period

$S_2$  = Total salaries or wages paid for the pay period respecting which you are required to pay a contribution to the health services fund (see Chapter 8)

$W$  = Contribution rate based on **total payroll**, to be determined using the following formula:

$$W (\%) = 2.31 + (0.39 \times S)$$

where

- $S = 1$ , if the total payroll  $\leq$  \$1 million
- $S = 5$ , if the total payroll  $\geq$  \$5 million
- $S = \frac{\text{Total payroll}}{\$1,000,000}$  [ If the total payroll is over \$1 million but under \$5 million ]

The contribution rate must be rounded off to the second decimal place. Where the number in the third decimal place is 5 or more, round off the number in the second decimal place to the next highest number.

**If you are a new employer**, your total payroll for the first two consecutive calendar years corresponds to the salaries or wages you paid from the beginning of the calendar year to the end of the period covered by the remittance of the contribution to the health services fund. The rate must therefore be adjusted for each remittance period, on the basis of the cumulative total payroll for the preceding periods. For more information, see section 8.5.1.1.

**If you are not a new employer**, your total payroll for the purposes of the calculation of the contribution to the health services fund is generally equal to your total payroll for the preceding year. For more information, see section 8.5.1.2.

## 11.7 Example: Source deductions of income tax based on regular payments

### Basic data

Pierre earns a gross annual salary of \$52,000 and is paid weekly (\$1,000 per week). He contributes \$70 per week, or \$3,640 for the year, to an RPP. The amount indicated on line 10 of Pierre's TP-1015.3-V form (that is, the total of lines 7 and 9) is \$21,830. On January 3, Pierre purchases \$2,000 in shares of the Fonds de solidarité des travailleurs du Québec (FTQ), payable over the first 20 pay periods in the year.

For the first 20 pay periods of the year, calculate the source deduction of income tax as follows:

### Step 1

Determine variable I using the following formula:

$$\begin{aligned} I &= \text{Annual taxable income} \\ &= [P(G - F - H)] - J - J_1 \\ &= [52 (\$1,000 - \$70 - \$19.23)] - \$0.00 - \$0.00 \\ &= [52 (\$910.77)] - \$0.00 - \$0.00 \\ &= \$47,360.04 - \$0.00 - \$0.00 \\ &= \$47,360.04 \end{aligned}$$

### Step 2

Determine variable Y using the following formula:

$$\begin{aligned} Y &= \text{Income tax for the year} \\ &= T(I) - K - K_1 - 0.20 (E) - 0.15 [P(Q)] \\ &= 0.20 (\$47,360.04) - \$1,171 - \$0.00 - 0.20 (\$21,830) \\ &\quad - 0.15 [52(100)] \\ &= \$9,472 - \$1,171 - \$0.00 - \$4,366 - 0.15 (\$5,200) \\ &= \$9,472 - \$1,171 - \$0.00 - \$4,366 - \$780 \\ &= \$8,301 - \$4,366 - \$780 \\ &= \$3,155 \end{aligned}$$

### Step 3

Determine variable A using the following formula:

$$\begin{aligned} A &= \text{Québec income tax to be withheld at source for the pay period} \\ &= \boxed{\frac{(Y/P)}{52}} + L \\ &\quad \downarrow \\ &\quad \text{If the result is negative, enter 0.} \\ &= (\$3,155 / 52) + \$0.00 \\ &= \$60.67 \end{aligned}$$

For the 32 pay periods remaining in the year, calculate the source deduction of income tax as follows:

### Step 1

Determine variable I using the following formula:

$$\begin{aligned} I &= \text{Annual taxable income} \\ &= [P(G - F - H)] - J - J_1 \\ &= [52 (\$1,000 - \$70 - \$19.23)] - \$0.00 - \$0.00 \\ &= [52 (\$910.77)] - \$0.00 - \$0.00 \\ &= \$47,360.04 - \$0.00 - \$0.00 \\ &= \$47,360.04 \end{aligned}$$

### Step 2

Determine variable Y using the following formula:

$$\begin{aligned} Y &= \text{Québec income tax for the year} \\ &= T(I) - K - K_1 - 0.20 (E) - 0.15 [P(Q)] \\ &= 0.20 (\$47,360.04) - \$1,171 - \$0.00 - 0.20 (\$21,830) \\ &\quad - 0.15 [52(\$0.00)] \\ &= \$9,472 - \$1,171 - \$0.00 - \$4,366 - \$0.00 \\ &= \$8,301 - \$4,366 \\ &= \$3,935 \end{aligned}$$

### Step 3

Determine variable A using the following formula:

$$\begin{aligned} A &= \text{Québec income tax to be withheld at source for the pay period} \\ &= \boxed{(Y/P)} + L \\ &\quad \downarrow \\ &\quad \text{If the result is negative, enter 0.} \\ &= (\$3,935 / 52) + \$0.00 \\ &= \$75.67 \end{aligned}$$

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