

Guide for Employers

Source deductions and contributions 2002



The information in this guide does not constitute a legal interpretation of federal or Québec laws or regulations. For more information, contact the office of the Ministère du Revenu du Québec in your area (see the list of addresses and telephone numbers at the end of the guide).

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Introduction

A. Contents

This guide contains instructions for employers and payers regarding remittances of **Québec income tax**, contributions to the **Québec Pension Plan (QPP)** and the **health services fund**, and the contribution to the **financing of the Commission des normes du travail (CNT)**. It also provides instructions regarding remittances of **compensation tax** by specified financial institutions other than corporations, as well as information concerning the obligations of employers subject to the Act to foster the development of manpower training. Finally, the guide provides information concerning the computerized calculation of income tax withholdings and employer and employee contributions.

References

At the end of certain paragraphs, you will find references to sections of various laws and regulations, and to interpretation bulletins published by the Ministère du Revenu du Québec.

Reference to laws

Sections of the Taxation Act are referred to by a number only. In the case of other laws, the section numbers are preceded by an abbreviation that identifies the law. The abbreviations are as follows:

- ADMT: Act to foster the development of manpower training
- AIFC: Act respecting international financial centres
- ALS: Act respecting labour standards
- AMR: Act respecting the Ministère du Revenu
- AQPP: Act respecting the Québec Pension Plan
- ARAMQ: Act respecting the Régie de l'assurance maladie du Québec

References to regulations

References to the Regulation respecting the Taxation Act consist of the letter “R” preceded and followed by numbers. References to sections of regulations made under the Act to foster the development of manpower training (ADMT), the Act respecting labour standards (ALS), the Act respecting the Ministère du Revenu (AMR), the Act respecting the Régie de l'assurance maladie du Québec (ARAMQ), and the Act respecting the Québec Pension Plan (AQPP) are indicated as follows:

- Regulation respecting eligible training expenditures: “ADMT (r. 1)” and section number;
- Regulation respecting the determination of total payroll: “ADMT (r. 2)” and section number;
- Regulation respecting contribution rates: “ALS (r. 5.3)” and section number;
- Regulation respecting fiscal administration: “AMR (r. 1)” and section number (in this case, the letter “R” also appears in the section number);
- Regulation respecting contributions to the Québec Health Insurance Plan: “ARAMQ (r. 1)” and section number;
- Regulation respecting the assigning of a Social Insurance Number: “AQPP (r. 1)” and section number;
- Regulation respecting contributions to the Québec Pension Plan: “AQPP (r. 2)” and section number;
- Regulation respecting pensionable employment: “AQPP (r. 8)” and section number.

References to interpretation bulletins

A reference consisting of the word “Bulletin,” followed by an abbreviation and a number, indicates the number of an interpretation bulletin published by the Ministère du Revenu du Québec (available in English). The abbreviation “IMP.” refers to a bulletin concerning the Taxation Act; “LMR.” to a bulletin concerning the Act respecting the Ministère du Revenu; “LNT.” to a bulletin concerning the Act respecting labour standards; “RAMQ.” to a bulletin concerning the Act respecting the Régie de l'assurance maladie du Québec; and “RRQ.” to a bulletin concerning the Act respecting the Québec Pension Plan.

Abbreviations used in the text

CNNTQ:	Centre national des nouvelles technologies de Québec
CNT:	Commission des normes du travail
CPP:	Canada Pension Plan
CSN:	Confédération des syndicats nationaux
CSST:	Commission de la santé et de la sécurité du travail
DPSP:	deferred profit-sharing plan
GST:	goods and services tax
IFC:	international financial centre
ITDC:	information technology development centre
MNE:	marketplace for the new economy
NEQ:	“numéro d'entreprise du Québec” (Québec enterprise number)
QPP:	Québec Pension Plan
QST:	Québec sales tax
RESP:	registered education savings plan
RPP:	registered pension plan
RRIF:	registered retirement income fund
RRSP:	registered retirement savings plan

Definition

For the purposes of this guide, an individual's spouse is the person to whom the individual is legally married, or who is the individual's de facto spouse. The expression “de facto spouse” means a person of the opposite sex or the same sex who, at any time in the year,

- was living in a conjugal relationship with the individual and is the biological or adoptive parent (legally or otherwise) of a child of whom the individual is also the parent;
- had been living in a conjugal relationship with the individual for at least 12 consecutive months (if the couple lived apart because of the breakdown of their relationship for a period of less than 90 days, the 12-month period is considered to have been uninterrupted);
- had been living in a conjugal relationship with the individual for less than 12 months, but had previously lived with the individual in such a relationship for at least 12 consecutive months (if the couple lived apart because of the breakdown of their relationship for a period of less than 90 days, the 12-month period is considered to have been uninterrupted).

2.2.1

B. Principal changes for 2002

Personal income tax reduction

The publication *Source Deduction Tables for Québec Income Tax* (TP-1015.TI-V), the *Source Deductions Return* (form TP-1015.3-V) and the mathematical formulas used to calculate income tax have been revised to take into account the changes outlined below.

Indexation of the tax system

As of January 1, 2002, certain amounts set under Québec's personal income tax system will be automatically indexed. The indexation will apply to all three income tax brackets. The following amounts on form TP-1015.3-V will also be indexed:

- the basic amount;
- the amount for a person living alone;
- the amount respecting a spouse;
- the amount respecting dependent children (including the amount for a single-parent family and the amount for a child engaged in full-time post-secondary studies);
- the amount respecting other dependants (including the amount respecting a dependant with an infirmity);
- the reduction threshold used to determine net family income for the purposes of calculating the tax reduction for families and the amount with respect to age, for a person living alone or for retirement income;
- the family income brackets in the table used to determine the rate of the tax credit for child-care expenses.

Please note that an individual who has already completed form TP-1015.3-V will not have to complete a new form simply because of the indexation, since the indexation will not affect his or her deduction code. However, you will have to adjust the amount respecting child-care expenses if, further to the indexation of the family income brackets used to calculate the refundable tax credit for child-care expenses, the adjustment factor applicable to the expenses is different from that indicated on the individual's most recent TP-1015.3-V form.

Lower income tax rates

Québec income tax rates for 2002 will decrease

- from 17% to 16% for the lowest income tax bracket (taxable income of \$26,700 or under);
- from 21.25% to 20% for the middle income tax bracket (taxable income over \$26,700 but not over \$53,405);
- from 24.5% to 24% for the highest income tax bracket (taxable income over \$53,405).

Change in the rate used to convert amounts to personal tax credits

Because of the changes to the income tax rates for 2002, the rate used to convert amounts to personal tax credits will decrease from 20.75% to 20%.

Bonuses and retroactive pay

Bonuses and retroactive pay are subject to source deductions of income tax. For 2002, the threshold that determines the method used to calculate income tax withholdings has been raised to \$10,650. Where the fixed-rate method is used, 8% income tax must be withheld. (The rate was previously 9%.)

Income tax withholdings on single payments

For 2002, single payments of \$5,000 or less are subject to an income tax withholding of 16% (down from 17%). Single payments of over \$5,000 are subject to an income tax withholding of 20% (down from 20.75%).

Income tax withholding for a self-employed fisher

Where a self-employed fisher elects to have source deductions made, the income tax withholding for 2002 is 16% of each payment made to the fisher (it was previously 17%).

Income supplements

Income tax must be withheld from amounts that are paid as income supplements under a program sponsored by a government in Canada or a Canadian public body and designed to encourage individuals to obtain or keep employment. Source deduction rules pertaining to income supplements are currently the same as the rules applicable to source deductions on salaries and wages.

Effective January 1, 2002, a government department or agency will be required to withhold 16% income tax on any amount it pays as an income supplement under a government employment incentive program. However, income tax must not be withheld from an income supplement paid under the "Supplément de retour au travail" measure (an "active measure" implemented by Emploi-Québec).

Payments made to a foreign producer providing services in Québec

Amounts paid for services performed in Québec (other than in the course of regular and continuous employment) by a person who is not resident in Canada are subject to an income tax withholding of 9%.

However, you are not required to withhold income tax from a payment made to an individual who holds a certificate issued for the year by the Société de développement des entreprises culturelles (SODEC), confirming that he or she is working during the year as a producer on a film production recognized by SODEC, provided the payment is with respect to the production. This rule has been in effect since July 6, 2001.

If an individual holding the above-mentioned certificate is an employee who performed services for you in the course of regular and continuous employment, you are not required to withhold income tax from the remuneration paid to the individual with respect to such a production.

Québec Pension Plan (QPP)

The contribution rate for the QPP has been increased from 8.6% to 9.4% (4.7% for employers and 4.7% for employees). The new rate of 4.7% has been incorporated into the QPP source deduction tables that take effect on January 1, 2002, and in the mathematical formulas used to calculate QPP source deductions for 2002.

In addition, the maximum pensionable earnings have been increased from \$38,300 to \$39,100.

All of the QPP source deduction tables were previously included in the same document (TP-1015.TR-V); the document contained tables applicable to 52, 26, 24 and 12 pay periods per year. However, the tables covering 12 pay periods per year are now in a separate document (TP-1015.TR.12-V). The following publications are therefore available:

- *Source Deduction Tables for QPP Contributions: 52, 26 and 24 Pay Periods* (TP-1015.TR-V)
- *Source Deduction Tables for QPP Contributions: 12 Pay Periods* (TP-1015.TR.12-V)

You may obtain either of these publications by submitting order form MAT-422-V. You may also contact the Ministère or obtain the publication you need from our Web site, at www.revenu.gouv.qc.ca.

Health services fund

Tax exemption for small and medium-sized manufacturing businesses in remote resource regions

Under a measure that came into effect on March 30, 2001, a corporation that operates a manufacturing or processing business in one of the remote resource regions of Québec may, if it meets certain conditions, be exempted from the contribution to the health services fund until December 31, 2010.

One of the requirements is that the corporation must have establishments in remote resource regions only. However, under a rule that applies retroactively to March 30, 2001, where the corporation

- maintains its head office outside a remote resource region, or
- is deemed to have an establishment outside a remote resource region because it carries on business outside the region through an employee, agent or mandatary who has general authority to enter into a contract for the corporation or who has a stock of merchandise owned by the corporation from which the employee, agent or mandatary regularly fills orders,

it will be deemed to have establishments only in the remote resource region concerned, provided all or substantially all of its payroll, for the taxation year, is attributable to employees working in an establishment situated in the remote resource region.

For this purpose, the amount of the corporation's payroll will be based on the wages incurred by the corporation in the taxation year. The wages of each employee will include directors' fees, premiums, incentive bonuses, commissions, overtime pay and taxable benefits.

Other changes with regard to the health services fund

Chapter 5, "Contribution to the health services fund," on page 35 incorporates changes that concern major investment projects, corporations that carry on a stock exchange business or a securities clearing house business, and the Centre de développement des biotechnologies de Laval. Employers received particulars of these changes in information sheets PZ-812-V, *Message to Employers* (dated "2000-11"), and PZ-827-V, *2001-2002 Budget Special* (dated "2001-07").

Commission des normes du travail (CNT)

For 2002, remuneration above \$52,500 is not subject to a contribution to the Commission des normes du travail. The threshold for 2001 was \$51,500.

Special cases

Chapter 9 (page 44) now includes the rules for withholding income tax from remuneration paid to the following employees:

- an employee of a corporation (or partnership) that operates an international financial centre (IFC);
- a foreign specialist working in the Montréal international trade zone at Mirabel;
- a foreign specialist working in an information technology development centre (ITDC) or in the Centre de développement des biotechnologies de Laval;
- a foreign specialist working in the Cité du multimédia, the Centre national des nouvelles technologies de Québec (CNNTQ) or a marketplace for the new economy (MNE);
- a foreign specialist working in the Cité du commerce électronique;
- a foreign researcher or foreign expert working for a person or partnership that operates a business and that carries out (or has carried out on its behalf) scientific research or experimental development in Québec;
- a foreign expert working for a corporation that operates, in the City of Montréal, a stock exchange business or a securities clearing house business;
- a sailor assigned to international freight transportation, who is resident in Québec in 2002 and respecting whom the employer has obtained a certificate from the Ministère des Transports du Québec;
- a foreign professor working for a Québec university, where the university has obtained a certificate with respect to the professor from the Ministère de l'Éducation du Québec.

The pertinent changes have also been incorporated into the mathematical formulas in Chapter 10 (page 56). Employers were notified of these new rules in information sheets PZ-812-V, *Message to Employers* (dated "2000-11"), and PZ-827-V, *2001-2002 Budget Special* (dated "2001-07").

Summary of Source Deductions and Employer Contributions (form RLZ-1.S-V)

The section of Chapter 1 entitled "Employers that cease to operate a business" (page 12, section F) incorporates new instructions with respect to form RLZ-1.S-V.

Employers who make remittances weekly

If you are required to make weekly remittances but you pay employees every two weeks or twice a month, you may request that the Ministère du Revenu send you remittance forms (TPZ-1015.R.14.3-V) only for the periods in 2002 in which you pay remuneration. To make such a request, complete form TPZ-1015.R.14.3D-V, *Application to Make Remittances of Source Deductions and Employer Contributions Based on Pay Periods*.

The Ministère du Revenu will send (by early December 2001) a copy of this application to all employers required to make remittances of source deductions and employer contributions for 2002 on a weekly basis.

Further information is contained in Chapter 1, under "Application to make remittances based on pay periods" (page 10).

1 Obligations of employers or payers

A. Responsibilities of employers

As an employer, you have the following obligations with respect to the Ministère du Revenu:

- You must withhold Québec income tax and Québec Pension Plan (QPP) contributions from the salaries or wages you pay your employees and from the other benefits you grant them.
- You must remit to the Ministère the amounts withheld, and you must also remit employer contributions (to the QPP, to the financing of the Commission des normes du travail, to the health services fund and to the Fonds national de formation de la main-d'œuvre) and, if applicable, compensation tax.
- You must report on an RL-1 slip each employee's employment income and other income for the year, as well as the amounts withheld at source, and file the slips by the prescribed deadline (in most cases, the last day of February of the following year).
- You must file the *Summary of Source Deductions and Employer Contributions* (form RLZ-1.S-V) for the year by the prescribed deadline (in most cases, the last day of February of the following year), if
 - you made source deductions of Québec income tax or QPP contributions;
 - you were required to pay compensation tax, or employer contributions to the QPP or the health services fund;
 - you were required to pay a contribution to the financing of the CNT;
 - you were required to report to the Ministère the minimum amount of your participation in the development of worker training and the total amount of your eligible training expenditures;
 - you were required to pay the contribution to the Fonds national de formation de la main-d'œuvre.

If you made no remittances in 2001 because you had no employees, and your employer account remained active for 2001, you must file the *Summary of Source Deductions and Employer Contributions* (form RLZ-1.S-V) by February 28, 2002. If, as well, you expect to have no employees in 2002, **you must notify the Ministère so that your account can be closed.**

If you do not prepare and file your own RL-1, RL-2 or RL-25 slips, make sure the person or firm that files the slips also files the *Summary of Source Deductions and Employer Contributions* and, if applicable, the RL-2 summary and the RL-25 summary. If the person or firm does not file the summaries, you must do so yourself, as this remains your responsibility.

IMPORTANT: Every amount you deduct, withhold or collect as an employer or payer pursuant to a fiscal law is deemed to be held in trust for the government. Accordingly, you must keep such amounts separate from your own funds, and pay them to the government in the prescribed manner and within the prescribed time limits. Such amounts are deemed to constitute a separate fund that does not form part of your property.

AMR 20

B. Joint and several liability

If a **corporation** fails to withhold or remit the amounts prescribed under the Taxation Act or the Act respecting the Québec Pension Plan, or fails to remit the amounts payable under the Act respecting the Québec Pension Plan, the Act respecting the Régie de l'assurance maladie du Québec, the Act respecting labour standards or the Act to foster the development of manpower training, **the corporation and its directors in office at the time the amounts should have been withheld or remitted** are jointly and severally liable for the payment of the amounts, including applicable penalties and interest.

A director of a corporation is not liable where

- he or she acted with reasonable care, dispatch and skill under the circumstances;
- he or she could not, under the circumstances, have been aware of the omission;
- two years have elapsed since the date on which he or she last ceased to be a director of the corporation.

Joint and several liability extends to any person who has influence over the property or affairs of another person and who authorizes the payment of amounts subject to source deductions, or who causes such payments to be made. A person who has such influence is jointly and severally liable, with the other person, for any amount payable in respect of source deductions under the Taxation Act and the Act respecting the Québec Pension Plan.

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

1015, 1015R8, AMR 23, 24.0.1 to 24.0.3, 86.1, Bulletin LMR. 24.0.1-1/R2

C. Remittance of source deductions, employer contributions and compensation tax

If the aggregate of your source deductions and employer contributions is \$1,200 or under for a particular calendar year or for the preceding calendar year, the Minister of Revenue may authorize you to remit source deductions and contributions once a year. In that case, remittances must be made on or before the 15th day of the month following the last month of the year in which remuneration is paid (generally the month of December). The authorization remains valid unless you receive a notice (form LMU-5-V) from the Ministère du Revenu advising you of a change in the frequency of your remittances.

1015

In all other cases, the frequency for remitting source deductions and employer contributions is prescribed by the Regulation respecting the Taxation Act and is based on the **average monthly remittance** of income tax and certain contributions during the second year preceding the calendar year. However, you may elect to change your remittance period provided you meet the conditions set out in the sections "Changing the frequency of your remittances" on pages 9 and 10. (Refer to the table on page 9.)

1015, 1015R14 to 1015R7, 1159.10, ARAMQ 34.0.0.0.1, AQPP 63

Table 1

Average monthly remittance in 2000	Average monthly remittance in 2001	Frequency of remittances	Other frequency possible (with election)	Forms to be used
Nil or under \$15,000	_____	Monthly	None	TPZ-1015.R.14.1-V
At least \$15,000 but under \$50,000	Under \$15,000	Twice-monthly	Monthly	TPZ-1015.R.14.2-V (TPZ-1015.R.14.1-V if you made an election)
	\$15,000 or over	Twice-monthly	None	TPZ-1015.R.14.2-V
\$50,000 or over	Under \$15,000	Weekly ¹	Monthly	TPZ-1015.R.14.3-V (TPZ-1015.R.14.1-V if you made an election)
	At least \$15,000 but under \$50,000	Weekly ¹	Twice-monthly	TPZ-1015.R.14.3-V (TPZ-1015.R.14.2-V if you made an election)
	\$50,000 or over	Weekly ¹	None	TPZ-1015.R.14.3-V

1. If you make remittances weekly but pay employees every two weeks or twice a month, you may request that the Ministère send you remittance form TPZ-1015.R.14.3-V only for periods in which you pay remuneration. This means that you will not have to file a remittance form for periods in which you do not pay remuneration. To find out how to make such a request, see “Application to make remittances based on pay periods,” on page 10.

The **average monthly remittance** for a year is determined by dividing the aggregate of amounts payable as income tax, QPP contributions and the contribution to the health services fund by the number of months in the year (maximum 12) for which the amounts were remitted. If the employer is a corporation, the average monthly remittance is equal to the sum of its average monthly remittance and that of every associated corporation.

1015R14.4

If you received remittance form TPZ-1015.R.14.1-V, TPZ-1015.R.14.2-V or TPZ-1015.R.14.3-V (depending on whether you make remittances on an annual, monthly, twice-monthly or weekly basis), you must file it even if no source deductions were made and no employer contributions were remitted for the period in question. In such a case, enter “0” in the “Amount payable” box. For information concerning the penalties that may be imposed, see page 15, section M.

1086R18.1

Please note that the date of payment is considered to be the date on which the remittance is received by the Ministère du Revenu or a financial institution (not the date of the postmark).

You made no remittances in 2000 or your average monthly remittance was under \$15,000

If you made no remittances in 2000 or if your **average monthly remittance** for that year was under \$15,000, your source deductions, QPP contributions and contribution to the health services fund for each month must be remitted by the 15th day of the following month. If you are a specified financial institution other than a corporation, compensation tax must also be remitted by that date.

A duly completed TPZ-1015.R.14.1-V form must be submitted along with the remittance. If you do not have a copy of the form on hand, enclose a detailed statement of your remittance as well as a letter clearly indicating your name, identification number, Québec enterprise number (NEQ) and complete address.

To reduce mailing costs, the Ministère sends out remittance forms once every three months. In January, for example, you will receive remittance forms for January, February and March, which you must file on your usual payment dates.

1015R14.1, 1015R17, 1086R18.1

Your average monthly remittance in 2000 was at least \$15,000 but under \$50,000

If your **average monthly remittance** in 2000 was at least \$15,000 but under \$50,000, your source deductions, QPP contributions and contribution to the health services fund must be remitted by the following dates:

- for remuneration paid before the 16th day of the month, by the 25th day of the same month;
- for remuneration paid after the 15th day of the month but before the first day of the following month, by the 10th day of the following month.

If you are a specified financial institution other than a corporation, compensation tax must also be remitted by these dates.

Remittances must be made at a financial institution or submitted to the Ministère du Revenu, together with form TPZ-1015.R.14.2-V. Two copies of the form, along with a statement of amounts remitted to date, will be sent to you each month.

1015R14.2, 1015R17, 1086R18.1

Changing the frequency of your remittances

If your **average monthly remittance** in 2001 was under \$15,000, you may elect to remit your source deductions, QPP contributions and contribution to the health services fund for each month by the 15th day of the following month. Specified financial institutions other than corporations may also elect to remit compensation tax by that date. If you decide to make such an election, **you must notify the Ministère by writing to one of the offices listed at the end of the guide. However, you must not make the change**

unless you have received form LMU-5-V, *Notice of Change in Filing Frequency of Returns*, authorizing you to do so.

1015R14.3.1

Your average monthly remittance in 2000 was \$50,000 or over

If your average monthly remittance in 2000 was \$50,000 or over, your source deductions, QPP contributions and contribution to the health services fund must be remitted by the third day (excluding Saturdays, Sundays and statutory holidays) after the end of the following periods during which remuneration was paid:

- from the 1st through the 7th day of the month;
- from the 8th through the 14th day of the month;
- from the 15th through the 21st day of the month;
- from the 22nd through the last day of the month.

If you are a specified financial institution other than a corporation, compensation tax for these periods must also be remitted within the above-mentioned three-day time limit.

A duly completed TPZ-1015.R.14.3-V form must be enclosed with the remittance. Four copies of the form, along with a statement of amounts remitted to date, will be sent to you each month.

Example

Your employees, who are paid every two weeks, receive a pay cheque on January 4, January 18, February 1 and February 15, 2002. In this case, you are required to make remittances and file form TPZ-1015.R.14.3-V no later than January 10, January 24, February 12 and February 26, 2002. You must also file a copy of the form, without remittances, on January 17, February 5, February 19 and March 5, 2002.

1015R14.3, 1015R17, 1086R18.1

Changing the frequency of your remittances

If your average monthly remittance in 2001 was under \$15,000, you may elect to remit your source deductions, QPP contributions, contribution to the health services fund and (if you are a specified financial institution other than a corporation) compensation tax for each month by the 15th day of the following month.

If your average monthly remittance in 2001 was at least \$15,000 but under \$50,000, you may elect to remit your source deductions, QPP contributions, contribution to the health services fund and (if you are a specified financial institution other than a corporation) compensation tax by the following dates:

- for remuneration paid before the 16th day of the month, by the 25th day of the same month;
- for remuneration paid after the 15th day of the month but before the first day of the following month, by the 10th day of the following month.

If you decide to make such an election, you must notify the Ministère by writing to one of the offices listed at the end of the guide; however, you must not make the change unless you have received form LMU-5-V, *Notice of Change in Filing Frequency of Returns*, authorizing you to do so.

1015R14.3.1

Application to make remittances based on pay periods

If you are required to make remittances weekly and

- your employees are paid every two weeks or twice a month,
- you are not making an election to change the frequency of your remittances (see “Changing the frequency of your remittances” on this page),

you may request that the Ministère send you TPZ-1015.R.14.3-V remittance forms only for periods in which you pay remuneration. This means that, for periods in which no remuneration is paid and, consequently, no source deductions, employer contributions or payments of compensation tax have to be remitted, you will no longer have to file a remittance form with “0” in the “Amount payable” box.

The Ministère du Revenu will send you (by early December 2001) form TPZ-1015.R.14.3D-V, *Application to Make Remittances of Source Deductions and Employer Contributions Based on Pay Periods*. If you wish to make such an application, enter your payroll dates on the form and return the detachable portion of the form to the Ministère.

Please note, however, that filing this application does not change your remittance frequency; you remain an employer required to make remittances on a weekly basis. This means that if you pay remuneration during a period for which you did not receive a TPZ-1015.R.14.3-V form, you must obtain a copy of the form and make the required remittances by the third day (excluding Saturdays, Sundays and statutory holidays) after the last day of the pay period. Remittances include source deductions, employer contributions and, if you are a specified financial institution other than a corporation, compensation tax.

1015R17

Form TPZ-1015.R.14.3D-V, *Application to Make Remittances of Source Deductions and Employer Contributions Based on Pay Periods*, may be filed at any time. You may obtain a copy of the form on the Web site of the Ministère, at www.revenu.gouv.qc.ca.

At the end of 2002, the Ministère will send you form LMU-5.3-V, which will indicate your payroll dates for 2003, based on the dates for 2002 that you provided on your *Application to Make Remittances of Source Deductions and Employer Contributions Based on Pay Periods*. If the payroll dates determined by the Ministère for 2003 are not accurate, you must return a corrected copy of form LMU-5.3-V to one of the addresses listed at the end of this guide.

Balance payable for 2002

You must pay the full amount of your source deductions and employer contributions (and compensation tax, if you are a specified financial institution other than a corporation) for a given period by the prescribed date, according to your filing frequency.

However, if you have a balance owing for 2002, you must pay it within the time limits specified in the following paragraphs. Please note that you are not required to pay a balance of under \$2.

AMR 12.0.1

Source deductions, QPP contributions and compensation tax

You must remit the balance payable with respect to source deductions, QPP contributions and (if you are a specified financial institution other than a corporation) compensation tax **when you make your final remittance for the month of December**, not when you file form RLZ-1.S-V, *Summary of Source Deductions and Employer Contributions* (for which the filing deadline is normally February 28, 2003). If you wait until you file form RLZ-1.S-V before paying the balance, you will be charged interest and you may have to pay a penalty.

AMR 28, 59, 59.2, AMR (r.1) 28R1, 28R2, 28R3

Contribution to the health service fund

The balance payable with respect to your contribution to the health services fund must be **paid when you make your last remittance for the month of December, except for the portion of the balance that results from the difference between the estimated contribution rate and the actual contribution rate.**

The amount of your periodic remittances of the contribution to the health services fund for 2002 is based on an estimated contribution rate, **which you must determine according to the rules given on pages 36 and 37.** If the estimated rate determined according to these rules turns out to be lower than your actual contribution rate, which is determined at the time of filing the *Summary of Source Deductions and Employer Contributions* (form RLZ-1.S-V), you will have a balance owing. The balance resulting from the difference between these rates must be remitted **by the filing deadline for 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 portion of the balance resulting from the difference between the actual contribution rate and the rate **that you used** must be paid when you make your last remittance for the month of December;
- 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 by the deadline for filing form RLZ-1.S-V, rather than when you make your last remittance for the month of December.

AMR 28, 59, 59.2, ARAMQ 34.0.0.0.2, 34.0.0.0.3

D. Employers making their first remittance

If you are remitting source deductions and employer contributions (and compensation tax, if you are a specified financial institution other than a corporation) for the first time, submit a cheque or money order made payable to the Minister of Revenue of Québec, along with a letter indicating

- your name and address,
- the pay period for which you are making the remittance, and
- the aggregate of the source deductions, employer contributions and, if applicable, compensation tax.

If you already have an identification number, send your letter to the office of the Ministère du Revenu in your area (see the list of addresses at the end of the guide). Be sure to mention your identification number in your letter. If you do not have an identification number, send your letter to customer services (Service à la clientèle) at the office of the Ministère du Revenu in your area. An account will be opened in your name and you will receive a TPZ-1015.R.14.1-V form for your next remittance.

AMR 58.1, 58.1.1

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 Inspector General of Financial Institutions, pursuant to the Act respecting the legal publicity of sole proprietorships, partnerships and legal persons.

In their communications with the Ministère du Revenu, businesses may use their NEQ or any other identification numbers currently in use at the Ministère. The NEQ is now indicated by the Ministère 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 the Ministère du Revenu or the Ministère de la Justice. However, legal persons must register with the Inspector General of Financial Institutions, which is authorized to register all legal forms of business enterprise.

A “sole proprietorship” is constituted by an individual who operates a business and is its sole owner.

E. Employers that cease to make remittances but still operate a business

Filing your remittance form

If you continue to operate your business but stop making remittances permanently because you no longer have employees, you are required to file the appropriate remittance form (TPZ-1015.R.14.1-V, TPZ-1015.R.14.2-V or TPZ-1015.R.14.3-V, according to your filing frequency) by the 20th day of the month following the month in which you last made a remittance.

If you stop making remittances temporarily (as, for example, in the case of a seasonal business), you must file the appropriate remittance form within the time limit applicable to your filing frequency, as explained in section C, “Remittance of source deductions, employer contributions and compensation tax,” on page 8.

Whether you stop making remittances temporarily or permanently, you are required to notify the office of the Ministère du Revenu to which your remittances are normally sent. To do so, complete the detachable flap of the return envelope (ENV-111-V) and indicate the reason for which you have ceased to make remittances. Submit the flap and your remittance form within the applicable time limit (as specified in the above paragraphs).

In the case of a temporary cessation, also indicate on the detachable flap of the return envelope the period for which you will not be making remittances. If you continue to receive remittance forms from the Ministère, continue to file a form for each period, specifying on the form the date on which you expect to resume making source deductions.

1015, 1015R16, 1086R18.1, 1159.10, ARAMQ 34.0.0.0.1, AQPP 63

Filing the *Summary of Source Deductions and Employer Contributions* (form RLZ-1.S-V)

Employers that temporarily cease to make remittances

If you temporarily cease to make remittances in 2002, you must file your RL-1 slips and the *Summary of Source Deductions and Employer Contributions* (form RLZ-1.S-V) by February 28, 2003.

1086R13

Employers that permanently cease to make remittances

If you continue to operate your business, but permanently cease to make remittances because you no longer have employees, you are required to file your temporary RL-1 slips and the *Summary of Source Deductions and Employer Contributions* (form RLZ-1.S-V) by the 20th day of the month following the month in which you last made a remittance. Copies 2 and 3 of the RL-1 slips must be remitted to your former employees by the same deadline. Contact the Ministère to obtain temporary RL-1 slips and a copy of form RLZ-1.S-V.

The contribution to the financing of the Commission des normes du travail (CNT) and, if applicable, the contribution to the Fonds national de formation de la main-d'œuvre must be received by the Ministère or a financial institution by the date on which you are required to file the RLZ-1.S-V form. If you are subject to the Act to foster the development of manpower training, you must also provide data on form RLZ-1.S-V regarding your participation in the development of worker training.

If the contribution rate that you use on this RLZ-1.S-V form to calculate your 2002 contribution to the health services fund is different from your actual contribution rate for the year, you must file another RLZ-1.S-V form by February 28, 2003. On the second form (and its remittance slip), **complete only the lines that concern the contribution to the health services fund.** Write the word “Amended” at the top of page 1 of the form.

1086R18, 1159.9, ADMT 14 to 16, ALS 39.0.3, 39.0.4, ARAMQ 33 (“total payroll”), 34.0.0.0.1, ARAMQ (r. 1) 3, AQPP (r. 2) 11

F. Employers that cease to operate a business

Filing your remittance form

If you cease to operate your business, you must complete the detachable flap of the return envelope (ENV-111-V) enclosed with your remittance form. You must indicate the reason for ceasing to operate your business and the date on which your business activities will end. **The remittance form must be returned to the Ministère within seven days after the cessation of business activities**, together with any outstanding source deductions, employer contributions and (if you are a specified financial institution other than a corporation) compensation tax.

1015R15, 1159.10, ARAMQ 34.0.0.0.1, AQPP 63

Filing the *Summary of Source Deductions and Employer Contributions* (form RLZ-1.S-V)

You must file the *Summary of Source Deductions and Employer Contributions* (form RLZ-1.S-V) within 30 days after the cessation of business activities. Copies 2 and 3 of the slips must be remitted to your former employees within the same 30-day period.

The contribution to the financing of the Commission des normes du travail (CNT) and, if applicable, the contribution to the Fonds national de formation de la main-d'œuvre must also be remitted to the Ministère within 30 days after the cessation of business activities, together with form RLZ-1.S-V. Employers that are subject to the Act to foster the development of manpower training must also provide, on form RLZ-1.S-V, data regarding their participation in the development of worker training.

In order to calculate your contribution to the health services fund, you must determine your total payroll based only on wages paid (or deemed paid) to your employees from January 1, 2002, to the date on which your business closes. The total payroll, which is entered on line 90 of the remittance slip, must not include the wages paid (or deemed paid) by employers associated with you on the business's closing date.

If you are again operating a business on December 31, 2002, you must recalculate your total payroll and take into account the wages paid (or deemed paid) by employers with which you were associated on December 31, 2002. As a result, your contribution rate respecting the health services fund may be different from the rate you used when completing the RLZ-1.S-V form you filed after your business closed. If the rate is different, you must file another RLZ-1.S-V form by February 28, 2003. Write the word “Amended” at the top of page 1 of this form. On the form and the remittance slip, **complete only the lines that concern the contribution to the health services fund.** If the contribution rate is not different, you are not required to file a second RLZ-1.S-V form with respect to the business that closed.

To obtain temporary RL-1 slips and a copy of form RLZ-1.S-V, contact one of the offices of the Ministère listed at the end of this guide.

1086R14, ADMT 14 to 16, ALS 39.0.3, 39.0.4, ARAMQ 33 (“total payroll”), 34.0.0.0.1, ARAMQ (r. 1) 3, AQPP (r. 2) 11

G. Employees who leave their employment

When an employee leaves his or her employment before the end of the year, you may prepare the RL-1 slip at that time and transmit copies 2 and 3 to the former employee. If the RL-1 slip for the current year is not yet available, use a slip for the previous year: simply cross out the year printed on the slip and indicate the current year. Copy 1 of the slip must be sent to the Ministère along with the *Summary of Source Deductions and Employer Contributions* (form RLZ-1.S-V), which must generally be filed by the last day of February of the following year.

H. Source Deductions Return (form TP-1015.3-V)

Individuals must provide their employer or payer with a duly completed TP-1015.3-V form

- upon commencing their employment duties;
- within seven days after any event that changes their deduction code or the amounts of the other credits or deductions that are indicated on the form and taken into account in determining the remuneration subject to source deductions of income tax;
- if they request that their employer or payer not withhold income tax from their employment income (see “Exemption from source deductions” on the following page).

Where an individual does not complete a TP-1015.3-V form, the income tax withholding will take into account only the basic amount (\$8,685) indicated on line 1 of the form. In this case, the employer or payer must enter “A” as the deduction code.

1015.3

Annual indexation of the amounts on form TP-1015.3-V

As of January 1, 2002, the personal income tax system will be automatically indexed. The indexation will apply to the following amounts on the *Source Deductions Return* (form TP-1015.3-V):

- the basic amount;
- the amount for a person living alone;
- the amount respecting a spouse;
- the amount respecting dependent children (including the amount for a single-parent family and the amount for a child engaged in full-time post-secondary studies);

- the amount respecting other dependants (including the amount respecting a dependant with an infirmity);
- the reduction threshold used to determine net family income for the purposes of the tax reduction for families and for the purposes of the amount with respect to age, for a person living alone or for retirement income;
- the family income brackets used to determine the rate of the tax credit for child-care expenses.

Please note that an individual who has already completed form TP-1015.3-V will not have to complete a new form simply because of the indexation, since the indexation will not affect his or her deduction code. However, you will have to adjust the amount respecting child-care expenses if, further to the indexation of the family income brackets in the table of rates used to calculate the refundable tax credit for child-care expenses, the adjustment factor for the tax credit is different from that indicated on the individual's most recent TP-1015.3-V form.

1015.3, 1015R2.3

You are required to keep the duly completed TP-1015.3-V forms for audit purposes.

Deduction code "0"

The deduction code "0" may be used for individuals who work for more than one employer and have already asked another employer to take into account the basic amount of \$8,685. It may also be used for individuals who are not resident in Canada, if they are expected to spend fewer than 183 days of the year in Québec and to include less than 90% of their income from all sources in the calculation of their taxable income earned in Canada.

Exemption from source deductions (deduction code "X")

Where an employee has entered the letter "X" on line 20 of form TP-1015.3-V (version marked "2002-01") because his or her total employment income in 2002 will be less than the sum of the amounts entered on lines 7 and 19 (these amounts represent the personal tax credits and deductions to which the individual is entitled), do not withhold Québec income tax for 2002.

1015R12

Persons not resident in Canada who hold an office or employment in Québec

Special rules apply to the calculation of personal tax credits for persons not resident in Canada who are employed in Québec. For further information, see page 55, section Q.

1015.3, 1015R12

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

Individuals may choose to have additional income tax withheld from their remuneration. To do so, they must submit to their employer or payer one of the following forms: *Request to Have Additional Income Tax Withheld at Source* (TP-1017-V), or *Source Deductions Return* (TP-1015.3-V). Additional withholdings requested on form TP-1017-V or on form TP-1015.3-V are applied to each pay period. A self-employed fisher may request a source deduction of income tax on

form TP-1015.N-V, *Election by Fishers to Have Income Tax Deducted at Source*. The withholding must represent 16% of the remuneration paid as proceeds from the disposition of the catch.

Once requested, additional withholdings remain in effect until a new TP-1015.3-V, TP-1017-V or TP-1015.N-V form is submitted.

The employer (or payer) is required to make any additional income tax withholdings requested by an individual, provided the request is made before the amount subject to withholdings is paid and the employer or payer has a reasonable length of time in which to comply. The duly completed forms must be kept by the employer (or payer) for audit purposes.

1015R13.2, 1015R13.3, 1017, 1017R1

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

The Minister of Revenue may authorize you to reduce an employee's source deductions of income tax on the basis of the deductions that the employee is entitled to claim in the calculation of his or her net or taxable income. The deductions may be with regard to, among other things,

- contributions to the RRSP of the employee or the employee's spouse, unless, under an agreement entered into with the employee, you are required to deduct RRSP contributions at source and remit them directly to the issuer of the plan (in this case the Minister's authorization is not necessary and you **must** subtract the contributions from the employee's gross remuneration in order to determine his or her remuneration subject to source deductions of income tax);
- employment income earned outside Canada by an employee who worked for a specified employer (see page 48, section I);
- losses related to a business;
- interest payable on loans taken out to earn investment income;
- judicial expenses and expenses respecting an objection;
- business investment losses;
- resource expenses;
- the reimbursement of a loan made to a shareholder;
- an amount that is tax-exempt pursuant to a tax treaty or agreement.

The Minister may also authorize a reduction in source deductions of income tax on the basis of the non-refundable tax credits the employee is entitled to claim. Such credits include

- the tax credit for charitable donations, gifts to a government and other gifts;
- the tax credit for medical expenses;
- the tax credit for tuition and examination fees;
- the amount for a member of a religious order who has taken a vow of perpetual poverty;
- 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**, under an agreement entered into with the employee, you withhold an amount from the employee's remuneration for the purchase of shares in such a fund.

In the first instance (deductions the employee is entitled to claim) the reduction is based on a decrease in the amount of remuneration subject to source deductions; in the second instance (non-refundable tax credits the employee is entitled to claim) it is based on a decrease in the amount

of income tax payable. (In neither case is the reduction based on an increase in the amounts provided for on form TP-1015.3-V.) Once authorized, the reduction must be distributed evenly over the pay periods remaining in the year (see examples 1 and 2 below). Moreover, the reduction is valid only for the year in which the application is made.

An employee who wishes to apply for such a reduction must submit a duly completed copy of form TP-1016-V to the Ministère. He or she will then receive a letter of authorization from the Ministère, specifying the amount on which the reduction of income tax withholdings is to be based. The letter must be passed on to the employer.

1016

Example 1

Employee's gross remuneration for the pay period		\$1,000
Minus: Contribution to an RPP	—	\$60
Remuneration subject to source deductions of income tax	=	\$940
Authorized exemption with respect to the deduction for RRSP contributions		\$3,000
Number of pay periods remaining in the year	÷	30
Exemption per pay period	=	\$100
Remuneration subject to source deductions of income tax (before exemption)		\$940
Minus: Exemption	—	\$100
Remuneration subject to source deductions of income tax	=	\$840

Example 2

Authorized exemption with respect to the non-refundable tax credit for charitable donations		\$1,150
Number of pay periods remaining in the year	÷	40
Exemption per pay period	=	\$28.75
Québec income tax withholding for the pay period (before exemption)		\$165.00
Minus: Exemption	—	\$28.75
Québec income tax withholding for the pay period	=	\$136.25

K. RL-1, RL-2 and RL-25 slips

On or before February 28, 2003, employers must file, as applicable, the following documents for 2002: RL-1 slips and the *Summary of Source Deductions and Employer Contributions* (form RLZ-1.S-V); RL-2 slips and the RL-2 summary; RL-25 slips and the RL-25 summary.

Certain information on the employee's RL-1 slip is kept for the employee's lifetime and used to calculate various pensions from the Régie des rentes du Québec to which the employee or members of his or her family may eventually be entitled. It is therefore essential to enter the employee's social insurance number correctly, along with his or her legal last name, first name, and last known address, and to complete the RL-1 slip according to the instructions in the *Guide to Filing the RL-1 Slip* (RL-1.G-V).

IMPORTANT: If you do not prepare and file your own RL-1, RL-2 or RL-25 slips, make sure the person or firm that files the slips also files the *Summary of Source Deductions and Employer Contributions* and, if applicable, the RL-2 summary and the RL-25 summary. If the person or firm does not file the summaries, you must do so yourself, as this remains your responsibility.

AMR 58.1, 58.1.1, 1086R1, 1086R13

L. Registers and supporting documents

At your establishment or residence in Québec, or at another location designated by the Minister of Revenue, 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 the Ministère du Revenu within a reasonable length of time.

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 must 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. The person who keeps 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 end of the last taxation year to which they apply. If you are a specified financial institution other than a corporation, and you file the *Summary of Source Deductions and Employer Contributions* (form RLZ-1.S-V) late, you must keep the registers and supporting documents related to the year in question for six years after the date on which the form was filed.

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 send a written and signed request to one of the offices of the Ministère listed at the end of the guide. 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.

AMR 34 to 35.6

M. Sanctions

Heavy 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 the Régie de l'assurance maladie du Québec, the Act respecting the Ministère du Revenu, the Act respecting labour standards, the Act to foster the development of manpower training, 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 prescribed forms respecting source deductions and employer contributions.

Accordingly, employers that fail to deduct or withhold an amount pursuant to a fiscal law are subject to a penalty. Employers that fail to pay or remit, within the prescribed time, an amount that they were required to deduct, withhold or collect are also subject to a penalty, the rate of which varies according to the number of days they are late in fulfilling the obligation.

A penalty may likewise be imposed if an employer fails to file a remittance form (TPZ-1015.R.14.1-V, TPZ-1015.R.14.2-V or TPZ-1015.R.14.3-V) within the time prescribed under the Regulation respecting the Taxation Act. This is also the case if the *Summary of Source Deductions and Employer Contributions* (form RLZ-1.S-V) or the RL-1, RL-2 or RL-25 slips that accompany it are filed late. For further information, see the *Guide to Filing the RL-1 Slip* (RL-1.G-V).

Under a measure that took effect on January 1, 2000, these penalties and fines do not apply to individuals 70 and older who are claiming the tax credit respecting home-support services for seniors, and who pay for such services by means of the “service employment cheque” of the Services de paie Desjardins.

AMR 59, 59.2

Payment made to a person not resident in Canada

If you fail to withhold the income tax required under section 1015 of the Taxation Act on a payment made to a person who performed services in Québec but is not resident in Canada, you become liable for the amount that should have been withheld, as well as a penalty.

However, you may recover the amount of the income tax source deduction from the person who received the payment, either by filing suit before a court of competent jurisdiction or by withholding an equivalent amount from any other sum that you pay or credit to the person.

AMR 23, 59.2

2 Income subject to source deductions of income tax

A. General information

If you are an employer or payer and you make a payment described in section B below, you are required to withhold income tax. You may use the **source deduction tables for Québec income tax contained in publication TP-1015.TI-V** (the tables currently applicable are referred to as “Table 37”), or you may use one of the calculation methods described in Chapter 3 (pages 20 to 26).

An electronic version of Table 37 is included in the “WINRAS” computer program of the Ministère du Revenu; this program may be used to calculate source deductions and employer contributions for each pay period. The Internet address is as follows:

www.revenu.gouv.qc.ca/eng/retenues/reteneue/winras.asp

Employers and payers must also withhold any additional amounts requested by an individual on form TP-1017-V or on form TP-1015.3-V, provided the individual makes the request before the amount subject to income tax withholdings is paid and the employer (or payer) has a reasonable length of time in which to comply.

It is not necessary to withhold income tax from salary, wages or commissions paid to employees who report for work at an establishment of the employer located outside Québec, or from salary, wages or commissions paid by an establishment of the employer located outside Québec to employees who are not required to report for work at an establishment of the employer.

You are not required to withhold income tax from an amount **other than a salary, wages or commissions** paid to a recipient who is not resident in Québec at the time of the payment. However, in certain cases, you must withhold income tax when such an amount is paid to a recipient who is not resident in Canada (see sections R and S on page 55).

1015, 1015R4 to 1015R9, 1015R12, 1015.3, 1017, 1017R1, Bulletin IMP. 1015-1/R1, Bulletin IMP. 1015-4

B. Income subject to source deductions of income tax

You must withhold income tax, in accordance with the instructions in Chapter 3, from the following amounts:

- salary, wages, allowances, benefits, tips, commissions or similar amounts paid, allocated, granted or awarded to an employee or a former employee;
- the value of a taxable benefit granted to an employee or former employee, **except** the benefit resulting from the exercise of a security option where, because of an election made under the federal income tax system, the taxation of the benefit is deferred from the year in which the securities are acquired to the year in which they are disposed of;
- pension benefits, including annuity payments made under a pension plan;
- a single payment, as described on page 25;
- a benefit under the Unemployment Insurance Act (other than a payment relating to a course or program designed to facilitate the re-entry into the labour market of a claimant under the Act), or a benefit under Part I, VIII or VIII.I of the Employment Insurance Act;

- an amount (excluding any portion related to child-care expenses or tuition fees) paid as an income supplement under a government project designed to encourage individuals to obtain or keep employment, other than an amount paid under the “Supplément de retour au travail” measure (an “active measure” implemented by Emploi-Québec);
- an amount (excluding any portion related to child-care expenses or tuition fees) paid as financial assistance under a program established by the Canada Employment Insurance Commission under Part II of the Employment Insurance Act;
- an amount (excluding any portion related to child-care expenses or tuition fees) paid as financial assistance under a program (other than a prescribed program) that is
 - established by a government or government agency in Canada or by an organization,
 - similar to a program established under Part II of the Employment Insurance Act, and
 - the subject of an agreement between the government, government agency or organization, as applicable, and the Canada Employment Insurance Commission;
- benefits paid under a supplementary unemployment benefit plan;
- labour adjustment benefits, or income assistance payments made to older workers under the Department of Labour Act (Statutes of Canada);
- amounts paid under the Plant Workers Adjustment Program or the Northern Cod Compensation and Adjustment Program;
- an amount indicated by a self-employed fisher on form TP-1015.N-V;
- amounts that may reasonably be regarded as having been received, in whole or in part, as a consideration for services to be performed in Québec under a contract, or as a consideration for undertaking not to enter into such a contract with a third party;
- a payment made under a deferred profit-sharing plan (DPSP) or a plan specified in the Income Tax Act (Statutes of Canada), minus any amount determined pursuant to sections 883, 884 and 886 of the Taxation Act;
- an amount paid under an employee benefit plan, other than a reimbursement of employee contributions;
- a death benefit from an employer;
- an amount from a reserve account for contingent losses;
- an amount paid, allocated, granted or awarded as a distribution out of or under a retirement compensation arrangement.

1015, 1015R1, 1015R11, 1015R13.2, 1015R13.3

Salaries and wages

Salaries and wages include out-of-Canada living allowances, directors’ fees, overtime pay, employment-related location incentives for physicians, wage loss insurance benefits, advances, premiums, amounts paid after an employee’s death (e.g., accumulated vacation pay), taxable benefits (described in section C on the next page) and similar amounts paid to an employee.

1

Tips

When you pay an employee his or her normal wages, you must withhold income tax using the tables in the publication *Source Deduction Tables for Québec Income Tax* (TP-1015.TI-V) or the computerized calculation

method described in Chapter 10. Be sure to include the following amounts:

- tips resulting from tippable sales and reported for the pay period by the employee on the statement provided in the booklet *Register and Statement of Tips* (TP-1019.4-V) or on an equivalent document;
- tips unrelated to tippable sales (e.g., those received by hotel valets, porters, doormen and cloakroom attendants) reported by the employee on the statement provided in booklet TP-1019.4-V or on an equivalent document;
- tips that, because they constitute service charges added to the customer's bill, are distributed to the employee and do not have to be reported on the statement provided in booklet TP-1019.4-V or on an equivalent document;
- tips that are 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 the Ministère du Revenu pursuant to a request for a reduction in the allocation rate).

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

42.8 to 42.15, 1019.4 to 1019.7

Commissions

Commissions paid to an **employee** constitute wages and must be included in the employee's remuneration (wages and similar payments). Employees who are paid on a commission basis and are expected to assume certain employment expenses may elect to have only a percentage of their commissions included in their remuneration subject to source deductions of income tax. To do so, they 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 prescribed time. 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 2002, the employee must submit form TP-1015.R.13.1-V to you by the latest of the following dates:

- January 31, 2002;
- 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 remuneration subject to source deductions of income tax.

For information on the calculation of income tax withholdings, see page 23, section F.

Note: If the employee's estimated commission income changes during the year, a new TP-1015.R.13.1-V form must be completed and submitted to you.

1015R1.1, 1015R3.1, 1015R13.1

C. Taxable benefits

When a taxable benefit is granted to an employee during a pay period, you must add the value of the benefit to the amount of the salary or wages subject to income tax withholdings.

However, you are not required to deduct income tax at source from the value of the benefit resulting from the exercise of a security option (listed common shares or units of a mutual fund trust) if the employee has made an election under the federal income tax system to defer taxation of the benefit from the year in which the securities are acquired to the year in which they are disposed of. It should be noted that income tax is not withheld from the value of the benefit in the year of acquisition of the securities or in the year of their disposition.

A number of the principal taxable benefits are described in the list below. For more detailed explanations, you may consult the brochure *Taxable Benefits* (IN-253-V). To obtain a copy, complete order form MAT-422-V or contact the Ministère. The brochure is also available on the Web site of the Ministère, at www.revenu.gouv.qc.ca.

1. Benefit respecting the stand-by charge and operating costs for an automobile that you (or a person related to you) make available to an employee (or to a person related to an employee).

Note: Since this benefit must be calculated over the course of the year, it is necessarily based on estimates. The calculation must be repeated at the end of the year, using the actual number of kilometres travelled.

2. Benefit respecting a parking space provided by the employer. As a rule, an employee is considered to receive a taxable benefit if he or she uses a parking space that is provided free of charge (or at a price below the fair market value) by the employer. Such a benefit must be included in the employee's income. The value of the benefit, which must include GST and QST, corresponds to the fair market value of the parking space **minus** any amount paid or reimbursed by the employee for the use of the space.
3. Benefit respecting the personal use of an automobile other than an automobile that you (or a person related to you) make available to an employee (or to a person related to an employee). The value of this benefit corresponds to the automobile operating costs, including taxes, paid on behalf of the employee, **minus** any amount reimbursed by the employee or a related person.
4. Benefit respecting the personal use of a motor vehicle other than an automobile (for example, a truck or a bus) that you make available to an employee. The value of this benefit is equal to its fair market value, that is, the amount the employee would have had to pay in an arm's-length transaction in order, for example, to lease a comparable vehicle or cover its operating costs.
5. Benefit respecting a non-reasonable allowance for the use of a motor vehicle. An allowance is considered not to be reasonable (and must therefore be included in the employee's income from an office or employment) in the following cases:
 - The employee not only receives an allowance respecting the use of the vehicle but is also reimbursed in whole or in part for expenses related to its use (except where the reimbursement is in respect of tolls, ferry charges or supplementary business insurance, and the amount of the allowance is determined without taking into account the reimbursement of these expenses).
 - The use of the vehicle, for the purposes of determining the allowance, is not evaluated solely on the basis of the number of kilometres actually travelled in order to carry out the duties of the office or employment.
 - The per-kilometre rate is not reasonable.

If the employer pays both a lump-sum allowance and an allowance based on the number of kilometres actually travelled in order to carry out the duties of the office or employment, both allowances must be included in the employee's income from the office or employment if they are paid for the same vehicle.

6. Benefit respecting meals and accommodation provided to an employee, or respecting allowances for meals and accommodation.
7. Benefit respecting any portion of the employee's professional membership dues which you reimburse or pay on his or her behalf.
8. Benefit respecting monetary or non-monetary gifts given to an employee in the course of or by reason of his or her employment. In the case of non-monetary gifts, GST and QST must be taken into account in determining the fair market value of the gift.
9. Benefit respecting tuition fees that you paid directly or reimbursed to the employee for courses on subjects of personal interest to the employee, or for courses allowing the employee to acquire technical skills unrelated to your business. If you paid the fees directly, the value of the benefit must include GST and QST.
10. Benefit respecting travel expenses paid or reimbursed with respect to an employee's spouse. The value of the benefit must include GST and QST. However, such expenses do not constitute a taxable benefit if the employee's spouse made a business trip at your request, mainly to assist in realizing the objectives of the trip.
11. Benefit respecting the contributions you paid with regard to a current, past or future employee under a private health services plan, other than a **multi-employer insurance plan** (see point 13 below), for coverage that the employee receives during the year by reason of an office or employment.

IMPORTANT: Since the value of the taxable benefit must be distributed over all of the pay periods, the amount representing the employee's coverage is necessarily based on estimates. Any reasonable estimation method may be used (for example, the estimates may be based on data for the previous calendar year or on a hypothetical premium). At the end of the year, however, the benefit must be recalculated on the basis of the actual data.

12. Benefit respecting the premiums (including the tax on insurance premiums) you paid with respect to an individual under certain insurance plans, for the coverage that the employee receives during the year by reason of an office or employment (**current, past or future**). Such insurance plans include all plans that provide insurance of persons, except
 - plans that provide coverage against full or partial loss of income from an office or employment (hereinafter called "wage loss insurance");
 - private health services plans (see point 11);
 - multi-employer insurance plans (see point 13).
13. Benefit corresponding to the contributions you paid to the administrator of a multi-employer insurance plan (including the tax on insurance premiums) under a plan providing insurance of persons (other than wage loss insurance), for coverage received by an employee respecting the work he or she carries out.

A multi-employer insurance plan is a plan providing insurance of persons that is applicable, pursuant to a law, related regulation, or government order, to an economic sector, an industry or an activity, or to a subdivision of such a sector, industry or activity. Such a plan must be offered jointly by employers in the same economic sector, industry or activity, and managed by the same administrator (as, for example, insurance plans applicable to employees in the construction sector).

IMPORTANT: Where the total contributions you must pay for the year with regard to an employee substantially exceed a reasonable estimate 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 making source deductions of income tax with respect to the amount that exceeds the reasonable estimate. However, you must continue to remit employer contributions, and to withhold and remit employee QPP contributions, with respect to the excess amount.

1015R3.5

14. Benefit respecting premiums paid by you (but normally payable by the employee) under a non-group insurance plan, such as
 - a health insurance plan or an accident insurance plan;
 - a disability insurance plan; or
 - a wage loss insurance plan.
15. Benefit respecting the contributions you made to an RRSP of which the employee or the employee's spouse is the annuitant, other than amounts withheld from the employee's remuneration.
16. Benefit respecting the payment or reimbursement of certain moving expenses and expenses related to a former or new residence, upon the relocation of an employee (or a related person).
17. Benefit respecting a security option. However, where the employee makes an election under the federal income tax system to defer taxation of the benefit from the year in which the securities are acquired to the year in which they are disposed of, the value of the benefit is not subject to source deductions of income tax either in the year in which the securities are acquired or in the year in which they are disposed of.
18. Benefit respecting loans granted to an employee or a related person interest-free or at an interest rate below the prescribed rate.
19. Benefit respecting the remission of a debt, whether involving a loan or another debt.

IMPORTANT: To determine the value of certain taxable benefits, you must take into account any tax payable at the time you (or a related person) purchased a property, including any tax that would have been payable had you not been exempt from GST or QST because of the nature of your business, or because of the intended use of the property or service.

D. Income not subject to source deductions of income tax

As a rule, income tax should not be withheld from the following amounts:

- scholarships, bursaries and fellowships awarded to persons other than employees, and prizes awarded for a remarkable achievement;
- research grants;
- patronage dividends paid to an individual;
- benefits granted to a shareholder of a corporation (other than an employee), to a partner, or to a related person;
- a benefit resulting from the exercise of an option to purchase securities (listed common shares or units of a mutual fund trust), where the employee made an election under the federal income tax system to defer taxation of the benefit from the year in which the securities were acquired to the year in which they were disposed of;
- pension benefits (single payments or periodic payments) paid to persons who are not resident in Québec;
- annuities paid under a registered retirement savings plan (RRSP) or a registered retirement income fund (RRIF). However, the portion of the amount paid under a RRIF that exceeds the minimum amount of the annuity is subject to source deductions of income tax;
- payments made under a profit-sharing plan, inasmuch as they are not included in the employee's income for the year in which he or she received them;
- single payments transferred to the trustee of a registered pension plan (RPP), an RRSP or a deferred profit-sharing plan (DPSP), where they are transferred directly to another plan and not paid to the employee;
- an amount withdrawn from an RRSP under the Home Buyers' Plan (HBP), provided the amount does not exceed \$20,000;
- an amount withdrawn from an RRSP under the Lifelong Learning Plan (LLP), in order to finance the cost of full-time training or education of an individual or the individual's spouse, provided the amount does not exceed \$10,000 per year and \$20,000 for the LLP participation periods;
- any employment income that is less than the amount of an employee's tax deductions and tax credits, where the employee entered an "X" on line 20 of form TP-1015.3-V (version marked "2002-01"), and any remuneration paid to an employee who is not resident in Canada and does not hold an office or employment in Canada (see page 25, section S);
- educational assistance payments made to or on behalf of the beneficiary of a registered education savings plan (RESP) for the purpose of paying the cost of his or her post-secondary studies. Such payments represent the distribution of the income accumulated in the RESP and the Canada Education Savings Grant;
- a refund of RESP premiums;
- a refund of contributions made by the employee to an employee benefit plan;
- accumulated income payments made to the subscriber under an RESP (to a maximum of \$50,000), or to the subscriber's spouse if the subscriber is deceased and
 - the payments are included in income for the year in which they were received,
 - the payments are transferred directly to an RRSP of which the annuitant is either the beneficiary of the payments or the beneficiary's spouse, and
 - the person who makes the payments has reasonable grounds to believe that the payments to the RRSP are deductible for the year by the beneficiary.

1015R1, 1015R12, 1015R12.1

The following table will help you determine whether various payments are subject to income tax withholdings, employee and employer contributions to the QPP, and employer contributions to the health services fund, the Fonds national de formation de la main-d'oeuvre and the financing of the Commission des normes du travail.

Table 2

Various payments subject to source deductions or contributions

	Income tax	QPP	Health services fund	CNT	Worker training ¹
Retiring allowance	Yes	No	No	No	No
Taxable benefits ²	Yes	Yes	Yes	Yes	Yes
Scholarships, bursaries, fellowships	No	No	No	No	No
Commissions	Yes	Yes	Yes	Yes	Yes
Bonuses and retroactive pay	Yes	Yes	Yes	Yes	Yes
Indemnity in lieu of notice ³	Yes	No	No	Yes	No
Vacation pay	Yes	Yes	Yes	Yes	Yes
Indemnities recognized by the CSST (income replacement indemnities)	No	No	No	No	No
Indemnities not recognized by the CSST	No	Yes	Yes	Yes	Yes
Directors' fees	Yes	Yes	Yes	No	Yes
Accumulated income payment under an RESP	Yes ⁴	No	No	No	No
Portion of the annuity from an RRIF that exceeds the minimum	Yes	No	No	No	No
Tips	Yes	Yes	Yes	Yes	Yes
Employment insurance benefits	Yes	No	No	No	No
Death benefit received from the employer	Yes	No	No	No	No
Death benefit received from the Régie des rentes du Québec	No	No	No	No	No
Retirement benefits	Yes	No	No	No	No
Annuities from an RRSP or a DPSP	No	No	No	No	No
Patronage dividends	No	No	No	No	No
Salary or wages paid to an Indian or a person of Indian ancestry if the income is "situated" on a reserve or premises	No	No	Yes ⁵	Yes	Yes
Amounts withdrawn by a market maker from a reserve account for contingent losses	Yes	No	No	No	No
Amounts paid under a retirement compensation arrangement	Yes	No	No	No	No
Amounts paid by the custodian of an employee benefit plan	Yes	No	No	No	No
Research grants	No	No	No	No	No
Income supplements ⁶	Yes	No	No	No	No
Salaries and wages	Yes	Yes	Yes	Yes	Yes

(table continued on next page)

Table 2 (cont.)

1. The contribution to the Fonds national de formation de la main-d'oeuvre.
2. Where the employee made an election under the federal income tax system to defer taxation of the benefit resulting from the exercise of a security option from the year in which the securities are acquired until the year in which they are disposed of, source deductions of income tax should not be made with respect to the value of the benefit for the year of acquisition of the securities or for the year of disposition. However, for the year of acquisition, the value of the benefit is subject to QPP contributions and to the contribution to the health services fund, the contribution to the Fonds national de formation de la main-d'oeuvre and the contribution to the financing of the CNT.
3. An amount paid to terminate or cancel an employment contract at or after the time employment ceases.
4. Unless the accumulated income payment does not exceed \$50,000 and the conditions described in section D of Chapter 2 (page 19) are met.
5. Unless the employer is an Indian, an Indian band or a band council.
6. An amount (excluding any portion related to child-care expenses or tuition fees) paid as an income supplement under a government project designed to encourage individuals to obtain or keep employment, other than an amount paid under the "Supplément de retour au travail" measure (an "active measure" implemented by Emploi-Québec).

3 Source deductions of Québec income tax

This chapter explains how to calculate source deductions of Québec income tax. The amount of income tax to withhold depends on the nature of the payment. Single payments are subject to income tax source deductions of 16% or 20%, depending on the amount of the payment. Amounts paid as income supplements under a government work incentive program are subject to an income tax source deduction of 16%. The source deduction to be made with respect to any other remuneration subject to income tax withholdings is generally determined

- according to the source deduction tables for Québec income tax (Table 37, effective January 1, 2002), or according to the method described in section D on page 22 if the amount of remuneration on which source deductions are to be made is not contained in the source deduction tables;
- according to the mathematical formulas reproduced in Chapter 10.

The source deduction tables for Québec income tax (Table 37) are contained in publication TP-1015.TI-V.

An electronic version of the income tax source deduction tables is included in the "WINRAS" computer program of the Ministère du Revenu. The Internet address is as follows:

www.revenu.gouv.qc.ca/eng/retenues/retendue/winras.asp

The table at the end of Chapter 2 will help you to determine whether certain payments are subject to source deductions of income tax.

You must make remittances of source deductions of income tax on a monthly, twice-monthly or weekly basis (as applicable), using form TPZ-1015.R.14.1-V, TPZ-1015.R.14.2-V or TPZ-1015.R.14.3-V. For further details, see page 8, section C.

Difference in results obtained

The amount of an income tax withholding may vary slightly depending on whether you refer to the source deduction tables contained in publication TP-1015.TI-V or calculate the amount using the mathematical formulas

applicable to regular payments (see page 56). This is due to a small variation in the elements taken into account in each case.

A. Calculation of remuneration subject to source deductions of income tax

To calculate a withholding according to Table 37, you must first determine how much of the employee's remuneration is subject to source deductions of income tax. To do so, subtract the following amounts from the employee's gross remuneration for each pay period:

- amounts withheld as
 - contributions to an RPP (see the explanation on the next page),
 - contributions to an RRSP (see the explanation on the next page),
 - contributions under a retirement compensation arrangement;
- **75%** of the amount (to a maximum of \$5,000 per year) deducted from the employee's remuneration, pursuant to his or her authorization, for the purchase of class A shares in the Fonds de solidarité des travailleurs du Québec or class A or class B shares in the Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l'emploi (called "Fondaction"), **provided you use the source deduction tables rather than the mathematical formulas;**
- the amount indicated by the employee on form TP-1015.3-V as a deduction for residents of designated remote areas, a deduction for support payments, a tax credit respecting a severe and prolonged mental or physical impairment or a tax credit for child-care expenses, divided by the number of pay periods remaining in the year; and
- the amount of the deductions authorized by the Ministère du Revenu (if the employee completed form TP-1016-V, *Application for a Reduction in Source Deductions of Income Tax*), divided by the number of pay periods remaining in the year (see page 13, section J).

IMPORTANT: Do not subtract QPP contributions, employment insurance premiums or union dues from remuneration before determining the source deduction of income tax.

Example

An employee receives a weekly salary of \$1,000 per week (52 pay periods per year), as well as \$100 per week in taxable benefits. The employee pays a contribution of \$50 per week to a registered pension plan (RPP). As a resident of a designated remote area, the employee is entitled to a weekly deduction of \$48 (the amount on form TP-1015.3-V, divided by the number of pay periods remaining in the year). The employee's remuneration subject to source deductions for the pay period is determined as follows:

Weekly salary (52 pay periods per year)		\$1,000	
Taxable benefits	+	\$100	
Gross remuneration		\$1,100	
Minus: Weekly withholdings			
RPP contribution		\$50	
Deduction for residents of designated remote areas	+	\$48	
		\$98	–
			\$98
Remuneration subject to source deductions of income tax	=		\$1,002

1015R2, 1015R2.1, 1015R2.2, 1015R2.3, 1015R3

Contributions to an RPP

Employees who contribute to a defined contribution RPP or a defined benefit RPP (for service rendered in the current year or for past service rendered after 1989) may deduct an amount respecting the contributions, provided the contributions conform to the provisions of the plan as registered.

Contributions for service rendered prior to 1990

1. Employee who did not contribute to an RPP

An employee may deduct an additional amount respecting contributions for service rendered in a year prior to 1990 in which he or she **did not contribute to any RPP**, or in which he or she **contributed to another RPP**, provided the contributions were made pursuant to an agreement signed before March 28, 1988. The additional amount is generally equal to the lowest of the following amounts:

- the total amount of the contributions (other than optional contributions to a defined contribution RPP) made by the employee after 1945, **minus** the total of the amounts he or she deducted with respect to the contributions for any year prior to 2002;
- \$5,500;
- \$5,500 **multiplied** by the number of years of service prior to 1990 for which the employee made the contributions referred to in (a) above, **minus** the total of the amounts he or she deducted with respect to the contributions for any year prior to 2002 and with respect to optional contributions for any year prior to 1987.

2. Employee who contributed to an RPP

An employee may also deduct an additional amount respecting contributions for service rendered in a year prior to 1990 in which he or she **contributed to an RPP**. The additional amount is generally equal to the lower of the following amounts:

- the total amount of the contributions (other than optional contributions to a defined contribution RPP or the contributions referred to in point 1 above) made by the employee after 1962, **minus** the total of the

amounts he or she deducted with respect to the contributions for any year prior to 2002;

- \$5,500 **minus** the total of the amounts deducted in 2002 with respect to contributions for current service and past service rendered after 1989 and with respect to the contributions referred to in point 1.

965.0.1, 965.0.3

Contributions to an RRSP

For the purposes of calculating source deductions, the amount of an employee's deductible RRSP contributions may be subtracted from gross remuneration if, further to an agreement with the employee, you withhold the amount in question and remit it directly to the issuer of a plan under which either the employee or the employee's spouse is the annuitant.

If the amount is not remitted directly to the issuer of the plan, the employee may complete form TP-1016-V, *Application for a Reduction in Source Deductions of Income Tax*, to ask that the Ministère authorize you to reduce the amount of remuneration subject to source deductions (see page 13, section J).

1015R2.2

Shares purchased from labour-sponsored funds

Where an employee requests that the shares he or she acquired as first purchaser from the Fonds de solidarité des travailleurs du Québec or from the Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l'emploi (called "Fondation") be transferred to his or her RRSP or that of his or her spouse, you must subtract from the employee's gross remuneration the value of the shares so transferred, to a maximum of \$5,000.

1015R2.2

B. Deduction codes for the year beginning on January 1, 2002

The Québec income tax source deduction codes used in Table 37 (see publication TP-1015.TI-V) are given below.

Deduction codes

Amount (\$)	Code
Nil	0
1 – 8,685	A
8,686 – 10,500	B
10,501 – 12,500	C
12,501 – 14,250	D
14,251 – 15,000	E
15,001 – 16,000	F
16,001 – 17,000	G
17,001 – 18,500	H
18,501 – 20,250	I
20,251 – 22,500	J
22,501 – 23,250	K
23,251 – 24,750	L
24,751 – 25,750	M
25,751 – 26,700	N
EXEMPTION	X

The appropriate code, which corresponds to the aggregate of amounts used to calculate personal tax credits, is indicated on the *Source Deductions Return* (form TP-1015.3-V).

If the amount used to determine the source deduction code exceeds \$26,700, refer to the section of Table 37 that corresponds to the number of pay periods per year and subtract, for each increment of \$500 (or portion thereof), the amount in column Z from the amount in column N.

If any of your employees do not reside in Canada, see page 55, sections Q and S.

C. Remuneration covered by Table 37

The sections of Table 37 cover weekly, bi-weekly (that is, every two weeks), twice-monthly and monthly pay periods. These frequencies correspond, respectively, to 52, 26, 24 and 12 pay periods per year.

In accordance with the deduction code and the tax deductions and credits entered on form TP-1015.3-V, the employer (or payer) must withhold income tax at source for each employee and each recipient of retirement income. The amount to be withheld is calculated according to the section of Table 37 corresponding to the number of pay periods per year.

Determine the amount of income tax to be withheld as follows:

- Determine the amount of remuneration subject to source deductions of income tax (see page 20, section A). If the employee is paid on a commission basis and has completed the *Statement of Commissions and Expenses for Source Deduction Purposes* (form TP-1015.R.13.1-V), multiply the gross commissions for the pay period by the percentage of commissions determined on the form and add the result to the remuneration subject to source deductions of income tax.
- Refer to the section of Table 37 corresponding to the number of pay periods per year.
- In the left-hand column, locate the pay bracket corresponding to the employee's remuneration subject to source deductions of income tax.
- 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. If no amount is indicated, do not withhold income tax.
- Where applicable**, add to the amount of income tax to be withheld the amount indicated on form TP-1015.3-V or form TP-1017-V (further to the employee's request to withhold additional income tax).
- Where applicable**, divide the non-refundable tax credits (for charitable donations, medical expenses, etc.) authorized by the Ministère du Revenu after the employee completed form TP-1016-V, *Application for a Reduction in Source Deductions of Income Tax*, by the number of pay periods remaining in the year. Subtract the result from the income tax to be withheld.

Example 1

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

Example 1 (cont.)

Determine the amount of income tax to withhold as follows:

- Refer to the section of Table 37 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 – \$729.92).
- Follow the line across to the right until you reach column C. The amount of Québec income tax to withhold is **\$80.79**.

Example 2

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

Determine the amount of income tax to withhold as follows:

- Refer to the section of Table 37 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., \$3,970.00 – \$4,009.99).
- Follow the line across to the right until you reach column E. The amount of Québec income tax to withhold is **\$463.25**.

D. Remuneration not covered by Table 37

Table 37 cannot be used where the remuneration subject to source deductions of income tax during the pay period exceeds the maximum provided for in the table (for example, \$7,285 for a twice-monthly pay period).

In such cases, determine the amount of income tax to be withheld as follows:

- Estimate the employee's annual remuneration. If the employee is paid on a commission basis, but did not incur expenses or did not complete form TP-1015.3.1-V, include the estimated amount of commissions in the estimated annual remuneration. If the employee completed form TP-1015.13.1-V, see section F on page 23.
- To determine the annual remuneration subject to source deductions of income tax, subtract, from the employee's estimated annual remuneration, the annual amount of withholdings (e.g., contributions to an RPP) and the annual amount of the deductions listed in section A on page 20 (for example, the amount indicated by the employee on form TP-1015.3-V as a deduction for support payments).
- Estimate the Québec income tax for the year using the income tax rates indicated in section E on page 23 and, **from this amount, subtract 20% of the amount indicated on line 7 of form TP-1015.3-V**.
- Where applicable, subtract from the estimated Québec income tax for the year the total non-refundable tax credits (for charitable donations, medical expenses, etc.) authorized by the Ministère du Revenu and indicated on form TP-1016-V, *Application for a Reduction in Source Deductions of Income Tax*.
- To obtain the deduction rate, divide the estimated Québec income tax for the year by the estimated annual remuneration.

- (f) To determine the amount of income tax to be withheld for each pay period, multiply the gross remuneration for each period by the deduction rate.

1015R4

Example

An employee who is paid weekly receives a salary of \$4,000 and a taxable benefit of \$200 for each pay period.

(a) Estimated salary for the year \$4,000 x 52 pay periods	\$208,000.00
Estimated taxable benefits for the year \$200 x 52 pay periods	+ \$10,400.00
Estimated annual remuneration	\$218,400.00
(b) Contributions to an RPP and estimated deductions for the year from line 19 of form TP-1015.3-V	- \$3,400.00
Annual remuneration subject to source deductions of income tax	\$215,000.00
(c) Estimated Québec income tax for the year	
Income tax on the first \$53,405 (see section E below)	\$9,613.00
Plus 24% on the remainder ($\$215,000 - \$53,405$) x 24% =	+ \$38,782.80
	\$48,395.80
(d) Amount entered on line 7 of form TP-1015.3-V ($\$21,500 \times 20\%$)	- \$4,300.00
Estimated Québec income tax for the year	\$44,095.80
(e) Divide the estimated Québec income tax for the year by the estimated annual remuneration : $\$44,095.80 \div \$218,400 = 0.2019$.	
(f) Multiply the gross remuneration for the pay period by the rate obtained in (e): $(\$4,000 + \$200) = \$4,200 \times 0.2019 = \847.98 . The result is the Québec income tax to be withheld for the pay period.	
(g) If the remuneration paid to the employee is the same for each pay period, withhold \$847.98 per pay period. Otherwise, whenever gross remuneration is not covered by Table 37, multiply the amount of the remuneration by 0.2019.	

E. Income tax rates

The income tax rates given below must be used where remuneration subject to source deductions is not covered by Table 37.

Remuneration subject to source deductions		Income tax rate
Over	But not over	
\$0	\$26,700	16%
\$26,700	\$53,405	\$4,272 on the first \$26,700 + 20% on the remainder
\$53,405		\$9,613 on the first \$53,405 + 24% on the remainder

750

F. Commission income

Employees paid on a commission basis who do not incur expenses or did not complete form TP-1015.R.13.1-V

If the commissions are paid regularly, add them to wages and use the standard method to determine source deductions of income tax (see section C or section D, as applicable, on page 22).

If the commissions are not paid regularly, you may use the method for bonuses described on page 24, section H, for a given pay period; if the remuneration is not covered by Table 37, use the method described on page 22, section D.

Employees paid on a commission basis who incur expenses and have completed form TP-1015.R.13.1-V within the prescribed time (see page 17, "Commissions")

Remuneration covered by Table 37

If the remuneration subject to source deductions of income tax is covered by Table 37, multiply the employee's gross commissions for the pay period by the percentage of commissions determined on form TP-1015.R.13.1-V, and add the result to the remuneration subject to source deductions. Use the method explained on page 22, section C, to determine how much income tax to withhold.

Remuneration not covered by Table 37

If the remuneration subject to source deductions of income tax is not covered by Table 37, determine the income tax to be withheld as follows:

- Estimate the employee's annual remuneration by adding the estimated net commissions for the year (estimated gross commissions multiplied by the percentage determined on form TP-1015.R.13.1-V) to the gross wages for the year.
- To determine the annual remuneration subject to source deductions of income tax, subtract the annual total of deductions and other amounts listed in section A on page 20 (e.g., contributions to an RPP, and the amount indicated by the employee on form TP-1015.3-V as a deduction for support payments) from the estimated annual remuneration.
- Estimate the Québec income tax for the year using the income tax rates indicated in section E on this page, and, from this amount, subtract 20% of the amount indicated on line 7 of form TP-1015.3-V.
- Where applicable, subtract from the estimated Québec income tax for the year the total non-refundable tax credits authorized by the Ministère du Revenu and indicated on form TP-1016-V, *Application for a Reduction in Source Deductions of Income Tax*.
- To obtain the deduction rate, divide the estimated Québec income tax for the year by the estimated annual remuneration.
- To determine the amount of income tax to be withheld for each pay period, multiply the gross remuneration (gross wages and estimated net commissions) for each period by the deduction rate.

Example

An employee who is paid every two weeks receives **wages and commissions** of \$8,200 during a pay period. As the amount is not covered by Table 37, the income tax to be withheld is determined as follows:

(a) Estimated gross wages for the year \$769.23 x 26 pay periods	\$20,000.00
Estimated net commissions for the year	+ \$60,000.00
Estimated annual remuneration	\$80,000.00
(b) Contributions to an RPP and estimated deductions for the year from line 19 of form TP-1015.3-V	- \$3,150.00
Annual remuneration subject to source deductions of income tax	\$76,850.00
(c) Estimated Québec income tax for the year	
Income tax on the first \$53,405 (see section E on page 23)	\$9,613.00
Plus 24% on the remainder (\$76,850 - \$53,405) x 24% =	+ \$5,626.80
	\$15,239.80
(d) Amount entered on line 7 of form TP-1015.3-V (\$16,500 x 20%)	- \$3,300.00
Estimated Québec income tax for the year	= \$11,939.80
(e) Divide the estimated Québec income tax for the year by the estimated annual remuneration : \$11,939.80 ÷ \$80,000 = 0.1492.	
(f) Multiply the gross wages and the commissions for the pay period by the rate obtained in (e): \$8,200 x 0.1492 = \$1,223.44 .	
The result is the Québec income tax to be withheld for the pay period.	
(g) To determine how much Québec income tax to withhold from any other remuneration not covered by Table 37, multiply the amount of the remuneration by the rate of 0.1492.	

1015R1.1, 1015R3.1, 1015R13.1

G. Vacation pay

If the vacation pay is calculated on a percentage basis and is paid to an employee **who is taking holidays**, refer to the section of Table 37 corresponding to the vacation pay rate:

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

To determine the amount of income tax to be withheld with respect to an employee who receives vacation pay but **is not taking holidays**, use the calculation method for bonuses given in section H on this page.

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

H. Bonuses and retroactive pay

Bonuses (examples 1 and 2) and retroactive pay (example 3) are subject to source deductions of income tax. The examples below show how to calculate these withholdings. **However, where an employee’s estimated annual remuneration, including bonuses and retroactive pay, does not exceed \$10,650, the income tax withholding with respect to the bonuses and retroactive pay is 8%.**

Do not withhold income tax if the employee entered deduction code “X” on line 20 of form TP-1015.3-V, since the “X” indicates that his or her employment income will be less than the sum of amounts entered on lines 7 and 19 of the TP-1015.3-V form filed for 2002. (The amounts on lines 7 and 19 represent the personal tax credits and deductions to which the employee is entitled.)

1015R5 to 1015R7, 1015R12

Example 1

Bonus paid once a year

John, whose salary subject to source deductions of income tax is \$540 per week, receives a bonus of \$2,500. His deduction code on form TP-1015.3-V is “D.”

- Divide the bonus by the number of pay periods in the year:
 $\$2,500 \div 52 = \48.08 .
- Add \$48.08 to \$540, for a total of \$588.08 per week.
- To determine the additional weekly source deduction of income tax resulting from the extra weekly income of \$48.08, consult the section of Table 37 marked “52 pay periods per year.”

Amount withheld from \$588.08	\$43.42
Amount withheld from \$540.00	- \$35.42
Additional source deduction	= \$8.00
- To determine how much income tax to withhold from the bonus of \$2,500, multiply the additional source deduction (\$8.00) by 52:
 $\$8.00 \times 52 = \416.00 .
- The amount to be withheld from John’s remuneration for the pay period is \$451.42 (i.e., \$35.42 + \$416.00).

Example 2

More than one bonus paid in the year

Laura, whose salary subject to source deductions is \$540 per week, receives a \$2,500 bonus in March and a \$1,040 bonus in July. Her deduction code on form TP-1015.3-V is “E.”

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

- Divide the amount of the most recent 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: $\$540 + \$20 = \$560$.
- Divide the amount of previous bonuses by the number of pay periods in the year: $\$2,500 \div 52 = \48.08 .
- Add the amounts obtained in (a) and (b):
 $\$560 + \$48.08 = \$608.08$.

Example 2 (cont.)

- (d) Consult the section of Table 37 marked “52 pay periods per year” to calculate the additional weekly source deduction of income tax resulting from the most recent bonus.

Amount withheld from \$608.08 (\$560 + \$48.08) =	\$43.75
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Minus

Amount withheld from \$588.08 (\$540 + \$48.08) =	– \$39.75
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Amount withheld from the additional \$20	= \$4.00
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- (e) To determine how much income tax to withhold from the bonus of \$1,040, multiply the additional source deduction (\$4.00) by 52:
 $\$4.00 \times 52 = \208.00

Use the same method for each subsequent bonus during the year.

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 a retroactive payment of \$250 ($\25×10). His deduction code on form TP-1015.3-V is “A.”

- (a) Consult the section of Table 37 marked “52 pay periods per year” to calculate the additional weekly source deduction of income tax resulting from the pay increase as follows:

Amount withheld from \$300 a week	\$15.00
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Amount withheld from \$275 a week	– \$11.00
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Additional source deduction	= \$4.00
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- (b) Multiply the additional source deduction by the number of weeks covered by the retroactive pay increase: $\$4.00 \times 10 = \40.00
- (c) The amount to be withheld from Eric’s remuneration for the pay period is \$55.00 (i.e., $\$15.00 + \40.00).

I. Directors’ fees

If your business pays both a salary and directors’ fees to a member of the board of directors, you must add the fees to the salary for the pay period in order to determine the amount of income tax to be withheld.

If the only remuneration paid to a director consists of directors’ fees, and he or she is resident in Canada, you are not required to withhold income tax if the estimated amount of the fees for the year does not exceed the sum of the amounts indicated by the director on lines 7 and 19 of form TP-1015.3-V (or \$8,685 if he or she did not file the form). If the estimated amount of the fees exceeds the sum of lines 7 and 19 (or if the director, as a person who works for more than one employer, entered the deduction code “0” on line 10 of the form), income tax must be deducted at source. Determine the income tax to be withheld as follows:

- (a) To determine the monthly amount of fees, divide the fees by the number of months that have elapsed since the date of the last payment, or January 1, 2002, whichever is later.
- (b) In the section of Table 37 marked “12 pay periods per year,” locate the monthly source deduction of income tax for the amount determined in (a), and multiply it by the number of months that have elapsed since the date of the last payment or January 1, 2002, whichever is later. The result is the amount of income tax to be withheld from the fees.

If you pay directors’ fees (and no other remuneration) to a person who is not resident in Canada, for services rendered in Québec, you must deduct 9% income tax from the payment. If you fail to make the source deduction, you become liable for the full amount of the source deduction and a penalty. However, you may recover the amount of the source deduction from the person who received the payment, either by bringing an action in a court of competent jurisdiction or by withholding the equivalent of the amount from any amount you are to pay or credit to the person.

1015R2 to 1015R2.3, 1015R8, 1015R12, AMR 23, 59.2

J. Single payments

The following single payments are subject to an income tax withholding of 16% if the payment is \$5,000 or less, and 20% if the payment is more than \$5,000:

- a payment made under a pension plan
 - upon the death, resignation or retirement of an employee or a former employee,
 - upon the winding-up of the plan, in full satisfaction of all rights of the participant in the plan, or
 - where an amendment to the plan entitles the employee to the payment, even if the employee continues to participate in the plan;
- a payment made under an amended registered retirement savings plan (RRSP), within the meaning of section 914 of the Taxation Act, **other than**
 - a periodic annuity payment,
 - a payment made in a year after the year in which the plan was amended within the meaning of section 914 of the Act (the definition of this plan was changed after May 25, 1976);
- an amount (other than a periodic annuity payment) paid as a benefit under an RRSP to an individual referred to in the definition of the term “retirement savings plan” in subsection 146(1) of the Income Tax Act (Statutes of Canada), provided the payment is made during the individual’s lifetime and the individual is expected to receive retirement income, **except**
 - an amount received from an RRSP under the Home Buyers’ Plan (HBP), to a maximum of \$20,000,
 - an amount received from an RRSP under the Lifelong Learning Plan (LLP), for the purpose of financing the full-time training or studies of an individual or his or her spouse, provided the amount does not exceed \$10,000 per year and \$20,000 for the LLP participation periods, or
 - a payment made by a person who has reasonable grounds to believe that the payment is deductible by the individual under section 924 of the Taxation Act;
- a payment made under a profit-sharing plan, in full satisfaction of all the employee’s rights in or under the plan, inasmuch as the payment must be included in the calculation of the employee’s income for the year in which the payment was received;
- an amount, other than an annuity, paid under a deferred profit-sharing plan (DPSP) or under a plan referred to in subsection 147(15) of the Income Tax Act (Statutes of Canada) as a revoked plan;
- a retiring allowance paid to an employee (on or after retirement) in recognition of long service, or paid to an employee as compensation for the loss of an office or employment. The allowance may include amounts paid with respect to sick leave accumulated by the employee at the time of his or her retirement or resignation, or with respect to damages and interest;
- an amount paid as proceeds of the surrender, cancellation or redemption of an income-averaging annuity contract;

- the portion of a payment made under a registered retirement income fund (RRIF), during the lifetime of the annuitant, that exceeds the minimum annuity payable for the year;
- a payment made in compliance with an order or a judgment regarding salary or wages owed by an employer or a former employer, where a portion of the payment is made for a previous year;
- the taxable portion of a death benefit paid to a beneficiary with respect to service rendered by an employee (for example, an amount paid with respect to sick leave accumulated by the employee at the time of his or her death), provided the benefit is paid in the year of the employee's death or in the following year;
- a payment made under a registered education savings plan (RESP), other than an educational assistance payment or a refund of premiums respecting the plan, and other than the portion of an accumulated income payment that does not exceed \$50,000. The conditions set forth on page 19, section D, must also be met.

1015, 1015R9, 1015R11, 1015R12.1

Additional income tax to be withheld with respect to a payment made under an RESP

A payment made under an RESP (other than an educational assistance payment, a refund of premiums or the portion of an accumulated income payment that does not exceed \$50,000, provided the conditions outlined in section D on page 19 are met) is subject to an additional income tax withholding of 8%, besides the 16% or 20% withholding already referred to.

For example, if you make an accumulated income payment of \$70,000 to a subscriber under an RESP, and \$50,000 of this amount is transferred to the subscriber's RRSP, the income tax to be withheld is calculated as follows:

Income tax on a single payment		
\$20,000 (\$70,000 – \$50,000) X 20%		\$4,000
Additional income tax		
\$20,000 X 8%	+	\$1,600
Total income tax withholding	=	\$5,600

1015R11.1

Transfers

Retirement benefits

Under certain conditions, single payments transferred directly from an RPP, an RRSP or a DPSP to another plan (without being paid to the employee) are not subject to source deductions of income tax. **However, if only a portion of the funds is so transferred, income tax must be withheld from the portion that was not transferred directly to another plan.**

965.0.13, 1015R9

Retiring allowances

All or part of a retiring allowance may be transferred to an RPP or an RRSP by an employee or a former employee (during the year, or within 60 days following the end of the taxation year) or by the employer (at the time of payment). You are not required to deduct income tax at source from the portion of such an allowance that was transferred directly to an RPP or an RRSP and that is deductible in the calculation of the employee's or former employee's income. The transferred amount that may be deducted in the calculation of the employee's income is the amount determined under the Income Tax Act (Statutes of Canada).

1015R9

K. Income supplements

A government department or body that pays an income supplement as part of a government project designed to encourage individuals to obtain or keep employment must withhold 16% income tax on the amount paid (other than on the portion of the amount related to child-care expenses or tuition fees). However, no income tax must be withheld on an amount paid under the "Supplément de retour au travail" measure (an "active measure" implemented by Emploi-Québec).

4 Québec Pension Plan (QPP) contributions

A. General information

This chapter explains how to calculate source deductions of QPP contributions. In most cases, you may use the QPP source deduction tables (see publication TP-1015.TR-V if you have 52, 26 or 24 pay periods in the year, or TP-1015.TR.12-V if you have 12 pay periods). For computerized calculations, use the mathematical formula on page 59.

An electronic version of the QPP source deduction tables is included in the “WINRAS” computer program of the Ministère du Revenu. This program may be used to calculate the various source deductions and employer contributions for each pay period. The Internet address is as follows:

www.revenu.gouv.qc.ca/eng/retenu/retenu/winras.asp

You must make remittances of the employee QPP contributions deducted at source and the corresponding employer QPP contributions on a monthly, twice-monthly or weekly basis (as applicable), using form TPZ-1015.R.14.1-V, TPZ-1015.R.14.2-V or TPZ-1015.R.14.3-V. For further details, see page 8, section C.

AQPP 50, 52, 59, 63, AQPP (r. 2) 6

B. Data

The Québec Pension Plan (QPP) data for 2002 are given below. (The 2001 data are provided for information purposes.)

	2002	2001
Maximum pensionable earnings	\$39,100	\$38,300
Basic exemption	\$3,500	\$3,500
Maximum contributory earnings	\$35,600	\$34,800
Contribution rate	4.7%	4.3%
Maximum employee contribution	\$1,673.20	\$1,496.40
Maximum employer contribution (per employee)	\$1,673.20	\$1,496.40

The employer QPP contribution is equal to the sum of QPP contributions withheld from employee remuneration.

AQPP 40 to 52, AQPP (r. 2) 6, 13 to 17

If you pay remuneration to an employee who is 70 or older or who is eligible for a retirement pension under the QPP or the CPP, see page 34, section K.

The table on page 19 will help you to determine whether certain payments are subject to QPP contributions.

Self-employed workers

A self-employed worker must base his or her QPP contribution on the income derived from the business he or she operates either directly or as an active member of a partnership. This contribution, which should not be based on the individual's withdrawals, must generally be remitted in separate instalments (i.e., separate from any QPP contributions made for employees) by means of form TPZ-1026.A-V, *Instalment Payments Made by an Individual*. For information regarding the calculation method and remittance dates, see the folder *Instalment Payments of Income Tax* (IN-105-V).

AQPP 53

Social insurance number

Every person who contributes to the QPP must have a social insurance number. This number is used to identify the person's contributions and earnings entered each year in a register kept by the Régie des rentes du Québec. The future benefits of the contributor (or of his or her beneficiary) are based on the data entered in this register.

Pursuant to the Act respecting the Québec Pension Plan, you must require each employee who carries out work subject to QPP contributions to present his or her social insurance card within 30 days of taking up employment duties or, if the employee is under 18, within 30 days following his or her 18th birthday. You must record the employee's name and number as shown on the card. All correspondence must bear the employee's **first name, last name and social insurance number** exactly as they appear on his or her card. This is particularly important in the case of the RL-1 slip you issue at the end of the year.

Individuals may obtain a social insurance number (or have the name on their card changed) by contacting a Human Resources Centre of Canada.

QPP contributions must be withheld from the employee's pensionable earnings even if he or she does not have a social insurance number or refuses to provide it.

AQPP 196 to 199, AQPP (r. 1) 1 to 9

C. Amounts not subject to QPP contributions

Various payments

The following amounts do not constitute employment earnings, and are therefore not subject to QPP contributions:

- pension benefits (single payments and periodic payments), benefits paid upon an employee's death (for example, accumulated sick leave), benefits paid under a DPSP, and death benefits under the QPP or the CPP;
- payments made by a trustee under a supplementary unemployment benefit plan;
- retiring allowances paid to an employee (on or after his or her retirement) in recognition of long service, as well as amounts paid as compensation for the loss of an office or employment (for example, a payment with respect to accumulated sick leave);
- benefits provided to a partner (or to a related person), or to a shareholder who is not an employee (or to a related person);
- worker's compensation (certain amounts paid further to an industrial accident are, however, subject to QPP contributions: see page 45, section D);
- research grants and, as a rule, scholarships, bursaries or fellowships awarded to a person other than an employee or the child of an employee;
- benefits from an RRSP, a RRIF or an RESP;
- patronage dividends.

Excepted employment

Remuneration for the following categories of employment is not subject to QPP contributions:

- employment in agriculture or an agricultural enterprise, horticulture, fishing, hunting, trapping, forestry, logging or lumbering carried out for an employer that
 - pays an individual less than \$250 cash remuneration during the year, or
 - employs the individual in return for cash remuneration for fewer than 25 working days during the year;
- employment in a teaching position, where the person is from a country other than Canada and is employed as part of an exchange program;
- work performed by a child or dependant of the employer, for which no cash remuneration is paid;
- employment conferring the right to a pension under the Courts of Justice Act or the Judges Act (Statutes of Canada);
- employment as a member of the Canadian Forces or the Royal Canadian Mounted Police;
- work performed in Québec for an employer that employs persons in Québec but that, under an agreement covered by section 215 of the Act respecting the Québec Pension Plan, is exempted from employer contributions;
- work performed in Québec for another government or for an international organization, other than work covered by an agreement reached with the Régie des rentes du Québec;
- work performed by Indians or persons of Indian ancestry, if the remuneration derived from the work can be deducted in the calculation of their taxable income (see page 46, section G);
- work performed in Québec for an employer that does not have an establishment in Québec, unless the employer has reached an agreement with the Régie des rentes du Québec regarding the payment of contributions respecting employees who are resident in Canada and who receive remuneration from an establishment of the employer outside Canada;
- work performed by a member of a religious order who has taken a vow of poverty and whose remuneration is paid to the religious order either directly or by the member, **provided an application to this effect 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 person
 - does not work regularly for the employer, and
 - works fewer than seven days in the year for the employer;
- casual or short-term employment carried out 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 person
 - does not work regularly for the employer, and
 - works in the referendum or election for **fewer than 35 hours** in the year;
- casual or short-term employment respecting disaster relief or rescue operations, if the worker is not employed by the employer on a regular basis.

Employment in a transportation business carried out partially in Québec and partially outside Canada may, in certain cases, be considered excepted employment. For further information, contact the Ministère du Revenu.

AQPP 3, 4, 5, 6, 215, AQPP (r. 8) 1 to 20

D. Contributory earnings

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**. Contributory earnings are the portion of the employee's **pensionable earnings** under the QPP that exceeds the **exemption** for the **pay period**. (The terms in boldface type are explained in detail below.)

Important: An employer may withhold QPP contributions from remuneration paid to an employee in the restaurant and hotel sector only if the withholding does not reduce source deductions of employment insurance premiums and federal income tax. Consequently, where the employee's basic wages are insufficient, you must make source deductions in the following order: employment insurance premiums, federal income tax, QPP contributions, union dues and Québec income tax.

AQPP 40, 41, 44, 59.1

Employee

An employee is an individual who carries out work under a contract of employment or who holds an office. An office is a position for which an individual is entitled to be remunerated. This includes a position held by a member of the board of directors of a corporation (even if the person performs no administrative duties), a position held by an elected or appointed representative, etc.

Where an employer and an individual disagree as to the latter's employment status, the following forms (available from the Ministère du Revenu) may be filed: *Application for Determination of Status as an Employee or a Self-Employed Worker* (RR-65-V) and *Questionnaire to Determine the Status of an Employee or a Self-Employed Worker* (RR-65.A-V). A request for a decision must be transmitted to the Minister no later than April 30 of the year following the calendar year to which the request applies. The Minister must take into account the information provided by both parties, and make known his decision with dispatch and in the manner he considers suitable.

AQPP 1, 65, Bulletin RRQ. 1-1/R2, Bulletin RRQ. 65-1

Pensionable earnings

The maximum pensionable earnings for 2002 have been set at \$39,100.

The term "pensionable earnings" refers to the **gross remuneration** paid to an employee (or deemed paid in the case of a market maker or an employee who receives tips, directly or indirectly, or to whom tips have been allocated), **before** source deductions. In determining pensionable earnings, do not subtract

- union dues;
- contributions to an RPP, or
- any other amounts taken into account in determining the remuneration subject to source deductions of income tax.

Even if an employee's gross remuneration is not subject to source deductions of income tax (for example, in the case of an employee covered in sections J to P of Chapter 9), the remuneration is subject to QPP contributions unless this chapter specifies otherwise. In other words, in determining the amount of pensionable earnings for purposes of the QPP, you should disregard the instructions for determining the remuneration subject to source deductions of income tax.

Pensionable earnings generally include

- wages, salaries, fees, commissions and directors' fees;
- tips (including those unrelated to tippable sales) reported during a pay period by the employee on the statement provided in the booklet *Register and Statement of Tips* (TP-1019.4-V) or on an equivalent document;
- tips that, because they constitute service charges added to the customer's bill, are distributed to the employee and do not have to be reported on the statement provided in booklet TP-1019.4-V or on an equivalent document;
- tips that are 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 the Ministère du Revenu pursuant to a request for a reduction in the allocation rate);
- contributions paid to the reserve account for contingent losses of a market maker;
- salaries or wages deemed to have been received during phased retirement under an arrangement that was reached between you and the employee and that bears the approval of the Régie des rentes du Québec;
- overtime pay, bonuses and retroactive pay;
- taxable benefits in cash or in kind, such as meals and accommodation, **except**
 - the taxable benefit 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 in question may, under the Taxation Act, claim a deduction respecting the residence or lodgings in the calculation of his or her income (however, you must **include as pensionable earnings any cash allowance paid to the employee to meet the cost of the residence or lodgings**);
 - the benefit that the employee must include in income for the year further to the disposition of securities acquired under a security option, and that would have been included in the employee's income for the year in which the securities were acquired had the employee not made an election under the federal income tax system. Such a benefit is considered to be pensionable earnings for the year of acquisition of the securities rather than for the year of their disposition (see page 44, section B);
- retroactive pay under a collective agreement signed prior to an employee's death;
- fees paid to the members of a council or committee;
- certain forms of remuneration paid with respect to a leave of absence (see page 44, section C);
- the portion of the salary or wages that is deferred, under a salary deferral arrangement (see page 44, section C);
- worker's compensation payments that the CSST does not reimburse or (in the case of a self-insurer) does not recognize (see page 45, section D);
- an amount equivalent to the vacation days accumulated at the time of an employee's death;
- out-of-Canada living allowances;
- the benefit derived from the remission of a debt;
- an **amount you pay**, for the benefit of an employee, to a trustee or custodian (as applicable) under a profit-sharing plan, an employee trust or an employee benefit plan (see page 44, section B).

The following amounts are not considered pensionable earnings:

- amounts withdrawn by a market maker from his or her reserve account for contingent losses;
- an amount received
 - from the trustee of a profit-sharing plan, where the amount may reasonably be attributed to an amount paid to the trustee after May 12, 1994,
 - from the trustee of an employee trust, or
 - from the custodian of an employee benefit plan.

For the purposes of the Act respecting the Québec Pension Plan, a reference to wages, pensionable salary and wages, remuneration or a similar amount paid by an employer means wages, pensionable salary and wages, remuneration or a similar amount that an employer pays, allocates, grants or awards, or has paid, allocated, granted or awarded.

AQPP 37.1, 40, 41, 45, 50

Work performed in Québec

To be considered pensionable earnings under the QPP, an employee's remuneration must be derived from work performed in Québec.

Work is deemed to be performed in Québec if the employer's establishment at which the employee reports for work is located in Québec. An employee who is not required to report for work at an establishment of the employer is nevertheless deemed to perform work in Québec if the establishment from which he or she receives remuneration is located in Québec. If the employee works outside Canada, see page 48, section I.

Remuneration paid with respect to services rendered in Québec by an employee who is not resident in Canada does not constitute pensionable earnings provided the country in which the employee resides has signed an agreement with Québec concerning employees posted temporarily to Québec (see page 33, section I, and page 55, section Q).

AQPP 7, 215

Employees who reach age 18 in 2002 or who receive a disability pension

Pensionable earnings do not include remuneration paid or deemed paid to an employee

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

Consequently, QPP contributions should not be withheld from earnings the employee received or is deemed to have received during these periods.

AQPP 9, 45, 101

Pay period

The pay period is the usual period for which the employee is remunerated. For example, an employee who is paid every Friday for work performed up to the preceding Wednesday has a seven-day pay period (from Thursday through Wednesday). Where an employee is not paid at specific intervals, the pay period is the number of days for which the employee is actually remunerated.

AQPP (r. 2) 1

Exemption

For 2002, the first \$3,500 of an employee's pensionable earnings is exempt from QPP contributions. To calculate the exemption per pay period, you must first determine whether the employment is non-continuous or continuous (see definitions below). The per-pay-period exemption must then be taken into account only once for each pay period. Overtime pay, retroactive pay, bonuses, premiums, etc., are considered regular remuneration if they are paid along with the employee's wages. If they are paid separately during a regular pay period, deduct 4.7% of the gross amount without taking the exemption into account.

AQPP 42, 43, AQPP (r. 2) 2 to 6

Non-continuous employment

"Non-continuous employment" is 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.

The exemption per pay period for an employee whose employment is non-continuous is as follows:

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

AQPP (r. 2) 1, 4, 5

Example

George is 20 years old. He worked for two days (non-continuous employment) at the rate of \$55 per day, and was paid \$110 by the employer at the end of the two-day period. The employer must deduct an exemption of \$14.58 per day and withhold a QPP contribution of \$3.80, that is, 4.7% of \$80.84 ($\$110 - \$29.16 = \$80.84$), or a contribution equivalent to \$1.90 per day x 2, in accordance with Table B of the QPP source deduction tables (contained in publications TP-1015.TR-V and TP-1015.TR.12-V).

Continuous employment

Employment is considered continuous if it does not meet the above definition of non-continuous employment.

For an employee whose employment is continuous, the exemption per pay period is as follows:

- if the employee is normally paid (or would be if he or she worked for the full year)
 - once a year \$3,500.00
 - 12 times a year \$291.66
 - 24 times a year \$145.83
 - 26 times a year \$134.61
 - 52 times a year \$67.30
- in all other cases, the higher of the following amounts:
 - \$3,500, multiplied by the number of days in the pay period divided by 365;
 - \$67.30.

Do not take fractions of a cent 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 publication TP-1015.TR-V or TP-1015.TR.12-V.

Note: The QPP source deduction tables take into account the exemption applicable to each pay period.

IMPORTANT: To correctly calculate the employee's QPP contribution for each pay period, you must subtract the exemption for the pay period from the employee's remuneration for the same period. Do not deduct the full annual exemption respecting employees who have not worked the entire year. For example, to calculate the QPP contribution of a person who worked for two months in the year, subtract from the employee's remuneration 2/12 of the annual exemption (2/12 of \$3,500) rather than the full annual exemption. If the calculation is not done correctly,

- the employer and employee contributions to the QPP will be insufficient;
- the employee will be considered to have worked for you for 52 weeks;
- you may receive a notice of assessment from the Ministère du Revenu asking you to remit any unpaid portion of both the employee and employer contribution (you are responsible for remitting both contributions). However, the portion of the employee contribution you were obliged to remit may subsequently be deducted from remuneration paid to the employee in the 12 months following the failure to withhold the contribution;
- the amounts entered in the record of earnings of the Régie des rentes will be incorrect, which may result in lower retirement benefits for the employee.

AQPP (r. 2) 1, 2, 3, 5, 60

Maximum annual contribution

The total QPP contributions withheld from remuneration paid or deemed paid to an employee in 2002 must not exceed the maximum annual contribution of \$1,673.20 (that is, 4.7% of the maximum contributory earnings of \$35,600). Withholdings must be made according to the tables in publication TP-1015.TR-V or TP-1015.TR.12-V (as applicable), until the maximum annual contribution is reached.

Special cases

In the following cases, special rules apply to the calculation of the maximum annual contribution:

- If an employee reaches age 18 in 2002, multiply \$1,673.20 by the number of months in the year that follow the month of the employee's 18th birthday, and divide the result **by 12**. Once you have determined the maximum contribution, withhold QPP contributions as indicated in Table A ("Continuous Employment") until the maximum for the year is reached (see example 1 on the next page).
- If an employee dies in 2002, multiply \$1,673.20 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 on the next page).
- If a QPP or CPP disability pension becomes payable to an individual during the year, multiply \$1,673.20 by the number of months prior to the first month that is excluded from the individual's contributory period (in the event of a disability); divide the result **by 12**. If a QPP or CPP disability pension ceases to be payable to the individual during the year, multiply \$1,673.20 by the number of months subsequent to the month in which the pension ceases to be payable; divide the result **by 12**.

Example 1

Monique turned 18 on July 15, 2002. She receives a salary of \$3,800 per month (\$45,600 per year), which exceeds the maximum pensionable earnings (\$39,100) subject to QPP contributions.

From January to July 2002, Monique has no QPP contribution payable.

From August to December 2002,

- the basic annual exemption for the QPP is \$3,500;
- the basic monthly exemption is \$291.66 ($\$3,500 \div 12$);
- the **monthly withholding respecting the QPP** is \$164.89, calculated as follows:

$$\$3,800 - \$291.66 = \$3,508.34$$

$$\$3,508.34 \times 4.7\% = \$164.89$$

Maximum contribution for 2002:

$$5/12 (\$39,100 - \$3,500) \times 4.7\% = \$697.17$$

Monique's QPP contributions for 2002 must not exceed \$697.17.

Example 2

At the time of his death, on March 15, 2002, Claude was receiving a weekly salary of \$900. His pensionable earnings for 2002 were \$9,000. This amount is less than the maximum pensionable earnings of \$39,100.

From January to March 2002, Claude paid QPP contributions.

- The basic annual exemption for the QPP is \$3,500;
- The basic weekly exemption is \$67.30 ($\$3,500 \div 52$);
- The **weekly withholding respecting the QPP** is \$39.14, calculated as follows:

$$\$900 - \$67.30 = \$832.70$$

$$\$832.70 \times 4.7\% = \$39.14$$

Maximum contribution for 2002:

$$3/12 (\$39,100 - \$3,500) \times 4.7\% = \$418.30$$

Claude's QPP contributions for the year 2002 must not exceed \$418.30.

AQPP 9, 41, 43, 50

E. Calculation of employee contributions

How to use the QPP source deduction tables

Use publication TP-1015.TR-V if you have 52, 26 or 24 pay periods per year, or publication TP-1015.TR.12-V if you have 12 pay periods per year. The QPP source deduction tables in these publications apply to continuous employment, **with the exception** of the last table in each (Table B), which applies to non-continuous employment. (To determine whether employment is continuous or non-continuous, see page 30.)

As the source deduction tables take into account the exemption applicable to each pay period, you do not have to subtract the exemption from the remuneration paid for the pay period.

If employment is continuous, locate the pay bracket that includes the employee's gross remuneration in the "Remuneration" column of the

section of Table A corresponding to the number of pay periods per 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; the amount to withhold 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; the amount to withhold for each day for which the employee is remunerated is in the "Deduction" column.

Examples

For a weekly salary of \$205 (continuous employment), the source deduction of QPP contributions is \$6.47. For daily wages of \$30 (non-continuous employment), the source deduction is \$0.72 per day.

If an employee's remuneration is not covered by the tables, see the section "Remuneration or number of pay periods not covered by the tables" below. Do not combine different pay brackets in an attempt to arrive at the desired remuneration: by doing so, you will be taking the applicable exemption into account more than once. If you require further information, contact the Ministère du Revenu.

Note: Overtime pay, premiums, retroactive pay, bonuses, etc., are considered regular remuneration if they are paid along with the employee's wages. If they are paid **separately**, deduct 4.7% of the gross amount without taking the exemption into account.

Example

An employee receives \$650 in retroactive pay on October 25, 2002, but the amount is **not included in his or her regular pay**. QPP contributions of \$500 have been withheld for the year thus far. In this case, you must first subtract the QPP contributions already withheld for the year from the maximum annual contribution (\$1,673.20). The result (\$1,173.20) is the amount that remains to be withheld. (The amount withheld as a QPP contribution on the retroactive pay must not exceed the balance to be withheld for the rest of the year.) The QPP contribution on the payment of \$650 is determined as follows: $\$650 \times 4.7\% = \30.55 .

Remuneration or number of pay periods not covered by the tables

If the number of pay periods in the year is not 52, 26, 24 or 12 (for example, if there are 53 pay periods), or if the remuneration is not covered by the tables, you must calculate the source deductions of QPP contributions yourself. Proceed as follows:

- (a) Calculate the employee's contributory earnings for the pay period by subtracting, from the employee's pensionable earnings, the **exemption for the pay period** (see page 30, "Exemption").
- (b) Multiply the contributory earnings, as determined in (a), by 4.7%.

Withhold the amount obtained in (b). **Once the maximum annual contribution of \$1,673.20 is reached, do not withhold further contributions** (see page 30, "Maximum annual contribution").

Example

An employee receives a weekly salary of \$7,500 and taxable benefits worth \$500, for a total of \$8,000 per week. The deduction tables cannot be used in this case because the remuneration is not covered by the tables. The employee's pensionable earnings are therefore \$8,000. From that amount, subtract the exemption for the pay period (\$67.30, as calculated on page 30) to obtain the employee's contributory earnings (\$8,000 - \$67.30 = \$7,932.70). Multiply the result by 4.7% in order to determine the amount to withhold as a QPP contribution (\$7,932.70 x 4.7% = \$372.84). You must therefore withhold \$372.84 each week until the maximum annual contribution is reached.

If an employee's remuneration for the pay period exceeds the exemption for the period, a minimum of \$0.01 must be withheld for the QPP. If the result obtained 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 must be rounded off to the next highest cent.

If an employee begins or ceases employment during a regular pay period, calculate the amount to be withheld from contributory earnings as if the employee were being remunerated for the entire pay period.

AQPP (r. 2) 6, 7, 8

Directors' fees

The rules described above also apply to directors' fees paid to a member of the board of directors of a corporation **who, in addition, receives regular remuneration** from the corporation. If the director does not receive regular remuneration, the annual exemption of \$3,500 should be distributed equally among the fee payments made during the year.

Example

Anita is a director of XYZ corporation. Though not remunerated as an employee, she receives \$1,000 each quarter in directors' fees. The exemption for each quarter is \$875 (i.e., \$3,500 divided by four fee payments). The amount to be withheld is \$5.88, or 4.7% x (\$1,000 - \$875).

Employee who works for more than one employer

Unless one employer succeeds another in the circumstances described in section G following, source deductions must be made by each employer, regardless of whether amounts have been, are being or will be withheld by another employer with respect to the same employee. If this results in contributions that exceed the maximum for the year, the employee may claim a refund of the excess contributions in his or her income tax return.

AQPP 51

See the sample calculations on page 34, section M.

F. Employer QPP contribution

The employer's contribution to the QPP is equal to the aggregate of QPP contributions withheld from employees' remuneration. For example, if you make monthly remittances using form TPZ-1015.R.14.1-V, you must determine the total amount to be withheld from your employees' remuneration for all pay periods ending during the month. The result equals your own contribution for the month.

AQPP 52, 63

G. Successive employers or corporate amalgamation

Successive employers

Where an employer immediately succeeds another employer following the formation or winding-up of a company or following the acquisition of a major portion of the property of an undertaking or of a separate part of an undertaking, without interruption of an employee's service, the new employer must take into account the amounts already deducted from the employee's remuneration since the beginning of the year by the previous employer. In this way there are no excess contributions to be refunded by the Ministère.

Both employers are responsible for remitting any unpaid employee QPP contributions attributable to the period during which the employee worked for them. Each employer must also remit the corresponding employer contribution.

AQPP 50.0.1

Corporate amalgamation

The amalgamation of two or more corporations does not affect their obligations towards the Régie des rentes du Québec.

The new corporation resulting from the amalgamation may keep the corporate name of one of the original corporations, or adopt a new name. It is nevertheless obliged to apply to the Ministère du Revenu for a new identification number. In addition, it must file an application with the Ministère to have the funds in accounts that are to be closed transferred to its active account. A copy of the new charter must be enclosed with the application.

As a rule, a corporation resulting from an amalgamation does not constitute a new employer for the purposes of QPP contributions, provided the amalgamation took place

- under Part 1A of the Companies Act, between corporations governed by the Act;
- under the Canada Business Corporations Act (Statutes of Canada); or
- under a statute of another Canadian province, where the new corporation is to continue the corporate existence of any of the corporations it replaces.

In all these cases, the corporation created by the amalgamation must take into account employee contributions already withheld and employer contributions already paid by each of the original corporations from the beginning of the year to the time of amalgamation.

The new corporation must not withhold QPP contributions from remuneration paid to employees who, prior to the amalgamation, had already contributed the maximum annual amount to the QPP.

The new corporation must file a single set of RL-1 slips respecting the QPP contributions remitted by the new corporation and by the original corporations. The slips must be sent to the Ministère du Revenu no later than the last day of February of the year following the year of amalgamation.

Employee transferred from one employer to another

Where an employee of

- a municipality,
- an urban community,
- a school board,

- a CEGEP,
- a public institution or private institution under agreement within the meaning of the Act respecting health services and social services or within the meaning of the Act respecting health services and social services for Cree Native persons,

changes employers as the result of an incorporation, amalgamation, annexation, division or regrouping, the new employer is deemed to be the same as the previous employer, and **must take into account the contributions deducted from the remuneration paid to the employee by the previous employer.**

AQPP 81, AQPP (r. 2) 10, Bulletin RRQ. 52-1/RI

H. Excess contributions

You may have made an overpayment of QPP contributions in a year if, for example, an employee dies during the year or becomes entitled to a disability pension under the QPP after you have deducted the maximum annual QPP contribution. The same may be true if you have withheld contributions for an employee who is under 18. The excess amount for the year will be refunded to you provided you file a **written request** with the Ministère within four years after the end of the year in which the amount was paid.

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

An employee who makes an overpayment of QPP contributions may request a refund of the excess contributions in his or her income tax return for the year.

AQQP 51, 52.1, 78, 78.1

Recovery of QPP contributions

If you did not withhold the QPP contribution, as required, from an employee's remuneration, you are liable for both the employee contribution and the employer contribution. However, you may recover the amount of the employee contribution by deducting it from any remuneration you pay to the employee in the 12 months following your failure to make the source deduction. From each payment of remuneration, you may withhold (in addition to the amount prescribed as a QPP contribution) only one contribution that you previously failed to withhold. Contributions for the previous year that are recovered during the current year should not be indicated on the RL-1 slip for the current year, but on an amended RL-1 slip for the previous year.

AQPP 60

Time limit for the Ministère to determine an amount payable

The Ministère may redetermine an amount payable by an employer and issue a new assessment or an additional assessment. Amounts shown on an assessment must be paid immediately. If you disagree with an assessment, you may request an explanation or take one of the measures explained in the brochure *Recourse for Taxpayers* (IN-106-V).

The Ministère has four years after the date on which the amount became payable to make an assessment or additional assessment. However, this deadline does not apply where the employer

- has filed no returns;
- has made a false statement or has committed fraud in supplying the required information; or
- has filed a waiver with the Ministère on the prescribed form.

AQPP 66

I. Social security agreements

The social security agreements signed by Québec and various foreign countries are designed to protect workers' vested rights. Under these agreements, persons who are temporarily posted to a foreign country can continue to pay contributions in their country of origin without having to pay contributions in the country to which they are posted. The agreements therefore apply to persons from Québec who temporarily work outside Canada, and to persons from outside Canada who are posted temporarily to Québec.

Social security agreements are in effect between Québec and the following countries:

- | | | |
|------------|--------------|---------------------|
| • Austria | • France | • Norway |
| • Barbados | • Germany | • the Philippines |
| • Chile | • Greece | • Portugal |
| • Croatia | • Ireland | • Saint Lucia |
| • Cyprus | • Italy | • Slovenia |
| • Denmark | • Jamaica | • Sweden |
| • Dominica | • Luxembourg | • Switzerland |
| • Finland | • Malta | • the United States |

(Negotiations are currently in progress with other countries, and new agreements could take effect in 2002.)

If certain conditions are met, you are required to withhold QPP contributions from the salaries and wages of employees who are temporarily posted to one of these countries, and to remit employee and employer contributions to the Ministère. You are not required (if certain conditions are met) to withhold QPP contributions from the salaries and wages paid to individuals who are not resident in Canada but are temporarily posted to Québec by an employer outside Canada, nor are you required to pay employer QPP contributions in this respect.

To request a certificate of coverage for an employee posted to a country that has signed an agreement with Québec, contact the Direction des ententes de sécurité sociale of the Ministère des Relations avec les citoyens et de l'Immigration at (514) 873-5030 or 1 800 565-7878.

AQPP 2, 4, 7, 215, AQQP (r. 8) 8, Bulletin RRQ. 7-2

J. Canada Pension Plan (CPP)

The Canada Pension Plan (CPP) was introduced by the federal government and covers all of Canada except the province of Québec. The QPP and the CPP are designed not to overlap, and certain differences exist between the two plans. For example, employees who are 70 years old or who turn 70 during the year, and employees who receive a retirement pension while continuing to work, must continue to contribute to the QPP if they work in Québec. (There is no comparable rule under the CPP.) For further information, contact the Ministère du Revenu.

If you transfer an employee from an establishment covered by the CPP to an establishment covered by the QPP, you must take into account, when calculating the employee's QPP contributions, the amounts withheld under the CPP. The total amount of contributions withheld under the two plans must not exceed the employee's maximum contribution for the year.

In the case of an employee who is transferred during a pay period, you are not required to divide the contributions between the two plans. The employee is considered to have worked during the entire period at the establishment to which he or she was transferred, and you must remit to

the new plan the full amount withheld from the employee's remuneration for the pay period (see example 4 on this page).

AQPP 46, AQPP (r. 2) 9

K. Employees who receive a retirement pension or are 70 or older in 2002

QPP contributions must be withheld from remuneration paid or deemed 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.

AQPP 41, 43, 44, 45

L. Phased retirement

An employee who is at least 55 but under 70 years old and whose work time is reduced under a phased retirement initiative, may, under certain conditions, make an arrangement with the employer to have all or part of the amount of the reduction in remuneration considered pensionable earnings for the purposes of determining the QPP contribution.

The phased retirement arrangement between you and the employee must be recorded on the form prescribed by the Régie des rentes du Québec and is valid only if it bears the approval of the Régie. Payment of the additional QPP contributions resulting from the arrangement is shared equally by you and the employee. For information regarding eligibility requirements, contact a representative of the Régie des rentes du Québec.

AQPP 37.2, 37.3, 45, 195.1

Pensionable earnings

The amount agreed upon by the parties to the arrangement is deemed to be remuneration received by the employee from pensionable employment, and the employer is deemed to pay this amount at the intervals indicated in the arrangement. You must therefore, for the purpose of calculating the QPP contribution, add the amount provided for in the arrangement to the salary or wages actually paid to the employee for a given pay period.

Example

You and your employee agree that his or her employment income was \$36,000 per year prior to the signing of the phased retirement arrangement. The employee's normal work week was then reduced by 20%. The deemed income, for the purposes of the additional contribution to the QPP permitted by the arrangement, is \$7,200 per year (20% of \$36,000), or \$138.46 per week ($\$7,200 \div 52$ weeks).

The **total QPP contribution** to be withheld for each weekly pay period is based on the **sum of the employee's actual and deemed wages** during the pay period. Here, the actual wages are \$553.85 [$(\$36,000 - \$7,200) \div 52 = \553.85], and the deemed wages are \$138.46, for a total of \$692.31.

The amount deemed to be income for the purposes of the additional contribution to the QPP must be indicated in box U ("Retraite progressive," that is, phased retirement) of the RL-1 slip.

M. Examples

Example 1

A 30-year-old employee earns \$775 a week. In accordance with Table A of the QPP source deduction tables (TP-1015.TR-V), \$33.26 must be deducted in each of the first 50 pay periods. The amount withheld in the 51st pay period will be \$10.20, that is, \$1,673.20 (maximum amount) – \$1,663 (amount already withheld).

Example 2

A 40-year-old employee earns \$515 for the pay period from January 10 to 17, 2002, and also receives, **separately from his or her regular wages**, a bonus of \$100. In accordance with Table A of the QPP source deduction tables (TP-1015.TR-V), \$21.04 must be withheld from regular wages, and \$4.70 (4.7% x \$100, no exemption) from the bonus of \$100. The total QPP contribution withheld for the pay period is therefore \$25.74.

Example 3

A 50-year-old man who was employed from July 8 to July 26, 2002, receives wages of \$900 for the entire period. The deduction tables cannot be used in this case because the pay period is irregular. The exemption for the period is \$182.19, that is, $\$3,500 \times 19/365$. (To determine the exemption, you may use the table on page 63 of publication TP-1015.TR-V or on page 47 of publication TP-1015.TR.12-V.) A QPP contribution of \$33.74 must be withheld from the employee's pay, that is, $4.7\% \times (\$900 - \$182.19)$.

Example 4

An employer with one establishment in Québec and another in Ontario pays the employees every Friday. A 30-year-old employee who earns \$760 a week is occasionally transferred from one establishment to the other. The amount to be withheld from the employee's remuneration is calculated as follows:

During the first 20 weeks of the year, the employee works at the establishment in Québec.	
Source deductions for the QPP (according to Table A of publication TP-1015.TR-V):	
\$32.79 x 20 weeks	\$655.80
At the beginning of the 21st week, the employee is transferred to the establishment in Ontario, where he works until the middle of the 30th week.	
Source deductions for the CPP:	
\$32.79 x 9 weeks	+ \$295.11
During the 30th week, the employee is recalled to the establishment in Québec, where he works until the end of the year.	
Source deductions for the QPP:	
\$32.79 x 22 weeks	+ \$721.38
Deduction for the 52nd week:	+ \$0.91
Total	= \$1,673.20

5 Contribution to the health services fund

A. General information

Employers must make a contribution to the health services fund based on the total wages paid to employees. (If you are an employer who is an Indian, see page 46, section G.) The contribution rate varies from 2.7% to 4.26%, according to the employer's total payroll. However, certain public-sector employers must pay a contribution equivalent to 4.26% of the wages paid, regardless of their total payroll.

Employees do not contribute to the health services fund, except, where applicable, when they file their income tax return.

The table on page 19 will help you to determine whether certain payments are subject to the contribution to the health services fund.

You must make remittances of the contribution to the health services fund on a monthly, twice-monthly or weekly basis (as applicable), using form TPZ-1015.R.14.1-V, TPZ-1015.R.14.2-V or TPZ-1015.R.14.3-V. For further details, see page 8, section C.

If you have a computer, you may calculate the contribution to the health services fund for each pay period using the mathematical formula given on page 60, section D.

ARAMQ 34, 34.0.0.1

B. Wages subject to the contribution

Basis of contribution

Under the Act respecting the Régie de l'assurance maladie du Québec, wages are subject to the contribution to the health services fund. The term "wages" covers all remuneration received for an office or employment, as well as vacation pay, bonuses, tips, directors' fees, commissions paid to employees, and taxable benefits provided in cash or otherwise (e.g., meals and accommodation). For further information about taxable benefits, see page 17, section C, or consult the brochure *Taxable Benefits* (IN-253-V).

Wages also include

- certain deferred amounts (see page 44, sections B and C);
- contributions made to a market maker's reserve account for contingent losses.

ARAMQ 33

The amount subject to the contribution corresponds to the employee's gross wages before source deductions. When the Act respecting the Régie de l'assurance maladie du Québec refers to wages that an employer pays or has paid, the reference covers wages that an employer pays, allocates, grants or awards, or has paid, allocated, granted or awarded.

ARAMQ 33.2

Wages are subject to the contribution if they are paid (or deemed paid in the case of market makers and employees who receive tips, directly or indirectly, or to whom tips have been allocated) to employees who report for work at an establishment of the employer in Québec or (in the case of employees who are not required to report for work at such an establishment) if they are paid or deemed paid from an establishment of the employer in Québec.

ARAMQ 34

However, where an employee reports for work both at an establishment of the employer in Québec and at an establishment of the employer outside Québec,

- (a) the **wages** (other than wages described in (b) below) for a regular pay period are subject to the contribution unless the employee, during the pay period in question, reports for work **primarily** at an establishment of the employer outside Québec; and
- (b) the following amounts are subject to the contribution if they are paid to or for an employee who **ordinarily** reports for work at an establishment of the employer in Québec: **wages** that are paid as a premium, retroactive pay or vacation pay; amounts paid to a custodian or trustee with regard to the employee; wages deemed paid to a market maker; and wages that are not related to a regular pay period of the employee.

ARAMQ 34.0.0.1

As used here, the term "establishment" has the same meaning as in the Taxation Act. However, the concept of a "deemed establishment" provided for in sections 15 and 16.1 of the Taxation Act does not apply in the case of the establishment of an employer whose business consists in operating a sports team that plays one or more of its matches or games, or that takes part in one or more competitions, outside Québec; nor does it apply in the case of an employer whose business operates a sports club if, in connection with the activities of the club, one of its members plays a match or game, or takes part in a competition, outside Québec.

ARAMQ 33

Wages paid from an establishment located outside Québec

Where the employee is not required to report for work at an establishment of his or her employer in Québec and his or her wages are not paid from such an establishment, the wages paid or deemed paid are nonetheless subject to the contribution to the health services fund if the employee may reasonably be considered to be an employee of an establishment of the employer in Québec during the pay period in question. The following criteria are used to determine whether an employee is in this situation:

- the place where the employee primarily reports for work;
- the place where the employee primarily performs employment duties;
- the establishment from which the employee's work is supervised;
- the type of employment duties the employee performs;
- any other criterion of a similar nature.

ARAMQ 34.0.0.2

Services rendered by employees of an employer that does not carry on business in Québec

If you are an employer with an establishment in Québec at the time you obtain services in Québec from an individual who is not your employee and who works for an employer that does not have an establishment in Québec, you may be deemed to have paid the individual's wages if

- the services are rendered by the employee in the normal course of his or her employment with the employer;
- the services are provided to you or for your benefit in the normal course of your business activities;
- the services are of the same nature as those rendered by employees of a business that is the same type of business as your own;
- the employee's wages are not already included in the wages used to determine your contribution to the health services fund.

If you obtained the services of such an employee, contact the Ministère du Revenu to find out whether you are deemed to have paid his or her wages.

ARAMQ 34.0.0.3, 34.0.0.4

C. Social security agreements

Certain countries have signed a social security agreement with Québec, under which reciprocal health insurance is provided. If you are a Québec employer and you posted an employee to one of these countries, you are required to contribute to the health services fund. The contribution is based on the employee's wages where, under the terms of the agreement, the employee is subject only to the Québec legislation to which reciprocity applies; in this case, the employee is deemed to report for work at the establishment in Québec of the employer that posted him or her to the country in question.

Where the employee's wages are not paid by the employer that posted the employee to the country in question, the following rules apply:

- The employee must advise the above employer in writing, no later than 60 days after the end of the year, of the amounts received in wages for the period in which he or she was posted to the country in question.
- The wages paid to the employee for the period of the year in which he or she was posted to the country in question are deemed to be wages paid to the employee, by the above employer, on the 60th day following the end of the year.

ARAMQ 34.0.2

D. Wages not subject to the contribution

The following amounts are not subject to the contribution:

- amounts withdrawn by a market maker from his or her reserve account for contingent losses, if the employer is a clearing member;
- wages paid to employees who hold a certificate issued by the Ministère des Finances du Québec and who work in an international financial centre (IFC), provided the employer is a corporation or a partnership. However, where some employees do not hold such a certificate, the portion of the wages paid to those employees and attributable to duties related to the operations of the IFC may be exempted from the contribution;
- wages paid to employees who are posted to a country that has signed a social security agreement with Québec providing reciprocal health insurance coverage and who, under the agreement, are subject only to the legislation of the foreign country to which reciprocity applies;
- wages that a corporation (or partnership) operating an eligible business in the Montréal international trade zone at Mirabel pays to employees who hold a certificate issued by the Ministère des Finances which confirms that 75% of their tasks are carried out in the international trade zone. The wages not subject to the contribution are those paid during the period indicated on the certificate.

AIFC 64, ARAMQ 33 ("wages")

E. Calculation of the contribution

The contribution to the health services fund that you must pay for 2002 is equal to the amount of wages subject to the contribution in 2002, multiplied by a rate determined on the basis of your total payroll for 2002.

Total payroll

Total payroll is used only for purposes of determining your rate of contribution to the health services fund. For a calendar year, your total payroll equals the aggregate of all wages paid (or deemed paid) in the course of the year by you and by any employer associated with you at the end of the year.

Associated employers must be taken into account on a worldwide basis (that is, regardless of where they carry on their activities), and the total payroll used to determine the contribution rate must include all the wages paid by all employers that are associated at the end of the calendar year. 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.

In determining your total payroll, you must include the wages that are not subject to the contribution (listed in section D opposite).

You must also include in the amount of your total payroll the wages that are exempt because you are

- a new corporation entitled to the five-year exemption;
 - a corporation that operates a business in an information technology development centre (ITDC), and you hold a certificate from the Ministère des Finances or Investissement Québec;
 - a corporation that operates a business in the Centre de développement des biotechnologies de Laval, and you hold a certificate from Investissement Québec;
 - a corporation carrying out an innovative project in a designated building of a marketplace for the new economy (MNE), and you hold a certificate from the Ministère des Finances or Investissement Québec;
 - a corporation (or partnership) that operates a business in Québec and engages in major investment projects, and you hold a certificate from the Ministère des Finances;
 - a corporation that operates a manufacturing or processing business in a remote resource region of Québec;
 - a corporation that operates a stock exchange business or a securities clearing house business in an establishment situated within the territory of the City of Montréal,
- or because an employer associated with you is a corporation described in one of the above points.

ARAMQ 33 ("wages" and "total payroll"), 33.0.2 to 33.0.4

Periodic remittances of the contribution to the health services fund

You must remit your contribution to the health services fund to the Ministère on a monthly, twice-monthly or weekly basis, using form TPZ-1015.R.14.1-V, TPZ-1015.R.14.2-V or TPZ-1015.R.14.3-V, as applicable (see page 8, section C).

At the time you make your periodic remittances of the contribution to the health services fund in 2002, 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, you must use an estimated contribution rate (determined as explained below) in order to calculate your periodic remittances for 2002.

How to determine your estimated contribution rate

If you are a new employer, the contribution rate for each remittance made **during the first two consecutive calendar years** in which you are subject to the contribution corresponds 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 calendar year to the end of the period covered by the remittance. The contribution rate must therefore be adjusted for each remittance on the basis of the cumulative payroll for the preceding months, as shown in the following example.

Example

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

1. As long as the **total payroll** since the beginning of the year does not exceed \$1 million, the contribution rate remains 2.7%.
2. Once it exceeds \$1 million (and is still under \$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 one million. For example, if your total payroll is \$1,500,000, “**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 will be 2.93%; if the result is 3.285%, the rate will be 3.29%; if the result is 2.895%, the rate will be 2.9%.

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

ARAMQ 34

If you are not a new employer, your contribution rate is the rate that would be applicable if your **total payroll** for 2002 were the same as that for 2001. This means that your estimated contribution rate for 2002 is equal to your actual contribution rate for 2001. For example, if your total payroll for 2001 did not exceed \$1 million and your actual contribution rate for 2001 was therefore 2.7%, your periodic remittances of the contribution to the health services fund for 2002 must be based on a rate of 2.7%.

However, if you expect that your total payroll for 2002 will be less than your total payroll for 2001 and, consequently, that your actual contribution rate for 2002 will be lower than the estimated rate that you would normally be required to use, you may use a lower rate to calculate the amount of your remittances. If that rate is lower than your actual contribution rate for 2002, see the second paragraph under “Balance resulting from the difference between the actual contribution rate and the estimated contribution rate” on this page. Also refer to the section “Deficient payments” (opposite).

ARAMQ 34.0.0.0.1

How to determine your actual contribution rate

Your actual contribution rate for 2002 will be determined when you file your *Summary of Source Deductions and Employer Contributions (form RLZ-1.S-V)* for 2002. The rate will depend on your total payroll for 2002.

If your total payroll for 2002 is \$1 million or under, your actual contribution rate will be 2.7%.

If your total payroll for 2002 is over \$1 million but under \$5 million, your actual contribution rate will be determined according to the formula given on this page, except that the letter “**S**” will represent the result obtained by dividing your **total payroll for the calendar year** by 1 million.

Finally, if your total payroll for 2002 is \$5 million or over, your actual contribution rate will be 4.26%.

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. The balance resulting from the difference between the two rates must be received at an office of the Ministère or at a financial institution **by the filing deadline for the Summary of Source Deductions and Employer Contributions (form RLZ-1.S-V)**.

However, if the contribution rate **that you used** to calculate 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 portion of the balance resulting from the difference between the actual contribution rate and the rate **that you used** must be paid when you make your last remittance for the month of December.
- 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 **by the filing deadline for form RLZ-1.S-V**, rather than when you make your last remittance for the month of December.

Deficient payments

If the remittances of the contribution to the health services fund that you made 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, from the due date of each deficient payment.

If you fail to pay all or part of the amount payable as a contribution to the health services fund, you are liable to a penalty.

AMR 59.2, ARAMQ 34.0.0.0.2, ARAMQ 34.0.0.0.3

Public-sector employers

The following public-sector employers are required to pay a contribution to the health services fund equal to 4.26% of the 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 that 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 (for example, a corporation at least 90% owned by the government).

ARAMQ 33 (“specified employer”), 34

F. Exempt wages

Five-year exemption

If you are a new corporation whose **first taxation year began after March 25, 1997**, and your paid-up capital does not exceed \$15 million, you may claim a five-year exemption from the contribution to the health services fund. **The exemption period begins on the first day of your first taxation year and ends 38 five years later.** For example, a corporation whose first taxation year begins on September 1, 2002, will be exempt from paying the contribution with respect to wages paid from that date to August 31, 2007.

A corporation that wishes to request the exemption must file a copy of form CO-771.5-V, *Temporary Exemption*, within six months after the end of its first taxation year or, if the corporation pays a penalty, within six months after the end of the taxation year in which its exemption period ends. The exemption must be calculated on form COR-771.6.C.5-V, *Application for an Exemption from the Contribution to the Health Services Fund for the First Year*, and submitted with the *Summary of Source Deductions and Employer Contributions* (form RLZ-1.S-V).

Forms CO-771.5-V and COR-771.6.C.5-V are attached: when you order one, you will receive both. You must also file, for each of the four subsequent taxation years, a copy of form CO-771.6.C.5-V, *Application for an Exemption from the Contribution to the Health Services Fund*. If the end of the taxation year does not coincide with the end of the five-year exemption, you must also complete form CO-771.6.C.5-V for the year in which the exemption ends.

The exemption applies to the first \$700,000 of wages paid or deemed paid with respect to a taxation year beginning on or after July 1, 2000, and comprising at least 51 weeks.

Where a taxation year is shorter than 51 weeks, the exempted wages will be equal to the proportion of \$700,000 represented by the ratio between the number of days in the taxation year and 365.

ARAMQ 33

Tax exemption for small and medium-sized manufacturing businesses in remote resource regions

If you are a corporation that operates a manufacturing or processing business in one of the remote resource regions of Québec, and you have establishments in remote resource regions only, you may under certain conditions be exempted from the contribution to the health services fund from March 30, 2001, until December 31, 2010.

If the corporation is considered to have an establishment outside a remote resource region because it

- maintains its head office outside a remote resource region, or
- carries on business through an employee, agent or mandatary who has general authority to enter into a contract for the corporation or who has a stock of merchandise owned by the corporation from which the employee, agent or mandatary fills orders,

the corporation will be deemed to have establishments only in remote resource regions of Québec if all or substantially all of its total payroll for

a taxation year is attributable to employees working in an establishment situated in a remote resource region.

Wages exempted from the contribution to the health services fund

- If, in a particular taxation year during the exemption period, the corporation’s paid-up capital for the preceding taxation year, calculated on a consolidated basis, is \$10 million or less, you may claim the full exemption respecting wages paid or deemed paid.
- If, in a particular taxation year during the exemption period, the corporation’s paid-up capital for the preceding taxation year, calculated on a consolidated basis, is over \$10 million but under \$15 million, the exemption applicable to pay periods ending in the particular taxation year is reduced linearly using the following formula:

$$1 - \left[\frac{(\text{paid-up capital calculated on a consolidated basis} - \$10 \text{ million})}{\$5 \text{ million}} \right]$$

For example, if the paid-up capital for the preceding taxation year is \$12 million, the exemption applicable to the pay periods ending in the particular taxation year is reduced to 60% of the wages paid (or deemed paid). For a pay period in which you pay \$10,000 in wages, \$6,000 in wages are therefore exempt and the contribution to the health services fund is calculated on the remaining \$4,000.

- If, in a particular taxation year during the exemption period, the corporation’s paid-up capital for the preceding taxation year, calculated on a consolidated basis, is \$15 million or over, you may not claim the exemption.

Even if you are not entitled to the exemption for a taxation year, you may be eligible for the exemption for a subsequent taxation year if your paid-up capital for the preceding taxation year is under \$15 million.

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

If your taxation year includes March 30, 2001, the exemption applies to wages paid or deemed paid as of the pay period that includes March 30, 2001.

To obtain the exemption from the contribution to the health services fund for a calendar year, corporations must complete the work chart included in the *Guide to Filing the RL-1 Slip* (RL-1.G-V).

If the corporation currently benefits from five-year exemption for new corporations, you may, as of a taxation year ending after March 29, 2001, make an irrevocable election to claim the 10-year tax holiday for manufacturing businesses (which applies not only to the contribution to the health services fund, but also to income tax and tax on capital).

Remote resource regions

The remote resource regions are constituted of the territories comprised in the following administrative regions and regional county municipalities:

- Bas-Saint-Laurent (region 01);
- Saguenay–Lac-Saint-Jean (region 02);
- Mauricie (region 04): the regional county municipalities of Haut-Saint-Maurice and Mékinac;
- Outaouais (region 07): the regional county municipalities of La-Vallée-de-la-Gatineau and Pontiac;

- Abitibi-Témiscamingue (region 08);
- Côte-Nord (region 09);
- Nord-du-Québec (region 10);
- Gaspésie—Îles-de-la-Madeleine (region 11);
- Laurentides (region 15): the regional county municipality of Antoine-Labelle.

Wages that cease to be exempt during the year

If, at any time during your first taxation year or before the end of your exemption period, you cease to meet the conditions to be considered

- a new corporation, or
- a corporation that carries on a manufacturing or processing business in a remote resource region of Québec,

you may still, under certain circumstances, be entitled to an exemption from the contribution to the health services fund. For further information, contact the Ministère du Revenu.

ARAMQ 33 (“eligible employer”)

G. Exempt employers

Information technology development centre (ITDC)

If you are a corporation, and you operate a business that is carrying out an innovative project in a building which houses an ITDC, you may claim an exemption from the contribution to the health services fund. The exemption applies to wages paid or deemed paid during the five-year period beginning on the first day of the corporation’s first taxation year.

An ITDC is a group of businesses which operate in a place designated by the Ministère des Finances.

As a rule, the exemption is granted to a corporation for a taxation year if the following conditions are met:

- The corporation holds a certificate issued by the Ministère des Finances or Investissement Québec confirming that it operates or may operate a business that is carrying out an innovative project in a building which houses an ITDC.
- The corporation is not the result of an amalgamation or merger of two or more corporations.
- All or substantially all of the corporation’s activities in the taxation year and in any preceding year consist in operating an eligible business.
- The taxation year is included in whole or in part in the corporation’s eligibility period.
- The corporation filed with the Ministère du Revenu a copy of the certificate obtained from the Ministère des Finances or Investissement Québec.

Further information is provided on form CO-771.12, *Exemption pour une société qui réalise un projet novateur dans un CDTI ou un CNE, ou au CDBL*. This form may be used to claim a tax exemption by a corporation carrying out an innovative project in an information technology development centre (ITDC), a marketplace for the new economy (MNE) or the Centre de développement des biotechnologies de Laval.

771.1, 771.12, ARAMQ 33 (“exempt employer”), 34

Centre de développement des biotechnologies de Laval

If you are a corporation, and you operate a business that is carrying out an innovative project in the biotechnology sector (for example, in the area of human health) in the Centre de développement des biotech-

nologies de Laval, you may be exempted from the contribution to the health services fund during the five-year period following the beginning of your first taxation year, provided you obtain an eligibility certificate respecting the project from Investissement Québec and meet the other applicable conditions. The exemption applies to wages paid after March 29, 2001.

If the innovative project was undertaken (after March 29, 2001) outside the Centre de développement des biotechnologies de Laval because premises were not available, you may claim the exemption from the contribution to the health services fund for the period preceding your entry into the Centre. Similarly, if your innovative project was already under way on March 29, 2001, and was continued at the Centre de développement des biotechnologies de Laval, you may be eligible for the exemption.

Further information is provided on form CO-771.12, *Exemption pour une société qui réalise un projet novateur dans un CDTI ou un CNE, ou au CDBL*. This form may be used to claim a tax exemption by a corporation carrying out an innovative project in an information technology development centre (ITDC), a marketplace for the new economy (MNE) or the Centre de développement des biotechnologies de Laval.

Marketplace for the new economy (MNE)

A corporation operating a business that is carrying out an innovative project in a building which houses all or part of a group of businesses forming a marketplace for the new economy may, provided it has obtained a certificate from the Ministère des Finances or Investissement Québec, claim an exemption from the contribution to the health services fund during the five-year period following the beginning of its first taxation year. This exemption is similar to that available to a corporation operating a business in an ITDC.

Further information is provided on form CO-771.12, *Exemption pour une société qui réalise un projet novateur dans un CDTI ou un CNE, ou au CDBL*. This form may be used to claim a tax exemption by a corporation carrying out an innovative project in an information technology development centre (ITDC), a marketplace for the new economy (MNE) or the Centre de développement des biotechnologies de Laval.

771.1, 771.12, ARAMQ 33 (“exempt employer”), 34

Major investment projects

Under certain circumstances, corporations and partnerships that operate a business in Québec and have obtained a certificate from the Ministère des Finances are exempted from paying the contribution to the health services fund. The exemption applies to major investment projects in the primary, manufacturing and services sectors (excluding accounting and placement services) undertaken after March 14, 2000, and resulting in significant job creation. Payroll increase is the criterion used to determine whether a project results in significant job creation.

Two types of projects qualify, under certain conditions, as major investment projects:

- a project that involves an investment of at least \$300 million;
- a project that results in a payroll increase of at least \$15 million.

The exemption is applicable for a 10-year period beginning on the date indicated by the Ministère des Finances on the initial eligibility certificate.

Stock exchange business or securities clearing house business

You may be exempted from the contribution to the health services fund if you are a corporation and

- you operate a stock exchange business or a securities clearing house business in Québec;
- you perform eligible activities (that is, activities related to transactions realized as a stock exchange or a securities clearing house) in an establishment situated in the territory of the City of Montréal;
- more than half of the wages paid (or deemed paid) to employees of your corporation are paid (or deemed paid) to employees of an establishment located in Québec.

The exemption applies to wages paid or deemed paid (to employees of the stock exchange business or securities clearing house business located in the territory of the City of Montréal) for pay periods ending after October 1, 2000, but before December 31, 2010.

Further information is provided on form FSS-33, *Exemption de la cotisation au FSS pour une société qui exploite une entreprise de bourse de valeurs ou de chambre de compensation de valeurs*. If you are claiming the exemption, you must enclose this form when filing your *Summary of Source Deductions and Employer Contributions* (RLZ-1.S-V).

6 Compensation tax

A. General information

Specified financial institutions other than corporations (or financial institutions deemed to be corporations) must pay 1% compensation tax on the wages paid for the year that are subject to the tax. A specified financial institution may be an individual, a partnership, a trust, an estate, an organization or an association.

Where a person was not a specified financial institution for the entire year, the tax equals 1% of the wages paid during the portion of the year in which the person was a specified financial institution.

You must make remittances of the 1% compensation tax on a monthly, twice-monthly or weekly basis (as applicable), using form TPZ-1015.R.14.1-V, TPZ-1015.R.14.2-V or TPZ-1015.R.14.3-V. For further details, see page 8, section C.

1159, 1159.3, 1159.10

B. Wages subject to compensation tax

The term “wages subject to compensation tax” means any remuneration from an office or employment, including vacation pay, bonuses, tips (and allocated tips), directors’ fees, commissions paid to employees, taxable benefits provided in cash or otherwise, and certain deferred amounts (see page 44, sections B and C). However, amounts withdrawn by a market maker from his or her reserve account for contingent losses are not subject to compensation tax, where the employer is a clearing member.

Wages are subject to compensation tax if they are paid (or deemed paid, in the case of market makers and of employees who receive tips directly or indirectly, or to whom tips have been allocated) to employees who

Employers that cease to qualify for the exemption during the year

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 corporation operating a business that is carrying out an innovative project in a building which houses businesses forming an ITDC (including a corporation that is carrying out an innovative project in the Centre de développement des biotechnologies de Laval),
- a corporation operating a business that is carrying out an innovative project in a building which houses all or part of a group of a businesses forming an MNE,
- a corporation (or partnership) that operates a business in Québec and engages in a major investment project, or
- a corporation that carries on a stock exchange business or a securities clearing house business situated in the territory of the City of Montréal, you may nevertheless qualify for the exemption from the contribution to the health services fund under certain circumstances. For further information, contact the Ministère du Revenu.

771.1, 771.12, 771.13, ARAMQ 33, 33.0.1, 34

report for work at an establishment of the specified financial institution in Québec or (in the case of employees who are not required to report for work at such an establishment) if the wages are paid or deemed paid from an establishment of the financial institution in Québec.

However, if an employee reports for work both at an establishment of the financial institution **in Québec** and at an establishment of the financial institution **outside Québec**,

- (a) the **wages** (other than wages described in (b) below) for a regular pay period are subject to compensation tax unless, during the pay period, the employee reports for work **primarily** at an establishment of the financial institution outside Québec;
- (b) the following amounts are subject to compensation tax if they are paid to or for an employee who **ordinarily** reports for work at an establishment of the financial institution in Québec: **wages** that are paid as a premium, retroactive pay or vacation pay; amounts paid to a custodian or trustee with regard to the employee; wages deemed paid to a market maker; and wages that are not related to a regular pay period of the employee.

1159.1, 1159.1.1

Note: Specified financial institutions that are **corporations** (e.g., banks, loan corporations, trust corporations, corporations trading in securities, insurance corporations, or savings and credit unions) must their pay compensation tax in instalments, using form COZ-1027.R-V, *Monthly Remittance of Income Tax, Tax on Capital or Compensation Tax by a Corporation*. For a comprehensive definition of the term “financial institution,” refer to form CO-1159.2-V, *Compensation Tax for Financial Institutions*.

1159.7

7 Contribution to the financing of the Commission des normes du travail (CNT)

A. General information

Employers (except for the entities listed below) must pay a contribution to the financing of the Commission des normes du travail (CNT) if the remuneration they pay to employees performing work in Québec (or to employees deemed to be performing work in Québec) is **subject to the contribution**. An employee is deemed to perform work in Québec if he or she reports for work at an establishment of the employer in Québec or (where the employee is not required to report for work at such an establishment) if his or her remuneration is paid from an establishment of the employer in Québec. For the rules applicable to employees who report for work both at an establishment of the employer in Québec and at an establishment of the employer outside Québec, see the *Guide to Filing the RL-1 Slip (RL-1.G-V)*, which also contains information regarding employers that are subject to the contribution.

The table on page 19 will help you to determine whether certain payments are subject to the CNT contribution.

The following entities are the principal employers that are not required to pay the contribution:

- urban communities;
- municipalities;
- school boards;
- the Conseil scolaire de l'île de Montréal;
- religious institutions;
- day-care centres;
- educational institutions;
- the Québec government and its departments and agencies;
- parity committees constituted under the Act respecting collective agreement decrees;
- *fabriques*;
- a corporation of trustees for the erection of churches;
- institutions or charities whose object is to assist, directly and free of charge, persons in need;
- 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;
- municipal and intermunicipal transit corporations within the meaning of section 1 of the Act respecting municipal and intermunicipal transit corporations.

The federal government and its mandataries, as well as federally regulated organizations whose working conditions are governed by the Canada Labour Code (such as banks, airports and broadcasting stations) are not subject to the contribution.

ALS 39.0.1, Bulletin LNT: 39.0.1-1

B. Remuneration subject to the contribution

In general, the term “remuneration” refers to income (before deductions) from an office or employment, within the meaning of the Taxation Act, and includes vacation pay, bonuses, commission income, taxable benefits and similar payments made to an employee. Remuneration includes certain deferred amounts (see page 44, sections B and C). It also includes the amount paid as an indemnity in lieu of notice and upon termination of a contract of employment (an indemnity in lieu of notice is considered a retiring allowance).

The term “remuneration subject to the contribution” includes all remuneration paid (or deemed paid in the case of a market maker or an employee who receives tips directly or indirectly, or to whom tips have been allocated) in the year to an employee who performs work in Québec, **except**

- 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 by an employer that is governed by a decree adopted under the Act respecting collective agreement decrees, where the remuneration is subject to a contribution by a parity committee;
- 50% of the remuneration earned by an employee using a truck, tractor, loader, skidder or similar heavy equipment that was provided by the employee at his or her own expense;
- the amount by which the remuneration paid to the employee for the year exceeds \$52,500 (amount for 2002);
- remuneration paid to a domestic (see the definition below);
- remuneration paid to an employee by a regional board, a family-type resource or an institution referred to in the Act respecting health services and social services, in proportion to the amounts of money received by such entities under the Act;
- remuneration paid to an employee by a regional council, a foster family or an institution referred to in the Act respecting health services and social services for Cree Native persons, in proportion to the amounts of money received by such entities under the Act;
- remuneration paid to an employee wholly exempt from the application of the Act respecting labour standards, pursuant to section 3 of the Act. This category of employees includes employees whose duties consist solely in taking care of or providing care to a child, a person with an illness or a disability, or an elderly person, where the care is provided in the home and where the employer is not seeking to make a profit from the work performed, unless the employees are subject by regulation to the Act respecting labour standards. This category also includes 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.

The term “domestic” refers to a paid employee whose main function is the performance of domestic duties in the dwelling of the employer. A domestic may also be an employee whose main function is to take care of or provide care to a child or to a sick, disabled 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.

ALS 1, 3, 39.0.1

C. Remuneration subject to an additional contribution

If the activities of your business are related to the garment industry, you must pay the basic contribution to the financing of the Commission des normes du travail. This contribution is equal to 0.08% of the “remuneration subject to the contribution” paid to all employees (including office employees, managers, etc.).

However, if you are an employer that would be governed by

- the Decree respecting the men’s and boys’ shirt industry,
- the Decree respecting the women’s clothing industry,
- the Decree respecting the men’s clothing industry, or
- the Decree respecting the leather glove industry,

had these decrees continued to apply (they expired on July 1, 2000), you must pay an additional contribution of 0.12% of the remuneration that would have been subject to a contribution by a parity committee.

ALS 39.0.2, ALS (r. 5.3) 2

D. Payment of the contribution

The CNT contribution for 2002 must be **received** by an office of the Ministère du Revenu or a financial institution no later than the date by which the *Summary of Source Deductions and Employer Contributions* (form RLZ-1.S-V) is to be filed (in most cases, February 28, 2003). If you cease to carry on your business in the course of the year, the contribution must be received within 30 days of the cessation, together with form RLZ-1.S-V.

The contribution must be calculated on form LE-39.0.2-V, *Calculation of the Employer Contribution to the Financing of the Commission des Normes du Travail*, which is **included with the Guide to Filing the RL-1 Slip (RL-1.G-V)**. The amount to be remitted is 0.08% of the remuneration subject to the contribution. Under a measure that took effect on July 1, 2000, an **additional contribution** of 0.12% must be paid by certain employers in the garment industry (see section C on this page).

ALS 39.0.2 to 39.0.4, ALS (r. 5.3) 1, 2

8 Contribution to the Fonds national de formation de la main-d’œuvre

A. General information

Employers whose total payroll for 2002 exceeds \$250,000 are subject to the Act to foster the development of manpower training. Such employers must participate in the development of worker training by allotting at least 1% of their total payroll for the year to eligible training expenditures. Employers must indicate their participation in this regard on form RLZ-1.S-V, *Summary of Source Deductions and Employer Contributions*, for 2002, and file the form by the prescribed deadline.

The table on page 19 will help you to determine whether certain types of income must be included in the total payroll used to determine your participation in the development of worker training.

If the amount of your eligible training expenditures is lower than the amount corresponding to the minimum participation provided for in the Act, you are required to make a contribution to the Fonds national de formation de la main-d’œuvre. This contribution is equal to the difference between 1% of your total payroll and the amount of your eligible training expenditures. Eligible training expenditures are defined by regulation.

ADMT 3, 5, 6, 8, 10, 14, 15, 16, ADMT (r. 1) 1, ADMT (r. 2) 1

Total payroll

Salaries and wages, including certain deferred amounts (see page 44, sections B and C) must be included in the total payroll if they are paid (or deemed paid in the case of market makers or of employees who receive tips, directly or indirectly, or to whom tips have been allocated) to employees who report for work at an establishment of the employer in Québec or (in the case of employees who are not required to report for work at such an establishment) if they are paid from an establishment of the employer in Québec.

However, if an employee reports for work both at an establishment of the employer **in Québec** and at an establishment of the employer **outside Québec**,

- (a) the salaries and wages (other than those described in (b) below) that relate to a regular pay period are included in the total payroll, unless the employee, during the pay period in question, reports for work **primarily** at an establishment of the employer outside Québec;
- (b) the following amounts are included in the total payroll if they are paid to or on behalf of an employee who **ordinarily** reports for work at an establishment of the employer in Québec: the salaries and wages that are paid as a premium, retroactive pay, or vacation pay; amounts paid to a custodian or trustee with regard to the employee; salaries and wages deemed paid to a market maker; and salaries and wages that are not related to a regular pay period of the employee.

As it is used here, the term “establishment” has the meaning assigned by the Taxation Act. However, the concept of “deemed establishment” provided for in sections 15 and 16.1 of the Taxation Act does not apply to the establishment of an employer whose business consists in operating a sports team that plays one or more of its matches or games, or that takes part in one or more competitions, outside Québec; nor does it apply in the case of an employer whose business operates a sports club if, in connection with the activities of the club, one of its members plays a match or game, or takes part in a competition, outside Québec.

For the purposes of the Act to foster the development of manpower training, your **total payroll** is generally equal to the total salaries and wages paid during the year to employees working in the year, where the amounts concerned are **subject to the contribution to the health services fund** (see page 35, section B). Please note that the following

amounts, which are not subject to the contribution to the health services fund, must be included in your total payroll:

- salaries or wages paid to employees of an international financial centre (IFC);
- salaries or wages paid to employees posted outside Canada provided that, in accordance with a social security agreement respecting reciprocal health insurance coverage, the employees concerned are subject only to the legislation of the foreign country to which reciprocity applies;
- salaries or wages that a corporation (or partnership) operating an eligible business in the Montréal international trade zone at Mirabel pays to employees who hold a certificate issued by the Ministère des Finances confirming that 75% of their tasks are carried out in the international trade zone.

Amounts withdrawn by a market maker from a reserve account for contingent losses are not subject to the contribution to the Fonds national de formation de la main-d'oeuvre.

For further information, refer to Chapter 5 of the *Guide to Filing the RL-1 Slip* (RL-1.G-V).

ADMT 4, 14

Eligible expenditures

If, in 2002, you become subject to the Act to foster the development of manpower training, the training expenditures made in 2001 that would have been eligible expenditures had you been subject to the Act are carried forward to 2002, and become eligible training expenditures for that year. Similarly, if your total eligible training expenditures for a given year exceed the minimum participation set for that year, the excess amount is carried to the following year and becomes an eligible training expenditure for that year.

ADMT 11

For audit purposes, you must keep registers and supporting documents respecting your training expenditures for at least six years after the last taxation year to which they apply.

ADMT (r. 1) 6

Exemption from the contribution

Some employers are exempted from paying the contribution to the Fonds national de formation de la main-d'oeuvre for a period of three consecutive calendar years. You may apply to Emploi-Québec for this exemption, provided you meet the following conditions:

- Your training expenditures in the three years preceding your application represent at least 2% of your total payroll.
- Your training service has been accredited by the Minister of Employment and Social Solidarity.
- You have a comprehensive training plan covering all categories of personnel, and an agreement regarding the plan has been reached with personnel representatives.
- You sign a memorandum of agreement concerning certain requirements.

For further information, contact the Ministère du Revenu or Emploi-Québec.

ADMT (r. 2.1) 1 to 6

B. Payment of the contribution

The contribution to the Fonds national de formation de la main-d'oeuvre for 2002 must be received by an office of the Ministère du Revenu or a financial institution no later than the filing deadline for the *Summary of Source Deductions and Employer Contributions* (form RLZ-1.S-V), which is, in most cases, February 28, 2003.

Your total payroll (for the purposes of determining your participation in the development of worker training) and your eligible training expenditures for the year must be indicated on form RLZ-1.S-V.

If your total payroll for 2002 exceeds \$250,000, you are subject to the Act to foster the development of manpower training even if you cease to operate your business during the year. If your eligible training expenditures are insufficient, you must remit your contribution to the Fonds national de formation de la main-d'oeuvre, together with form RLZ-1.S-V, no later than 30 days after the date on which you ceased to operate your business.

ADMT 14 to 16

9 Special cases

A. Persons who work for an employment agency

A worker who is remunerated by an employment agency is considered an employee of the agency even if he or she provides services to a client of the agency. Consequently, the usual source deductions must be made by the employment agency.

An employment agency must also make source deductions if it places a worker with a client and remunerates the worker, and a relationship of subordination exists between the worker and the client.

However, for the purposes of determining your contribution to the health services fund, your contribution to the financing of the Commission des normes du travail (CNT) and your participation in the development of worker training, you could be deemed to have paid the wages earned for services rendered in Québec, by the employee of an employer that does not carry on business in Québec, if

- you are an employer with an establishment in Québec at the time the services are rendered by the employee;
- the services are rendered by the employee in the normal course of employment with his or her employer;
- the services are provided to you or for your benefit as part of the normal activities of your business;
- the services can be considered to be of the same nature as those rendered by employees of entities that carry on the same type of business as your own;
- the employee's wages are not already included in your total wages paid, the amount of which is used to determine your contribution to the health services fund, your contribution to the financing of the CNT and your participation in the development of worker training.

If you obtained the services of such an employee, contact the Ministère du Revenu to find out whether you are deemed to have paid his or her wages.

Where a worker placed by an employment agency has no employment contract with the agency and is remunerated by the client, source deductions are not required if no relationship of subordination exists between the worker and the client. For information about the criteria used to determine whether a relationship of subordination exists in any given case, see interpretation bulletin RRQ.1-1/R2. You may also wish to consult the brochure *Are You Self-Employed?* (IN-300-V).

AQPP 1, Bulletin RRQ. 1-1/R2

B. Deferred salaries and wages

An amount that you pay to a custodian or trustee under an employee benefit plan, a profit-sharing plan or an employee trust is subject, at the time it is paid, to

- employer and employee contributions to the QPP;
- the contribution to the health services fund;
- compensation tax.

Such an amount must also be included, at the time it is paid, in the total payroll used to calculate your minimum participation in the development of worker training.

Where a benefit is granted to an employee further to the exercise of a security option (listed common shares or units of a mutual fund trust), and the employee has made an election under the federal income tax system to defer taxation of the benefit from the year in which the securities are acquired until the year in which the securities are disposed of, the amount of the benefit is subject, **for the year of acquisition of the securities (not the year of disposition)**, to

- employer and employee contributions to the QPP;
- the contribution to the health services fund;
- compensation tax;
- the contribution to the financing of the CNT.

The value of the benefit must also be included (for the year in which the shares were acquired, not the year in which they were disposed of) in the total payroll used to calculate your minimum participation in the development of worker training.

Where the amounts are paid to an employee or former employee by the custodian or trustee of a plan or trust referred to in the first paragraph of this section, they are subject only to income tax withholdings (where applicable). See page 16, section B, and page 25, section J.

AQPP 45, 50, 52, ARAMQ 34, ADMT 3, 4 and Schedule, Bulletin RRQ. 50-2/R1

C. Salary deferral arrangements and self-funded leaves of absence

Salary deferral arrangements

When payment of a portion of the salary or wages **earned** by an employee during the year is deferred to another year under a salary deferral arrangement, you must determine the amounts of income tax and QPP contributions to withhold from the portion of salary or wages that is **paid** to the employee (the salary or wages **earned** for the pay period, **minus** the portion **deferred** to another year) as if the amount paid to the employee were equal to the salary or wages **earned** by the employee for the period.

The portion of the salary or wages that is earned by the employee during the year but that is paid in another year under a salary deferral arrangement is subject, **in the year in which the deferred salary or wages are earned** (not the year in which they are paid), to

- the contribution to the health services fund;
- compensation tax;
- the contribution to the financing of the CNT;
- the contribution to the Fonds national de formation de la main-d'oeuvre (since the deferred portion of the salary or wages must be included in the total payroll used to calculate your minimum participation in worker training).

When the deferred portion of the salary or wages is paid, it will not be subject to income tax withholdings, the employer and employee contributions to the QPP, compensation tax or the contributions listed in the above paragraph.

Note: The plans covered in section 47.16R1 of the Regulation respecting the Taxation Act, some of which grant self-funded leaves of absence to an employee, are not salary deferral arrangements.

47.10 to 47.17, 1159.1 ("wages"), ADMT 4, ALS ("remuneration"), ARAMQ 33 ("wages"), AQPP 45

Self-funded leaves of absence

Amounts paid to an employee respecting a self-funded leave of absence (other than amounts deemed to be paid under a salary deferral arrangement or an employee benefit plan), as described in section 47.16R1 of the Regulation respecting the Taxation Act, are subject in the year of payment, even if they are paid by a trustee, to

- income tax withholdings;
- employer and employee contributions to the QPP;
- the contribution to the health services fund;
- compensation tax;
- the contribution to the financing of the CNT.

Similarly, these amounts must be included (in the year of payment) in the total payroll used to calculate your minimum participation in worker training.

These rules also apply to certain arrangements under which professional athletes are allowed to defer their salary.

47.16R1, 47.16R2, Bulletin IMP. 47.16-1R/1

D. Worker's compensation from the Commission de la santé et de la sécurité du travail (CSST)

If, pursuant to the Act respecting industrial accidents and occupational diseases, you paid an employee

- 90% of his or her **net salary or wages** (determined on the basis of CSST criteria) during a period of not more than 14 days following the date on which the employee became unable to work, or
- all or part of his or her regular remuneration, after the 14-day period, the payment is considered a **deemed indemnity**. Deemed indemnities are not subject to income tax withholdings, even if they are not reimbursed in full (or are not recognized in full, in the case of an employer that is a self-insurer).

However, the amount that is not reimbursed by the CSST (or that is not recognized, in the case of an employer that is a self-insurer) is subject to contributions to the QPP and the health services fund, the contribution to the financing of the CNT, and compensation tax. The amount must also be included in the total payroll used to calculate your minimum participation in the development of worker training.

The following are also **deemed indemnities**:

- the **net salary or wages** (100%) paid for the part of the day during which, because of an accident, the employee was incapable of carrying out his or her employment duties (this amount is not reimbursed by the CSST);
- the **net salary or wages** (100%) paid for each day or part of a day that the employee was obliged to miss work in order to receive care, undergo medical tests or carry out activities as part of a personalized rehabilitation program. In this case, you may ask the CSST to reimburse the net salary or wages to you, unless you are a self-insurer or unless the amounts were paid in respect of an employee who was absent from work, at your request, in order to undergo a medical test.

These amounts are not subject to income tax withholdings, QPP contributions, the contribution to the health services fund, the contribution to the financing of the CNT or compensation tax. They should not be included in the total payroll used to calculate your minimum participation in worker training.

A “self-insurer” is an employer that does not make contributions to the CSST but whose employees nonetheless receive indemnities “recognized” by the CSST after an accident, since payment is guaranteed out of the employer’s own funds.

Any amount paid as worker’s compensation that exceeds the amounts referred to in this section is subject to

- income tax withholdings;
- employer and employee contributions to the QPP;
- the contribution to the health services fund;
- the contribution to the financing of the CNT;
- compensation tax;
- the contribution to the Fonds national de formation de la main-d’œuvre (since this amount is included in the total payroll used to determine your minimum participation in the development of worker training).

32, 311(k.1), 725(b), Bulletin IMP. 32-2/R1, Bulletin RRQ. 45-5/R1

E. Amounts paid following the death of an employee

Where an employee dies during the year, any amounts he or she **would have received** during the year (such as vacation pay, or retroactive pay resulting from a collective agreement signed **before** the employee’s death) are subject to

- income tax withholdings;
- the contribution to the health services fund;
- the contribution to the financing of the CNT;
- employer and employee contributions to the QPP;
- compensation tax.

The amount must also be included in the total payroll used to calculate your minimum participation in the development of worker training.

However, if the payment of a given amount was **unforeseeable** at the time of the employee’s death (for example, a lump sum paid under a collective agreement signed **after** the employee’s death), the amount is not included in the employee’s income.

428, Bulletin RRQ. 45-3

F. Employees working at special or distant work sites

A benefit in cash or in kind (that is, a monetary or non-monetary benefit) for employment at a special or distant work site is not subject to

- income tax withholdings,
- the contribution to the health services fund,
- compensation tax,
- the contribution to the financing of the CNT,
- employer and employee contributions to the QPP, or
- the contribution to the Fonds national de formation de la main-d’œuvre (since the value of the benefit is not included in the total payroll used to calculate your minimum participation in the development of worker training),

if it covers certain specific expenses and is therefore not taxable (see the next page).

The benefit must correspond to expenses incurred

(a) **for board and lodging**, during a period in which the employee's duties required the employee to be away from his or her principal place of residence, or to be at a **special work site** or a **distant work site for at least 36 hours**, if such board and lodging was

- at a **special work site** at which the employee performed temporary duties (see note 1 below), and if the **dwelling** (see note 2 below) that was his or her principal place of residence was
 - available throughout the period for occupancy by the employee and was not rented to another person, and
 - far enough from the work site that it was not reasonable for the employee to return to it daily from the work site (see note 3 below), or
- at a **location** so far from any established community that the employee could not reasonably establish and maintain a dwelling there (see note 4 below);

(b) **for transportation** between

- the employee's principal place of residence and the **special work site**, or
- the **distant work site** and a location in Canada or in the country in which the individual was employed,

for a period described in (a) above during which the employee received a benefit in cash or in kind from the employer in respect of board and lodging.

Note 1: The term “temporary” refers to the brief or provisional nature of the duties performed. As a rule, the Ministère du Revenu considers an individual's duties to be temporary where those duties are not expected to be continuously performed for more than two years by the individual or by another person.

Note 2: A “dwelling” is a house, apartment or similar place in which a person ordinarily eats and sleeps. A dwelling must have kitchen and bathroom facilities; a room in a boarding house, a hotel room, a bunkhouse or a dormitory does not constitute a dwelling.

Note 3: As a rule, the Ministère du Revenu considers that it is not reasonable for an individual to return daily to his or her principal place of residence from a work site if the distance between the work site and the place of residence, by the most direct route ordinarily taken, is greater than 80 kilometres. However, if the distance is under 80 kilometres, the Ministère may also consider such factors as

- the condition of the road;
- the means of transportation available;
- the number of hours of work required of the employee;
- the employee's general physical and mental health;
- the travelling time required, and the period at which the travel is undertaken.

Note 4: As a rule, it is considered that an individual cannot reasonably establish a dwelling near a work site that is 80 kilometres or more, by the most direct route ordinarily taken, from the nearest established community of at least 1,000 inhabitants.

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. However, the Ministère may also consider such factors as

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

Exception for specified employers

If the employment is outside Canada and you are a **specified employer** (see the definition in the *Guide to Filing the RL-1 Slip* [RL-1.G-V]) within the meaning of section 737.24 of the Taxation Act, any allowance granted for board, lodging or transportation to an employee (resident of Québec) who **does not report** for work at an establishment of the employer **outside** Canada and who is entitled to a deduction with respect to the salary and allowances received during the stay outside Canada is subject to

- income tax withholdings;
- the contribution to the health services fund;
- the contribution to the financing of the CNT;
- employer and employee contributions to the QPP;
- compensation tax.

The value of the allowance must also be included in the total payroll used to calculate your minimum participation in the development of worker training.

For further information, see page 48, section I. However, if the remuneration paid to the employee is tax-exempt for the reasons indicated under “Specified employers” (see page 48), you are not required to withhold income tax from the allowance.

42, 737.24 to 737.26, *Bulletin IMP*. 42-1/R1

G. Indians

Definitions

- The term “Indian” refers to 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 Affairs and Northern Development or is entitled to be so registered.
- The expression “person of Indian ancestry” refers to a person whose mother or father is Indian, where the person normally lives on a reserve or holds an office or employment on a reserve.
- The expression “Indian or person of Indian ancestry who lives on a reserve” refers to an Indian or person of Indian ancestry who lives in a dwelling (see note 2 on this page) situated on a reserve, if the dwelling is his or her principal place of residence and the centre of his or her daily occupations.
- The term “premises” refers to a place in Québec used exclusively for negotiations between the Québec government and an agency representing Québec Indians and so designated by the government.
- The term “reserve” means
 - a reserve within the meaning of subsection 2(1) of the Indian Act;
 - category IA or IA-N lands within the meaning of the Cree-Naskapi of Québec Act (Statutes of Canada);
 - the Indian settlements (“establishments” in certain Québec legislation) of Hunter's Point, Kitcisakik (Grand-Lac-Victoria), Pakuashipi (Saint-Augustin) and Winneway (Longue-Pointe), as well as the

Indian settlements referred to in the Indians and Bands on Certain Indian Settlements Remission Order and in the Indians and Bands on Certain Indian Settlements Remission Order (1997); and

– Sechelt lands within the meaning of the Sechelt Indian Band Self-Government Act (Statutes of Canada).

- The expression “employer that resides on a reserve or on premises” means an employer whose business is actually managed and administered on a reserve or premises.

725.0.1

The reserves in Québec, within the meaning of the Indian Act, are as follows: Akwesasne (Saint-Régis), Betsiamites, Cacouna, Coucoucache, Doncaster, Essipit (Les Escoumins), Gesgapegiag, Kahnawake, Kebaowek, Kitigan Zibi (Maniwaki), La Romaine, Lac-John, Lac-Rapide, Lac-Simon, Listuguj, Maliotenam, Manawan (Manouane), Mashteuiatsh (Pointe-Bleue), Matimekosh, Mingan, Natashquan, Obedjiwan, Odanak, Pikogan, Timiskaming (Témiscamingue), Uashat, Wemotaci (Weymontachie), Wendake, Whitworth, and Wôlinak (Bécancour).

The category IA lands attributed to the Cree nation are Chisasibi, Eastmain, Mistissini, Nemiscau, Waskaganish, Waswanipi, Wemindji, and Whapmagoostui.

The category IA-N land attributed to the Naskapi nation is Kawawachikamach.

The Indian settlements in Québec are Hunter’s Point, Kanesatake (Oka), Kitcisakik (Grand-Lac-Victoria), Ujé-Bougoumou, Pakuashipi (Saint-Augustin), and Winneway (Longue-Pointe).

Income “situated” on a reserve or premises

The income earned by an Indian or a person of Indian ancestry is not subject to income tax if the income is “situated” on a reserve or premises; employers should not withhold income tax from such income.

As a rule, the **income** that an Indian or a person of Indian ancestry derives **from an office or employment** is considered to be “**situated**” on a **reserve or premises** when one of the following conditions is met:

- The duties related to the office or employment are carried out entirely or almost entirely (**90% or more**) on a reserve or premises.
- The duties related to the office or employment are carried out **principally (more than 50%) on a reserve or premises**, and
 - the Indian or person of Indian ancestry lives on a reserve; or
 - the employer resides on a reserve or premises (unless it is reasonable to believe that one of the principal reasons for this employee-employer relationship is to establish a link between the income from an office or employment and the reserve or premises).
- The duties related to the office or employment are carried out **principally (more than 50%) elsewhere than on a reserve or premises**, the Indian or person of Indian ancestry lives on a reserve, and the employer resides on a reserve or premises.

As well, the **income** that an Indian or a person of Indian ancestry derives **from an office or employment is deemed to be “situated” on a reserve** if the following conditions are met:

- The employer resides on a reserve.
- The employer is
 - an Indian band that possesses a reserve, or a band council representing one or more Indian bands that possess reserves; or
 - an Indian organization controlled by one or more such bands or band councils and dedicated exclusively to the social, cultural, educational or economic development of Indians living for the most part on reserves.

- The duties of the Indian or person of Indian ancestry in relation to his or her office or employment are connected to the employer’s non-commercial activities carried on exclusively for the benefit of Indians living on the reserve.

For definitions of “Indian band” and “band council,” contact the Ministère du Revenu.

725.0.2

IMPORTANT: Where less than 90% of the duties of an Indian or a person of Indian ancestry related to the office or employment are carried out on a reserve or premises, and where the income derived therefrom is not otherwise tax-exempt, the income from the office or employment must be prorated on the basis of whether or not the duties are carried out on a reserve or premises. You are not required to withhold income tax from the portion of the income derived from duties carried out on the reserve or premises.

As a rule, when the full amount of income derived from an office or employment by an Indian or a person of Indian ancestry is exempt from income tax, because the conditions previously set forth are met, the individual concerned is not required to pay income tax on the following amounts received in relation to his or her office or employment:

- (a) benefits paid under the Unemployment Insurance Act or the Employment Insurance Act (Statutes of Canada);
- (b) benefits paid under the Act respecting the Québec Pension Plan, or under an equivalent plan (within the meaning of the Act);
- (c) a retiring allowance;
- (d) benefits paid under a registered pension plan;
- (e) benefits paid under a wage loss insurance plan to which a contribution was made by the employer.

Where only a portion of the income is exempt from income tax, the individual must pay income tax on any amount mentioned in (a) to (e) above that does not relate to the tax-exempt portion.

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Source deductions of income tax

You are not required to withhold income tax from income derived from an office or employment by an Indian or a person of Indian ancestry, or from the amounts mentioned in (a) to (e) above, if this income is considered to be “situated” on a reserve or premises.

QPP contributions

Work performed by an Indian or a person of Indian ancestry is considered excepted employment for purposes of the Act respecting the Québec Pension Plan if the income derived from the work is “situated” in whole or in part on a reserve or premises and if the remuneration paid for the work is deductible in the calculation of the individual’s taxable income (box R of the RL-1 slip).

Consequently, you are not required to withhold QPP contributions from amounts that are paid, allocated, granted or awarded, as applicable, to an Indian or a person of Indian ancestry, and that constitute income derived from an office or employment, provided the income derived from this work is considered to be “situated” in whole or in part on a reserve or premises. Nor are you required to make employer contributions to the QPP in this respect.

However, if you are an employer that is an Indian and you pay remuneration that constitutes pensionable earnings under the Québec Pension Plan, you must make a QPP contribution equal to the contribution made by the employee who received the remuneration.

725(e), AQPP 50, 52, Bulletin RRQ. 50-3

Contribution to the health services fund and to the Fonds national de formation de la main-d'œuvre

Where the employer is, or is considered to be, an Indian, an Indian band or a band council within the meaning of the Indian Act (Statutes of Canada), the employer is not obliged to make a contribution to the health services fund with regard to remuneration paid or deemed paid to employees, regardless of whether the employees are Indians, provided the establishment from which the remuneration is paid is situated on a reserve or on certain lands set aside for the use and benefit of Indians.

In all other cases the employer, whether Indian or non-Indian, must pay the contribution to the health services fund.

Salaries or wages are not subject to the contribution to the health services fund if they can reasonably be attributed to the non-commercial activities of an Indian organization resident on a reserve that is dedicated to the well-being of the Indians or persons of Indian ancestry who live on the reserve. The purpose of the organization must be the social, cultural, educational or economic development of Indians or persons of Indian ancestry who live on the reserve, and the organization must be controlled by one or more bands, or one or more band councils representing one or more bands. An "Indian organization" means a legal person, a commission, a council, an association, a partnership or other organization.

Where an employer is, or is considered to be, an Indian, an Indian band or a band council within the meaning of the Indian Act, the employer is not obliged to participate in the development of worker training with respect to the portion of the total payroll that comprises remuneration paid or deemed paid to employees (regardless of whether the employees are Indians) from an establishment situated on a reserve or on certain lands set aside for the use and benefit of Indians.

In all other cases the employer, whether Indian or non-Indian, must participate in the development of worker training where the total payroll for 2002 exceeds \$250,000.

Bulletin RAMQ. 34-5/R1

Other employer contributions

As an employer, whether Indian or non-Indian, you must include any salary or wages you paid to an Indian or a person of Indian ancestry in your calculation of compensation tax (if applicable) and the contribution to the financing of the CNT.

H. Market makers

If you are a clearing member, you are not required to withhold income tax from an amount that you paid to the reserve account for contingent losses of a market maker. However, you must take the amount into account in calculating

- employer and employee contributions to the QPP;
- the contribution to the health services fund;
- the contribution to the financing of the CNT;
- compensation tax;
- the contribution to the Fonds national de formation de la main-d'œuvre.

An amount that a market maker receives from a reserve account for contingent losses (excluding the portion of such an amount that the market maker uses to offset a loss he or she is required to assume) is subject to source deductions of income tax. However, do not take the amount into account in calculating

- employer and employee contributions to the QPP;
- the contribution to the health services fund;
- the contribution to the financing of the CNT;
- compensation tax;
- the contribution to the Fonds national de formation de la main-d'œuvre.

58.1, 1015, 1015R1, 1015R3.2 to 1015R3.4, 1159.1 ("wages" and "amount paid as wages"), 1159.2, 1159.3(e), AQPP 45, 50, ARAMQ 33, 34, ALS 39.0.2, ADMT 4 and Schedule

I. Employees who work outside Canada

Remuneration for work performed outside Canada is not subject to QPP contributions except in the following situations:

- The salaries or wages are paid from your establishment located in Québec to employees who work outside Canada and who are not required to report for work at your establishment located in Canada or outside Canada.
- The salaries or wages are paid from your establishment located in Québec, and you have signed an agreement with the Régie des rentes du Québec respecting work performed outside Canada by employees who were resident in Québec at the time of their posting to a foreign country.
- The work is executed in a country that has signed a social security agreement with the Québec government, by employees who were resident in Québec at the time of their posting to the foreign country (see page 33, section I).

AQPP 2, 7, 215, AQPP (r. 8) 5, 6, 8, Bulletin RRQ. 7-2

You must, however, pay the contribution to the health services fund with respect to salaries or wages paid from your establishment in Québec to employees who work outside Canada and who are not required to report for work at your establishment, whether it is located in Canada or outside Canada.

If you posted one or more employees to a country that has signed a social security agreement with Québec, under which reciprocal health insurance coverage is provided, you must remit the contribution to the health services fund with respect to wages paid from your establishment located outside Canada (see page 36, section C).

ARAMQ 34, 34.0.2

Specified employers

Remuneration and allowances (including the value of board and lodging, and of transportation) paid to an employee who is resident in Québec, for work performed outside Canada, may entitle the employee to a deduction if you are a "specified employer" (within the meaning of section 737.24 of the Taxation Act) and you carry out one of the activities referred to in section 737.25 of the Act.

Provided the employee in question has filed form TP-1016-V, *Application for a Reduction in Source Deductions of Income Tax*, and you have received authorization from the Minister of Revenue (see page 13, section J), you are not required to withhold income tax from the deductible portion of the remuneration and allowance (or from any of the remuneration and allowance if they are deductible in their entirety).

To determine whether you are a specified employer and to find out what activities are specified by law, consult Chapter 4 of the *Guide to Filing the RL-1 Slip* (RL-1.G-V).

737.24 to 737.26, 1016

J. Employees of an international financial centre (IFC)

If you are a corporation (or partnership) operating an international financial centre (IFC), you must, in order to calculate an employee's remuneration subject to source deduction of income tax, subtract from the gross remuneration for each pay period the portion of the remuneration entitling the employee to the deduction for foreign specialists or the deduction for employees of an IFC.

However, you cannot subtract the amount in question from the employee's gross remuneration unless the Ministère des Finances issued a certificate or qualification certificate with respect to the employee for the previous taxation year. Moreover, the employee's conditions of employment for the pay period in question must be substantially the same as those which prevailed when the certificate or qualification certificate was issued.

If the conditions set forth in the above paragraph are not met, you must withhold income tax in accordance with the instructions given in Chapter 3 on page 20. You must do the same with respect to the portion of the employee's remuneration that does not give entitlement to the deduction for foreign specialists or the deduction for employees of an IFC.

So that the employee may claim one of these deductions in his or her 2002 income tax return, you must provide him or her with a letter containing the following information:

- the period during which the employee worked for the IFC;
- the portion of the reference period included in 2002, if the employee is entitled to the deduction for foreign specialists;
- any pertinent information regarding the deduction to which the employee is entitled.

For information about the requirements that must be met by employees claiming the deduction for foreign specialists or the deduction for employees of an IFC, refer to Chapter 4 of the *Guide to Filing the RL-1 Slip* (RL-1.G-V) for 2001 (the requirements have not changed for 2002).

IMPORTANT: You should follow the instructions in the pertinent chapters of this guide when calculating compensation tax and the following contributions:

- employee and employer contributions to the QPP;
- the contribution to the health services fund;
- the contribution to the financing of the CNT;
- the contribution to the Fonds national de formation de la main-d'oeuvre.

737.16, 737.16.1, AIFC 19 to 21, 51, 63, 65 to 73, 104, 108

K. Foreign specialists

The information in this section should be read in conjunction with the instructions given in Chapter 3 on page 20.

Follow the instructions in the pertinent chapters of this guide when calculating compensation tax and

- employee and employer contributions to the QPP;
- the contribution to the health services fund;
- the contribution to the financing of the CNT;
- the contribution to the Fonds national de formation de la main-d'oeuvre.

Foreign specialist working in the Montréal international trade zone at Mirabel

If you are a corporation (or partnership) operating a business within the Montréal international trade zone at Mirabel and you employ a foreign specialist respecting whom you have obtained a certificate from the Ministère des Finances, you are not required to withhold income tax from the gross remuneration that the individual earned during his or her exemption period (the period during which he or she was entitled to the deduction for foreign specialists).

If only a portion of the gross remuneration that you paid to the employee was earned during the employee's exemption period (this may happen if the entire pay period is not included in the exemption period), you must withhold income tax from the portion of the remuneration that is not related to the exemption period, according to the rules given in Chapter 3 on page 20.

The exemption period lasts five years, and generally begins on the date the individual takes up employment.

In order for an employee to qualify as a foreign specialist, the following conditions must be met:

- The employee took up employment with you after March 9, 1999, and worked exclusively or almost exclusively in the international trade zone.
- The employee was not resident in Canada immediately prior to the date on which he or she took up employment.
- The employee worked exclusively or almost exclusively, and on a continuous basis, for you.
- You obtained a certificate from the Ministère des Finances with respect to the employee, certifying that he or she is employed by you in an eligible business, as an administrator or professional whose expertise is widely recognized in his or her field.
- The employee's duties consist exclusively or almost exclusively in carrying out work relating to the activities specified on the above-mentioned certificate and carried out in the international trade zone.

The deduction for foreign specialists applies to all of the employee's income, from all sources.

So that the employee may claim the deduction for foreign specialists on his or her 2002 income tax return, you must give the employee a copy of the certificate issued by the Ministère des Finances (confirming that the employee qualifies as a foreign specialist), as well as a letter specifying

- the period of the year in which he or she was your employee;
- the period of the year included in the five-year period and the remuneration paid during this period.

737.18.6, 737.18.7, 737.18.10

Foreign specialist working in an information technology development centre (ITDC)

If you are a corporation operating a business that carries on an innovative project in a building housing an ITDC, and you employ a foreign specialist respecting whom you obtained a certificate from Investissement Québec, you are not required to withhold income tax from the portion of the gross remuneration (paid for a pay period) that gives entitlement to the deduction for foreign specialists.

In order for the employee to qualify as a foreign specialist, the following conditions must be met:

- The employee took up employment with you after March 25, 1997, under an employment contract entered into after that date.
- The employee was not resident in Canada immediately prior to the date on which he or she took up employment or the employment contract was entered into.
- The employee worked exclusively or almost exclusively, and on a continuous basis, for you.
- You obtained a certificate respecting the employee from Investissement Québec, confirming that he or she worked exclusively or almost exclusively in one or more of the following eligible activities:
 - training activities,
 - scientific research and experimental development;
 - specialized tasks in the management or financing of innovation activities;
 - specialized tasks in marketing or in the transfer of technologies.

The portion of the gross remuneration that gives entitlement to the deduction for foreign specialists is the portion related to the eligible activities carried out by the employee in the exemption period (generally, the five-year period following the date on which he or she takes up employment).

If the employee qualifies as a foreign specialist and the entire gross remuneration you pay the employee for a pay period is related to eligible activities carried out during his or her exemption period, you are not required to withhold income tax from the gross remuneration. However, if only part of the remuneration is related to eligible activities carried out in the exemption period, you must withhold income tax from the portion that is not related to such activities, in accordance with the rules given in Chapter 3 on page 20.

So that the employee may claim the deduction for foreign specialists on his or her 2002 income tax return, you must give the employee a copy of the certificate that you obtained in his or her regard. When you prepare the employee's RL-1 slip for 2002, you must indicate the income used to calculate the deduction for foreign specialists. This income corresponds to the portion of the remuneration paid in 2002 which is related to eligible activities carried out by the employee during his or her exemption period.

737.22.0.1, 737.22.0.3, 737.22.03R1, 1086R8.12.0.1

Foreign specialist working at the Centre de développement des biotechnologies de Laval

If you are a corporation operating a business that is carrying out an innovative project in the biotechnology sector at the Centre de développement des biotechnologies de Laval, and you employ a foreign specialist respecting whom you obtained a certificate from Investissement Québec, you are not required to withhold income tax from the portion of the gross remuneration (paid for a pay period) that gives entitlement to the deduction for foreign specialists.

In order for the employee to qualify as a foreign specialist, the following conditions must be met:

- The employee took up employment with you after March 29, 2001, under an employment contract entered into after that date.
- The employee worked exclusively or almost exclusively in one or more of the following eligible activities:
 - training activities,
 - scientific research and experimental development;
 - specialized tasks in the management or financing of innovation activities;
 - specialized tasks in marketing or in the transfer of technologies;
 - other activities related to the biotechnology sector.
- The employee was not resident in Canada immediately prior to the date on which he or she took up employment or the employment contract was entered into.
- The employee worked exclusively or almost exclusively, and on a continuous basis, for you.
- You obtained a certificate from Investissement Québec with respect to the employee.

The portion of the gross remuneration that gives entitlement to the deduction for foreign specialists is the portion related to the eligible activities carried out by the employee in the exemption period (generally, the five-year period following the date on which he or she takes up employment).

If the employee qualifies as a foreign specialist and the entire gross remuneration that you pay the employee for a pay period is related to eligible activities carried out during his or her exemption period, you are not required to withhold income tax from the gross remuneration. However, if only part of the remuneration is related to eligible activities carried out in the exemption period, you must withhold income tax from the portion that is not related to such activities, in accordance with the rules given in Chapter 3 on page 20.

So that the employee may claim the deduction for foreign specialists on his or her 2002 income tax return, you must give the employee a copy of the certificate you received in his or her regard. When you prepare the employee's RL-1 slip for 2002, you must indicate the income used to calculate the deduction; this income corresponds to the portion of the remuneration paid in 2002 that is related to the eligible activities carried out by the employee during his or her exemption period.

Foreign specialist working in the Cité du multimédia, the Centre national des nouvelles technologies de Québec (CNNTQ) or a marketplace for the new economy (MNE)

If you are a corporation operating a business in the Cité du multimédia or in designated premises of the CNNTQ, or if you are a corporation operating a business that is carrying out an innovative project in a building that houses some or all of the businesses grouped in an MNE, and you employ a foreign specialist respecting whom you obtained a certificate from Investissement Québec, you are not required to withhold income tax from the portion of the gross remuneration (paid for a pay period) that gives entitlement to the deduction for foreign specialists.

In order for the employee to qualify as a foreign specialist, the following conditions must be met:

- The employee took up employment with you after March 14, 2000, under an employment contract entered into after that date.
- The employee worked exclusively or almost exclusively in one or more of the following eligible activities:
 - training activities;
 - scientific research and experimental development;
 - specialized tasks in the management or financing of innovation activities;
 - specialized tasks in marketing or in the transfer of technologies.
- The employee was not resident in Canada immediately prior to the date on which he or she took up employment or the employment contract was entered into.
- The employee worked exclusively or almost exclusively, and on a continuous basis, for you.
- You obtained a certificate from Investissement Québec with respect to the employee.

The portion of the gross remuneration that gives entitlement to the deduction for foreign specialists is the portion related to the eligible activities carried out by the employee in the exemption period (generally, the five-year period following the date on which he or she takes up employment).

If the employee qualifies as a foreign specialist and the entire gross remuneration that you pay the employee for a pay period is related to eligible activities carried out during his or her exemption period, you are not required to withhold income tax from the gross remuneration. However, if only part of the remuneration is related to eligible activities carried out in the exemption period, you must withhold income tax from the portion that is not related to such activities, in accordance with the rules given in Chapter 3 on page 20.

So that the employee may claim the deduction for foreign specialists on his or her 2002 income tax return, you must give the employee a copy of the certificate you received in his or her regard. When you prepare the employee's RL-1 slip for 2002, you must indicate the income used to calculate the deduction; this income corresponds to the portion of the remuneration paid in 2002 that is related to the eligible activities carried out by the employee during his or her exemption period.

737.22.0.1, 737.22.0.3, 737.22.0.3R1, 1086R8.12.0.1

Foreign specialist working in the Cité du commerce électronique

If you are a corporation operating a business in the Cité du commerce électronique, and you employ a foreign specialist respecting whom you obtained a certificate from the Ministère des Finances, you are not required to withhold income tax from the portion of the gross remuneration (paid for a pay period) that gives entitlement to the deduction for foreign specialists.

In order for the employee to qualify as a foreign specialist, the following conditions must be met:

- The employee took up employment with you after May 11, 2000, under an employment contract entered into after that date.

- The employee worked exclusively or almost exclusively in one or more of the following eligible activities:
 - the development and supply of products and services relating to E-commerce, such as consulting services relating to E-commerce solutions, processes and technology, and the development and integration of information systems and technology infrastructures;
 - activities relating to the operation of E-commerce solutions, such as the management, operation, maintenance and development of systems, applications and infrastructures, including technical assistance services to businesses and customers, 24 hours a day, seven days a week.

Note: The following activities do not constitute eligible activities:

- the repair, maintenance or reconditioning of material or equipment;
- the manufacturing of machines, instruments, components, parts, material or equipment;
- the assembly of parts or components.

- The employee's duties consist exclusively or almost exclusively in carrying out:
 - training;
 - scientific research and experimental development;
 - development and operation of technology systems or infrastructures;
 - specialized tasks in the management or financing of innovation activities, in marketing, or in the transfer of technologies.
- The employee was not resident in Canada immediately prior to the date on which he or she took up employment or the employment contract was entered into.
- The employee worked exclusively or almost exclusively, and on a continuous basis, for you.
- You obtained a certificate from the Ministère des Finances with respect to the employee.

The portion of the gross remuneration that gives entitlement to the deduction for foreign specialists is the portion related to the eligible activities carried out by the employee in the exemption period (generally, the five-year period following the date on which he or she takes up employment).

If the employee qualifies as a foreign specialist and the entire gross remuneration that you pay the employee for a pay period is related to eligible activities carried out during his or her exemption period, you are not required to withhold income tax from the gross remuneration. However, if only part of the remuneration is related to eligible activities carried out in the exemption period, you must withhold income tax from the portion that is not related to such activities, in accordance with the rules given in Chapter 3 on page 20.

So that the employee may claim the deduction for foreign specialists on his or her 2002 income tax return, you must give the employee a copy of the certificate you received in his or her regard. When you prepare the employee's RL-1 slip for 2002, you must indicate the income used to calculate the deduction; this income corresponds to the portion of the remuneration paid in 2002 that is related to the eligible activities carried out by the employee during his or her exemption period.

L. Foreign researchers

The information in this section should be read in conjunction with the instructions given in Chapter 3 on page 20.

Follow the instructions in the pertinent chapters of this guide when calculating compensation tax and

- employee and employer contributions to the QPP;
- the contribution to the health services fund;
- the contribution to the financing of the CNT;
- the contribution to the Fonds national de formation de la main-d'oeuvre.

Foreign researcher working for a business that carries out research

If you operate a business that carries out scientific research and experimental development in Québec (or has scientific research and experimental development carried out on its behalf), and you employ a foreign researcher respecting whom you obtained a certificate from the Ministère de la Recherche, de la Science et de la Technologie, you are not required to withhold income tax from the portion of the gross remuneration (paid for a pay period) that gives entitlement to the deduction for foreign researchers.

In order for the employee to qualify as a foreign researcher, the following conditions must be met:

- The employee took up employment with you in 1997 or a subsequent year.
- The employee carried out duties exclusively or almost exclusively in the area of scientific research and experimental development.
- The employee was not resident in Canada immediately prior to the date on which he or she took up employment or the employment contract was entered into.
- The employee worked exclusively or almost exclusively, and on a continuous basis, for you.
- You obtained a certificate from the Ministère de la Recherche, de la Science et de la Technologie with respect to the employee.

The portion of the gross remuneration that gives entitlement to the deduction for foreign researchers is the portion related to the research activities carried out by the employee in the exemption period (generally, the five-year period following the date on which he or she takes up employment).

If the employee qualifies as a foreign researcher and the entire gross remuneration that you pay the employee for a pay period is related to research activities carried out during his or her exemption period, you are not required to withhold income tax from the gross remuneration. However, if only part of the remuneration is related to research activities carried out in the exemption period, you must withhold income tax from the portion that is not related to such activities, in accordance with the rules given in Chapter 3 on page 20.

So that the employee may claim the deduction for foreign researchers on his or her 2002 income tax return, you must give the employee a copy of the certificate you received in his or her regard. When you prepare the

employee's RL-1 slip for 2002, you must indicate the income used to calculate the deduction; this income corresponds to the portion of the remuneration paid in 2002 that is related to the research activities carried out by the employee during his or her exemption period.

737.19 to 737.21, 737.21R1, 1086R8.12

Foreign researcher on a post-doctoral internship

If you are a university entity or a public research centre recognized for the purposes of the tax measures applicable to scientific research and experimental development, and you employ a foreign researcher on a post-doctoral internship respecting whom you obtained a certificate from the Ministère de l'Éducation, you are not required to withhold income tax from the portion of the gross remuneration (paid for a pay period) that gives entitlement to the deduction for foreign researchers on a post-doctoral internship.

In order for the employee to qualify as a foreign researcher on a post-doctoral internship, the following conditions must be met:

- The employee took up employment with you after March 31, 1998, under an employment contract entered into after that date.
- The employee carried out duties exclusively or almost exclusively in the area of scientific research and experimental development.
- The employee was not resident in Canada immediately prior to the date on which he or she took up employment or the employment contract was entered into.
- The employee worked exclusively or almost exclusively, and on a continuous basis, for you.
- You obtained a certificate from the Ministère de l'Éducation with respect to the employee.

The portion of the gross remuneration that gives entitlement to the deduction for foreign researchers on a post-doctoral internship is the portion related to the research activities carried out by the employee in the exemption period (generally, the five-year period following the date on which he or she takes up employment).

If the employee qualifies as a foreign researcher on a post-doctoral internship and the entire gross remuneration that you pay the employee for a pay period is related to research activities carried out during his or her exemption period, you are not required to withhold income tax from the gross remuneration. However, if only part of the remuneration is related to research activities carried out in the exemption period, you must withhold income tax from the portion that is not related to such activities, in accordance with the rules given in Chapter 3 on page 20.

So that the employee may claim the deduction for foreign researchers on a post-doctoral internship on his or her 2002 income tax return, you must give the employee a copy of the certificate you received in his or her regard. When you prepare the employee's RL-1 slip for 2002, you must indicate the income used to calculate the deduction; this income corresponds to the portion of the remuneration paid in 2002 that is related to the research activities carried out by the employee during his or her exemption period.

737.22.0.0.1 to 737.22.0.0.3, 737.22.0.0.3R1, 1086R8.12.0.0.1

M. Foreign experts

The information in this section should be read in conjunction with the instructions given in Chapter 3 on page 20.

Follow the instructions in the pertinent chapters of this guide when calculating compensation tax and

- employee and employer contributions to the QPP;
- the contribution to the health services fund;
- the contribution to the financing of the CNT;
- the contribution to the Fonds national de formation de la main-d'oeuvre.

Foreign expert working for a business that carries out research

If you operate a business that carries out scientific research and experimental development in Québec (or has scientific research and experimental development carried out on its behalf), and you employ a foreign expert respecting whom you obtained a certificate from the Ministère de la Recherche, de la Science et de la Technologie, you are not required to withhold income tax from the portion of the gross remuneration (paid for a pay period) that gives entitlement to the deduction for foreign experts.

In order for the employee to qualify as a foreign expert, the following conditions must be met:

- The employee took up employment with you for the first time after March 9, 1999, under an employment contract entered into after that date.
- The employee was not resident in Canada immediately prior to the date on which he or she took up employment or the employment contract was entered into.
- The employee carried out his or her duties as part of an R&D project, before, during or after the realization of the project.
- The employee worked exclusively or almost exclusively, and on a continuous basis, for you.
- You obtained a certificate from the Ministère de la Recherche, de la Science et de la Technologie confirming that the employee is such an expert.

The portion of the gross remuneration that gives entitlement to the deduction for foreign experts is the portion related to

- the management or financing of innovative activities, or
- marketing abroad or transfer of advanced technologies, carried out by the employee during his or her exemption period (generally, the five-year period following the date on which he or she takes up employment).

If the employee qualifies as a foreign expert and the entire gross remuneration that you pay the employee for a pay period is related to eligible activities that are specified above and carried out during his or her exemption period, you are not required to withhold income tax from the gross remuneration. However, if only part of the remuneration is related to such activities carried out in the exemption period, you must withhold income tax from the portion that is not related to such activities, in accordance with the rules given in Chapter 3 on page 20.

So that the employee may claim the deduction for foreign experts in his or her 2002 income tax return, you must give the employee a copy of the certificate you received in his or her regard. When you prepare the employee's RL-1 slip for 2002, you must indicate the income used to calculate the deduction; this income corresponds to the portion of the remuneration paid in 2002 that is related to the management or financing of innovative activities or to marketing abroad or transfer of advanced technologies, where these activities are carried out by the employee during his or her exemption period.

737.22.0.0.5 to 737.22.0.0.7

Foreign expert working for a stock exchange business or a securities clearing house business

If you are a corporation that operates a stock exchange business or a securities clearing house business within the territory of the City of Montréal, and you employ a foreign expert respecting whom you obtained a certificate from the Ministère des Finances, you are not required to withhold income tax from the gross remuneration that the employee earned during his or her exemption period (the period in which he or she is entitled to the deduction for foreign experts).

If only part of the gross remuneration that you paid to the employee was earned during his or her exemption period (this may happen where the entire pay period is not included in the exemption period), you must withhold income tax from the portion that is not related to the exemption period, in accordance with the rules given in Chapter 3 on page 20.

The exemption period lasts five years, and generally begins on the date the individual takes up employment.

In order for an employee to qualify as a foreign expert, the following conditions must be met:

- The employee took up employment with you after April 26, 2000, and carried out his or her duties at the corporation's establishment situated within the territory of the City of Montréal, or (provided the duties were in relation to his or her employment at such establishment) at some other place.
- The employee was not resident in Canada immediately prior to the date on which he or she took up employment or the employment contract was entered into.
- The employee worked exclusively or almost exclusively for you.
- The employee's duties consisted exclusively or almost exclusively in carrying out, supervising or supporting work respecting the corporation's eligible activities (i.e., its operations as a stock exchange or a securities clearing house).
- You obtained a certificate from the Ministère des Finances with respect to the employee.

The deduction for foreign experts applies to all of the employee's income, from all sources.

So that the employee may claim the deduction for foreign experts in his or her 2002 income tax return, you must give the employee a copy of the certificate issued by the Ministère des Finances (confirming that the employee qualifies as a foreign expert), as well as a letter specifying

- the period of the year in which he or she was your employee;
- the period of the year included in the five-year period and the remuneration paid during this period.

N. Québec sailors

The information in this section should be read in conjunction with the instructions given in Chapter 3 on page 20.

Follow the instructions in the pertinent chapters of this guide when calculating compensation tax and

- employee and employer contributions to the QPP;
- the contribution to the health services fund;
- the contribution to the financing of the CNT;
- the contribution to the Fonds national de formation de la main-d'oeuvre.

If you are an eligible shipowner, and you employ a sailor who was resident in Québec in 2002 and respecting whom you have obtained a certificate from the Ministère des Transports confirming that the sailor

- is employed for the year by an eligible shipowner,
- carries out all or substantially all employment duties on a vessel engaged in international freight transportation,
- is assigned to such a vessel for a period of at least 10 consecutive days starting in the year or in a previous year,

you are not required to withhold income tax from the gross remuneration that you pay the sailor for each pay period.

An “eligible shipowner” is a shipowner that is

- a person resident in Canada,
- a corporation that is a foreign affiliate of such a person, or
- a partnership, where more than 10% of the fair market value of the interests in the partnership is attributable to interests belonging to its members resident in Canada (including members that are corporations controlled by persons resident in Canada).

So that the employee may claim the deduction to which he or she is entitled on the 2002 income tax return, you must indicate the amount of the employee’s remuneration in the centre of the RL-1 slip issued in his or her name.

737.27, 737.28

O. Foreign professors

The information in this section should be read in conjunction with the instructions given in Chapter 3 on page 20.

Follow the instructions in the pertinent chapters of this guide when calculating compensation tax and

- employee and employer contributions to the QPP;
- the contribution to the health services fund;
- the contribution to the financing of the CNT;
- the contribution to the Fonds national de formation de la main-d'oeuvre.

If you are a Québec university and you employ a foreign professor respecting whom you have obtained a certificate from the Ministère de l'Éducation, you are not required to withhold income tax from the portion of the gross remuneration (for a pay period) that gives entitlement to the deduction for foreign professors.

In order for an employee to qualify as a foreign professor, the following conditions must be met:

- The employee took up employment with you after June 29, 2000, under an employment contract entered into after that date.

- The employee was not resident in Canada immediately prior to the date on which he or she took up employment or the employment contract was entered into.
- The employee carried out duties exclusively or almost exclusively in the field of science, engineering, finance, health, or new information or communications technologies.
- The employee worked exclusively or almost exclusively, and on a continuous basis, for you.
- You obtained a certificate from the Ministère de l'Éducation du Québec confirming that the employee is specialized in one of the above-mentioned fields and holds a doctoral degree.

The portion of the gross remuneration that gives entitlement to the deduction for foreign professors is the portion related to the eligible activities carried out by the employee in the exemption period (generally, the five-year period following the date on which he or she takes up employment).

If the employee qualifies as a foreign professor and the entire gross remuneration that you pay the employee for a pay period is related to eligible activities carried out during his or her exemption period, you are not required to withhold income tax from the gross remuneration. However, if only part of the remuneration is related to eligible activities carried out in the exemption period, you must withhold income tax from the portion that is not related to such activities, in accordance with the rules given in Chapter 3 on page 20.

So that the employee may claim the deduction for foreign professors in his or her 2002 income tax return, you must give the employee a copy of the certificate you received in his or her regard. When you prepare the employee’s RL-1 slip for 2002, you must indicate the income used to calculate the deduction; this income corresponds to the portion of the remuneration paid in 2002 that is related to eligible activities carried out by the employee during his or her exemption period.

P. Foreign producers

The information in this section should be read in conjunction with the instructions given in Chapter 3 on page 20.

Follow the instructions in the pertinent chapters of this guide when calculating compensation tax and

- employee and employer contributions to the QPP;
- the contribution to the health services fund;
- the contribution to the financing of the CNT;
- the contribution to the Fonds national de formation de la main-d'oeuvre.

If you employ a foreign producer who holds a certificate issued for the year by the Société de développement des entreprises culturelles (SODEC), attesting that he or she works as a producer with respect to an eligible film production, you are not required to withhold income tax from the portion of the gross remuneration that you pay the producer (for a pay period) with respect to a film production recognized by SODEC.

If only part of the remuneration relates to such a production, you must withhold income tax from the portion of the remuneration that does not relate to such a production, in accordance with the rules given in Chapter 3 on page 20.

Q. Persons not resident in Canada who hold an office or employment in Québec

Salary or wages paid to an individual who is not resident in Canada and who holds an office or regular and continuous employment in Québec are subject to

- income tax withholdings (however, if the salary or wages are tax-exempt by virtue of a tax treaty or agreement between Québec and the individual's country of origin, you may be exempted from withholding income tax [see page 13, section J]);
- employer and employee contributions to the QPP (unless the employee is posted temporarily to Québec, Québec has signed a social security agreement with the individual's country of origin [see page 33, section I], and the other applicable conditions are met);
- the contribution to the health services fund;
- the contribution to the financing of the CNT;
- compensation tax.

The salary or wages must also be included in the total payroll used to calculate your minimum participation in the development of worker training.

Source Deductions Return (form TP-1015.3-V)

The deductions and personal tax credits on form TP-1015.3-V may be limited if the individual in question is not resident in Canada in 2002 or becomes a resident in 2002.

Individual who spends fewer than 183 days in Québec

An individual who spends fewer than 183 days in Québec in 2002 and expects to include at least 90% of his or her income for the year (from all sources) in the calculation of taxable income earned in Canada may enter the total of the amounts used in calculating personal tax credits on lines 1 to 5 and line 15 of form TP-1015.3-V (version marked "2002-01"), unless he or she earned income in another Canadian province or territory. If that is the case, contact the Ministère du Revenu.

No amount may be entered with regard to the tax reduction for families, the deduction respecting support payments made by the individual or the tax credit for child-care expenses.

Furthermore, no amount may be entered on form TP-1015.3-V if the individual expects that less than 90% of his or her income for the year from all sources will be included in the calculation of taxable income earned in Canada.

752.0.25

Individual who spends more than 182 days in Québec

An individual who spends more than 182 days in Québec in 2002 is deemed to be resident in Québec for the entire year, and may enter on form TP-1015.3-V (version marked "2002-01") the total of the amounts used to calculate the tax credits and deductions to which he or she is entitled.

8, 22

Individual who becomes a Canadian resident

If the individual becomes a Canadian resident in 2002, contact the Ministère du Revenu to find out what amounts should be entered on form TP-1015.3-V.

23, 24, 752.0.24, 752.0.25, 1016, 1029.8.73, 1029.8.77.1

R. Persons not resident in Canada who perform services in Québec

If you make a payment for services performed in Québec by a person (including a corporation) not resident in Canada, other than in the course of regular and continuous employment, you must withhold 9% income tax from the payment.

If the payment is made to an individual who holds a certificate issued for the year by the Société de développement des entreprises culturelles (SODEC), attesting that he or she works as a producer with respect to a film production recognized by SODEC, you are not required to withhold 9% income tax from the amounts paid to the person in this respect (including salary or wages).

If, under the rules outlined above, you are required to withhold 9% income tax from a payment but fail to do so, a penalty will be imposed (see the section "Payment made to a person not resident in Canada" on page 15).

If the payment is made to an employee, it is also subject to employer and employee contributions to the QPP and may be subject to the contribution to the health services fund.

1015R8, AMR 23, 59.2

S. Employees who are not resident in Canada and do not hold an office or employment in Canada

You must not make source deductions with respect to remuneration paid to an employee who is not resident in Canada and does not hold an office or employment in Canada. However, this rule does not apply to

- remuneration paid to an employee who ceased to be resident in Québec in the year or in a previous year, unless the remuneration
 - is subject to income tax or profits tax, payable to the government of a country other than Canada, or
 - is paid with respect to the sale of goods, the negotiation of contracts or the provision of services, by the employer, a foreign subsidiary of the employer or another person with whom the employer is not dealing at arm's length, in the course of the activities of a business carried on by the employer, a foreign subsidiary of the employer or another person with whom the employer is not dealing at arm's length;
- remuneration that may reasonably be attributed to the duties of an office or employment that are or will be carried out in Québec by a person not resident in Canada.

For information concerning the factors taken into consideration by the Ministère in determining the residency status of an individual who leaves Québec and Canada, see interpretation bulletin IMP. 22-3/R1.

1015R12, Bulletin IMP. 22-3/R1

10 Computerized calculation of income tax withholdings, QPP contributions and the contribution to the health services fund

This chapter provides the mathematical formulas used to calculate withholdings of Québec income tax made on a regular basis or on a cumulative-averaging basis. It also contains the formulas used to calculate employee QPP contributions and the employer contribution to the health services fund. Any changes you wish to make to the formulas must be submitted to the Ministère for approval. For further information, contact the Ministère at the following address, telephone number, or fax number:

Direction des lois sur les impôts
Direction générale de la législation et des enquêtes

Ministère du Revenu
3800, rue de Marly,
Sainte-Foy (Québec)
G1X 4A5

Telephone: (418) 652-6836
Fax: (418) 643-2699

Note: Source deductions respecting single payments must be made in accordance with the instructions on page 25, section J.

A. Principal changes

The mathematical formulas have been revised to take into account changes in

- the income tax rates, which are now 16% for the lowest income tax bracket, 20% for the middle income tax bracket and 24% for the highest income tax bracket;
- the rate for converting amounts to personal tax credits, which has decreased from 20.75% to 20%;
- the QPP contribution rate, which has increased from 4.3% to 4.7% (for both employers and employees).

The portion of the remuneration that gives entitlement to the following deductions has been added to variables F and F₁:

- the deduction for a foreign researcher who carries out duties in the area of scientific research and experimental development;
- the deduction for a foreign researcher on a post-doctoral internship;
- the deduction for a foreign expert who carries out duties as part of a scientific research and experimental development project;
- the deduction for a foreign specialist working in an information technology development centre (ITDC) or in the Centre de développement des biotechnologies de Laval;
- the deduction for a foreign specialist working in the Cité du multimédia, the Centre national des nouvelles technologies de Québec (CNNTQ) or a marketplace for the new economy (MNE);
- the deduction for a foreign specialist working in the Cité du commerce électronique;
- the deduction for a Québec sailor who is assigned to international freight transportation;
- the deduction for a foreign professor working for a Québec university;
- the deduction for a foreign expert working for a corporation that operates, within the territory of the City of Montréal, a stock exchange business or a securities clearing house business;
- the deduction for a foreign producer.

B. Source deductions of income tax

In defining certain variables in the following calculations, we refer to lines of form TP-1015.3-V, *Source Deductions Return*. The line numbers given are those of the 2002-01 version of the form. However, if the most recent TP-1015.3-V form that the individual completed was not the 2002-01 version, you must adjust the amounts in question (because of the indexation of the Québec income tax system). In other words, you must take into account the amounts that would have been used in calculating the tax credits and deductions concerned had the individual completed the 2002-01 version of the form.

1. Calculation of income tax to be withheld on a regular basis

This formula must be used to calculate income tax withholdings for employees who receive regular remuneration. The formula must also be used by payers of retirement income.

If you pay bonuses in addition to regular remuneration, use the formula given on the following page under “Bonuses and retroactive pay.”

Regular payments

Definition of variables

A = Québec income tax to be withheld at source for the pay period

$$= \frac{Y}{P} + L$$

Enter “0” if the result is negative.

E = Amount from line 7 of form TP-1015.3-V (version marked “2002-01”)

F = Contributions to an RPP, a retirement compensation arrangement or an RRSP, withheld for the pay period, or portion of the remuneration paid to one of the following persons that gives entitlement to a deduction for the pay period:

- an employee of a corporation (or partnership) that operates an international financial centre (IFC)
- a foreign specialist working for a corporation (or partnership) that operates an eligible business in the Montréal international trade zone at Mirabel
- a foreign specialist working in an ITDC or in the Centre de développement des biotechnologies de Laval
- a foreign specialist working in the Cité du multimédia, the CNNTQ, an MNE or the Cité du commerce électronique
- a foreign researcher who carries out duties in the area of scientific research or experimental development
- a foreign researcher on a post-doctoral internship
- a Québec sailor who is assigned to international freight transportation
- a foreign professor working for a Québec university
- a foreign expert working for a corporation that operates, within the territory of the City of Montréal, a stock exchange business or a securities clearing house business

- a foreign expert who carries out duties as part of a scientific research and experimental development project
- a foreign producer

G = Gross income from an office or employment, as well as regular payments subject to source deductions (e.g., retirement benefits), for the pay period. Do not include bonuses, retroactive pay or similar payments.

I = Annual taxable income

$$= [P(G - F)] - J - J_1$$

J = Deductions indicated on line 19 of form TP-1015.3-V (version marked “2002-01”). If J is determined after the first pay period in the year, make an adjustment using the following formula:

$$\frac{P(J_3)}{Pr}$$

J₁ = Annual deductions authorized by the Ministère du Revenu subsequent to the filing of form TP-1016-V, *Application for a Reduction in Source Deductions of Income Tax* (e.g., the deduction granted to an employee working outside Canada). If J₁ is determined after the first pay period in the year, make an adjustment using the following formula:

$$\frac{P(J_2)}{Pr}$$

J₂ = Deductions authorized by the Ministère du Revenu after the first pay period in the year

J₃ = 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 this page)

K₁ = Non-refundable tax credits for the year authorized by the Ministère du Revenu subsequent to the filing of form TP-1016-V, *Application for a Reduction in Source Deductions of Income Tax* (e.g., the tax credit for charitable donations). If K₁ is determined after the first pay period in the year, make an adjustment using the following formula:

$$\frac{P(K_2)}{Pr}$$

K₂ = Non-refundable tax credits authorized by the Ministère du Revenu after the first pay period in the year

L = Additional source deduction of income tax requested by an individual 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 (version marked “2002-01”) 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 or class A or class B shares in the Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l’emploi (called “Fondaction”). The amount giving entitlement to the credit for the year must not exceed \$5,000.

For the pay period in which the maximum annual amount 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 on this page)

Y = Québec income tax for the year

$$= T(I) - K - K_1 - 0.20(E) - 0.15(P(Q))$$

Enter “0” if the amount is negative.

Income tax table

Annual taxable income (I)		T	K
Over	But not over		
\$0	\$26,700	16%	\$0
\$26,700	\$53,405	20%	\$1,068.00
\$53,405		24%	\$3,204.20

Bonuses and retroactive pay

You may use Method 1 or Method 2 to calculate the income tax to be withheld from bonuses, retroactive pay, or lump-sum payments such as those respecting accumulated overtime or unused vacation time. Please note that Method 1 is more precise than Method 2.

Method 1

Definition of variables

The variables that are not defined below remain the same as those previously used for regular payments.

A₁ = Québec income tax to be withheld at source from a bonus or from retroactive pay that was paid during the pay period

$$= Y_2 - Y_1$$

B₁ = Bonuses or retroactive pay paid since the beginning of the year (excluding the amount of variable B₂) (see note 1 on the following page)

B₂ = Bonuses or retroactive pay paid during the pay period (see note 1 on the following page)

F₁ = Contributions to an RPP, a retirement compensation arrangement or an RRSP, withheld **to the date** the bonus was paid, or portion of the remuneration of one of the following persons **that gives entitlement to a deduction**:

- an employee of a corporation (or partnership) that operates an IFC
- a foreign specialist working for a corporation (or partnership) that operates an eligible business in the Montréal international trade zone at Mirabel
- a foreign specialist working in an ITDC or in the Centre de développement des biotechnologies de Laval
- a foreign specialist working in the Cité du multimédia, the CNNTQ, an MNE or the Cité du commerce électronique
- a foreign researcher who carries out duties in the area of scientific research or experimental development
- a foreign researcher on a post-doctoral internship
- a Québec sailor who is assigned to international freight transportation
- a foreign professor working for a Québec university
- a foreign expert working for a corporation that operates, within the territory of the City of Montréal, a stock exchange business or a securities clearing house business
- a foreign expert who carries out duties as part of a scientific research and experimental development project
- a foreign producer

G₁ = Gross income from an office or employment **to the date** the bonus was paid

I_1 = Annual taxable income to the date the bonus was paid

$$= (G_1 - F_1) + [\text{Pr} (G - F)] - J - J_1$$

Pr = Number of pay periods remaining in the year

$$Y_1 = [T (I_1 + B_1)] - K - K_1 - 0.20 (E) - 0.15 (P(Q))$$

$$Y_2 = [T (I_1 + B_1 + B_2)] - K - K_1 - 0.20 (E) - 0.15 (P(Q))$$

Note 1: Subtract, from the bonuses or retroactive pay paid since the beginning of the year (variable B_1) and from the bonuses or retroactive pay paid during the pay period (variable B_2), any contributions to an RPP, a retirement compensation arrangement or an RRSP (variable F) that have been deducted from such bonuses or retroactive pay. You must also subtract from variables B_1 and B_2 the portion of the amounts paid as bonuses or retroactive pay that gives entitlement to one of the following deductions:

- the deduction for an employee of a corporation (or partnership) that operates an IFC;
- the deduction for a foreign specialist working for a corporation (or partnership) that operates an eligible business in the Montréal international trade zone at Mirabel;
- the deduction for a foreign researcher who carries out duties in the area of scientific research or experimental development;
- the deduction for a foreign researcher on a post-doctoral internship;
- the deduction for a foreign expert who carries out duties as part of a scientific research and experimental development project;
- the deduction for a foreign specialist working in an ITDC or in the Centre de développement des biotechnologies de Laval;
- the deduction for a foreign specialist working in the Cité du multimédia, the CNNTQ, an MNE or the Cité du commerce électronique;
- the deduction for a Québec sailor who is assigned to international freight transportation;
- the deduction for a foreign professor working for a Québec university;
- the deduction for a foreign expert working for a corporation that operates, within the territory of the City of Montréal, a stock exchange business or a securities clearing house business;
- the deduction for a foreign producer.

Note 2: The income tax rate (variable T) applicable to the bracket of annual taxable income may vary in the calculation of variables Y_1 and Y_2 . The rate must be adjusted by including the bonus or retroactive pay paid during the pay period (Y_2) or excluding the bonus or retroactive pay (Y_1).

Method 2

- Determine the taxable income (variable I) respecting regular payments.
- Determine the amount of the bonuses or retroactive pay paid since the beginning of the year (variable B_1), without taking into account the amount paid during the pay period.
- Determine the amount of the bonuses or retroactive pay paid during the pay period (variable B_2).

(d) Add the amounts determined in (a) through (c) to obtain the taxable income.

(e) Calculate the income tax withholding as follows:

- Subtract, from the bonuses or retroactive pay paid during the pay period (variable B_2), the following amounts:
 - amounts withheld as contributions to a registered pension plan (RPP);
 - amounts withheld as contributions under a retirement compensation arrangement;
 - amounts withheld as RRSP contributions;
 - the portion of any amounts paid as bonuses or retroactive pay to an employee of an IFC, to a foreign researcher, specialist, expert, producer or professor, or to a Québec sailor, that gives entitlement to a deduction indicated in note 1 on this page.
- Multiply the result by the income tax rate that corresponds to the bracket of annual taxable income (see the income tax table on page 57) determined in (d).

Example

An employee whose gross annual salary is \$34,500 receives \$4,000 in retroactive pay during the pay period. The employee contributed \$250 to an RRSP during the pay period.

Variable I	\$34,500.00
Variable B_1	+ 0
Variable B_2	+ \$4,000.00
Annual taxable income	= \$38,500.00

The income tax rate is therefore 20%.

Retroactive pay	\$4,000.00
Contribution to an RRSP	– \$250.00
	= \$3,750.00
	x 0.20
Income tax withholding on retroactive pay	= \$750.00

2. Calculation of income tax to be withheld on a cumulative-averaging basis

This formula must be used by employers to calculate the income tax withholdings of an employee whose remuneration varies (for example, an employee who is paid a commission on sales).

You may use either of the following two methods to calculate income tax to be withheld, on a cumulative-averaging basis, from bonuses or retroactive pay. Method 1 allows the Québec income tax withholding from such amounts to be spread out over the pay periods remaining in the year, while under Method 2 the withholding is calculated for the pay period concerned.

Method 1

Definition of variables

A = Québec income tax to be withheld at source for the pay period

$$= \frac{[(Y/S_1) - M]}{L} + L$$

Enter "0" if the result is negative.

B = Bonuses or retroactive pay paid during the pay period **plus** bonuses or retroactive pay paid since the beginning of the year

- E = Amount from line 7 of form TP-1015.3-V (version marked “2002-01”)
- F = Contributions since the beginning of the year (including the pay period) to an RPP, a retirement compensation arrangement or an RRSP, or portion of the remuneration of an employee of an IFC, of a foreign researcher, specialist, expert, producer or professor, or a Québec sailor, that gives entitlement to a deduction indicated in note 1 on page 58.
- G = Gross income from an office or employment for the pay period and all amounts subject to source deductions of income tax plus total remuneration since the beginning of the year (excluding the amount of variable B)
- I = Estimated annual taxable income

$$= S_1 (G - F) + B - J - J_1$$
 Enter “0” if the result is negative.
- J = Deductions indicated on line 19 of form TP-1015.3-V (version marked “2002-01”)
- J_1 = Annual deductions authorized by the Ministère du Revenu subsequent to the filing of form TP-1016-V, *Application for a Reduction in Source Deductions of Income Tax* (e.g., the deduction granted to an employee working outside Canada)
- K = Constant applicable to the adjustment of the income tax rate (see the income tax table on page 57)
- K_1 = Non-refundable tax credits authorized by the Ministère du Revenu subsequent to the filing of form TP-1016-V, *Application for a Reduction in Source Deductions of Income Tax* (e.g., the tax credit for charitable donations)
- L = Additional source deduction of income tax requested by an individual 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 (version marked “2002-01”) 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 or class A or class B shares in the Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l’emploi (called “Fondation”) plus the amount withheld for this purpose since the beginning of the year. The amount giving entitlement to the credit for the year must not exceed \$5,000. For the pay period in which the maximum annual amount is reached, the value of variable Q must be zero.
- S_1 = Annualization factor (i.e., 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
1st pay period	S_1	52/1	26/1	24/1
2nd 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 on page 57)
- Y = Québec income tax for the year

$$= T (I) - K - K_1 - 0.20 (E) - 0.15 (S_1(Q))$$

Method 2

Except for the variables defined below, the same variables are used in Method 1 and Method 2. If you use Method 2, you must determine the Québec income tax to be withheld from a bonus or from retroactive pay that was paid during the pay period (variable A_3) before determining the Québec income tax to be withheld from the other remuneration 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 remuneration for the pay period (other than a bonus or retroactive pay that was paid during the period)

$$= \frac{[Y - M_1]}{S_1} - M + L$$

Enter “0” if the result is negative.

- A_3 = Québec income tax to be withheld at source from a bonus or from retroactive pay that was 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 = Bonuses or retroactive pay paid since the beginning of the year plus bonuses or retroactive pay paid during the pay period
- B_4 = Bonuses or retroactive pay paid since the beginning of the year
- I_3 = $S_1 (G - F) + B_3 - J - J_1$
- I_4 = $S_1 (G - F) + B_4 - J - J_1$
- M = Cumulative income tax withheld to the last pay period (do not take into account variable L or M_1)
- M_1 = Cumulative income tax withheld from bonuses or retroactive pay paid since the beginning of the year (i.e., amounts determined for variable A_3)
- Y_3 = Québec income tax for the year

$$= T (I_3) - K - K_1 - 0.20 (E) - 0.15 (S_1(Q))$$
- Y_4 = Québec income tax for the year

$$= T (I_4) - K - K_1 - 0.20 (E) - 0.15 (S_1(Q))$$

C. Source deductions of employee QPP contributions

$$C = 0.047 (S_3 - V/P) \text{ to a maximum of } M - A_5$$

If the result obtained in calculating the exemption per pay period (V/P) contains three digits or more after the decimal point, keep only the first two digits and do not round off the number.

Example: $V/P = \$3,500/52 = \$67.3077 = \$67.30$

Definition of variables

- A_3 = QPP contributions withheld since the beginning of the year
 C = QPP contribution for the pay period
 M = Maximum employee QPP contribution for the year (\$1,673.20)
 P = Number of pay periods in the year
 S_3 = Gross pensionable earnings under the QPP for the pay period
 V = Basic exemption for the year under the QPP (\$3,500)

Where overtime pay, a bonus or retroactive pay is paid separately from the employee's regular remuneration, and the annual exemption has already been taken into account for the pay period, deduct 4.7% of the amount paid, to a maximum of $M - A_3$.

D. 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 wages paid or deemed paid for the pay period (see Chapter 5, page 35)
 W = Contribution rate based on total payroll, to be determined as follows:

Contribution rate for 2002

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

where

- $S = 1$, if the total payroll \leq \$1 million
 $S = 5$, if the total payroll \geq \$5 million
 $S = \frac{\text{total payroll}}{\$1 \text{ million}} \left[\begin{array}{l} \text{if the total payroll} \\ > \$1 \text{ million but } < \$5 \text{ million} \end{array} \right]$

The contribution rate must be rounded off to the second decimal place. Where the digit in the third decimal place is equal to or greater than five, the digit in the second decimal place must be rounded off to the next highest number.

If you are a new employer, the total payroll for the first two consecutive calendar years is equal to the wages 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 payroll for the preceding months. For further information, see Chapter 5, page 36, "Periodic remittances of the contribution to the health services fund."

If you are not a new employer, the total payroll for the purposes of the health services fund is generally equal to the total payroll for the preceding year. For further information, see Chapter 5, page 36, "Periodic remittances of the contribution to the health services fund."

E. Example of the calculation of income tax withheld on a regular basis

Example

A married employee has two dependent children, aged 7 and 11. The employee earns a gross annual salary of \$52,000 and is paid on a weekly basis. The employee made a \$3,640 contribution for the year to a registered pension plan (RPP). The amount indicated on line 7 of the employee's TP-1015.3-V form is \$21,830. On January 3, the employee purchased \$2,000 in shares of the Fonds de solidarité des travailleurs du Québec, payable over the first 20 pay periods in the year.

For the first 20 pay periods of the year, calculate the withholding as follows:

Step 1

Determine variable I using the following formula:

$$\begin{aligned}
 I &= [P(G - F)] - J - J_1 \\
 &= [52(\$1,000 - \$70)] - \$0.00 - \$0.00 \\
 &= [52(\$930)] - \$0.00 - \$0.00 \\
 &= \$48,360 - \$0.00 - \$0.00 \\
 &= \$48,360
 \end{aligned}$$

Step 2

Determine variable Y using the following formula:

$$\begin{aligned}
 Y &= \text{Québec income tax for the year} \\
 &= T(I) - K - K_1 - 0.20(E) - 0.15(P(Q)) \\
 &= 0.20(\$48,360) - \$1,068 - \$0.00 - 0.20(\$21,830) - 0.15(52(100)) \\
 &= \$9,672 - \$1,068 - \$0.00 - \$4,366 - 0.15(\$5,200) \\
 &= \$9,672 - \$1,068 - \$0.00 - \$4,366 - \$780 \\
 &= \$8,604 - \$4,366 - \$780 \\
 &= \$3,458
 \end{aligned}$$

Step 3

Determine variable A using the following formula:

$$\begin{aligned}
 A &= \text{Québec income tax to be withheld at source for the pay period} \\
 &= \frac{(Y/P)}{} + L \\
 &\quad \text{Enter "0" if the result is negative.} \\
 &= (\$3,458/52) + \$0.00 \\
 &= \$66.50
 \end{aligned}$$

Example (cont.)

For the 32 pay periods remaining, calculate the withholding as follows:

Step 1

Determine variable I using the following formula:

$$\begin{aligned} I &= [P(G - F)] - J - J_1 \\ &= [52 (\$1,000 - \$70)] - \$0.00 - \$0.00 \\ &= [52 (\$930)] - \$0.00 - \$0.00 \\ &= \$48,360 - \$0.00 - \$0.00 \\ &= \$48,360 \end{aligned}$$

Step 2

Determine variable Y using the following formula:

$$\begin{aligned} Y &= \text{Québec income tax for the year} \\ &= T(I) - K - K_1 - 0.20 (E) - 0.15 (P(Q)) \\ &= 0.20 (\$48,360) - \$1,068 - \$0.00 - 0.20 (\$21,830) - 0.15 (52 (\$0.00)) \\ &= \$9,672 - \$1,068 - \$0.00 - \$4,366 - \$0.00 \\ &= \$8,604 - \$4,366 \\ &= \$4,238 \end{aligned}$$

Step 3

Determine variable A using the following formula:

$$\begin{aligned} A &= \text{Québec income tax to be withheld at source for the pay period} \\ &= \frac{(Y/P)}{} + L \\ &\quad \text{Enter "0" if the result is negative.} \\ &= (\$4,238 / 52) + \$0.00 \\ &= \$81.50 \end{aligned}$$

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