

Guide for Employers

Source deductions and contributions

2003



The information in this guide does not constitute a legal interpretation of laws or regulations of Québec or Canada. 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.

References 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*
- IA: *Interpretation Act*

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 Québec Pension Plan* (AQPP) and the *Act respecting the Régie de l'assurance maladie du Québec* (ARAMQ) are indicated as follows:

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

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 guide

BDC	Biotechnology development centre
CIP	Co-operative investment plan
CNNTQ	Centre national des nouvelles technologies de Québec
CNT	Commission des normes du travail
CPP	Canada Pension Plan
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, with whom the individual has contracted a civil union, 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 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;
- who had been living in a conjugal relationship with the individual for at least 12 consecutive months (if the couple lived apart for a period of less than 90 days because of the breakdown of their relationship, the 12-month period is considered to have been uninterrupted);
- who 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 for a period of less than 90 days because of the breakdown of their relationship, the 12-month period is considered to have been uninterrupted).

2.2.1

In this guide, we sometimes refer you to other documents published by the Ministère du Revenu (forms, guides or brochures). With a few exceptions, these documents are available on our Web site at www.revenu.gouv.qc.ca. Forms that are marked “Specimen” are provided for information purposes only.

You may obtain these documents

- by completing the order form on our Web site;
- by completing order form MAT-422-V (if the document you need is listed on that form);
- by contacting one of our offices (see the list at the end of this guide).

B. Principal changes

Source Deductions Return (form TP-1015.3-V)

As of 2003, the basic amount used in calculating source deductions will change. Changes will also be made to the tax treatment of certain deductions and personal tax credits included on form TP-1015.3-V.

Form TP-1015.3-V will be revised to take into account these changes, as well as changes to the mathematical formulas for calculating source deductions.¹ The 2003-01 version of form TP-1015.3-V must therefore be completed by all employees, except employees

- who are claiming only the basic amount (\$8,970 in 2003);
- whose employer uses the *Source Deduction Table for Québec Income Tax* (TP-1015.TI-V) to calculate source deductions.

If an employee does not complete the form, the amount of income tax to be withheld must be calculated as if the employee were entitled only to the basic amount.

It is important for you to notify all employees who are required to complete the 2003-01 version of form TP-1015.3-V.

Basic amount

As of 2003, we will determine the basic amount by annually indexing the amount of \$8,840. The indexation method will be the same as the one used to index amounts under the personal income tax system. The basic amount for 2003 will therefore be \$8,970, that is, $\$8,840 + [\$8,840 \times 1.476\% \text{ (indexation factor for 2003)}]$.

Amount transferred from one spouse to the other

In the calculation of tax credits on the income tax return, the “amount respecting a spouse” will be eliminated as of 2003. Instead, individuals will be entitled to transfer to their spouse the unused portion of the non-refundable tax credits to which they are entitled.

On form TP-1015.3-V, the expression “amount respecting a spouse” has therefore been replaced by “amount transferred from one spouse to the other.” An amount equal to the basic amount (\$8,970) will be used to calculate the **amount transferred from one spouse to the other**.

Briefly, to be entitled to the **amount transferred from one spouse to the other** for a particular year, an individual must have a spouse on December 31 of that year, and must not be separated from the spouse. An individual who is separated from his or her spouse on December 31 is considered to have a spouse if the couple resumes living together by the 89th day following the date of the separation.

If an individual’s spouse dies during the year, and the individual therefore does not have a spouse on December 31, the **amount transferred from one spouse to the other** can be claimed, unless the individual was separated from his or her spouse at the time the spouse died.

Amount for a single-parent family

Currently, an individual who is entitled to the amount respecting a spouse cannot claim the amount for a single-parent family. As of 2003, the amount respecting a spouse will be replaced by the amount transferred from one spouse to the other. Accordingly, as of 2003, an individual who claims the amount transferred from one spouse to the other will not be entitled to the amount for a single-parent family.

Deduction for residents of designated remote areas and deductible support payments

As of 2003, the deductions for residents of designated remote areas and for deductible support payments may be reported on income tax returns filed under the simplified tax system.

Employees who live in a designated remote area or who pay deductible support payments will no longer have to do a special calculation on form TP-1015.3-V in order to determine the amount by which their remuneration is reduced. Consequently, work chart 6 (which was on page 4 of the form) has been eliminated.

Filing form TP-1015.3-V

The *Source Deductions Return* (form TP-1015.3-V) is completed by the individual and submitted to the person who pays the individual’s remuneration. Currently, individuals must submit the form

- when they take up employment; and
- within seven days after an event that changes the amount of their personal tax credits.

As of 2003, individuals must submit form TP-1015.3-V

- when they take up employment, if they are remunerated by their employer; or
- before they receive remuneration for the first time, if they are remunerated by a payer (rather than an employer).

If form TP-1015.3-V is not submitted, the employer must calculate source deductions as if the individual were entitled only to the basic amount (\$8,970 for 2003). However, the individual may complete and submit the form at any time.

An individual who has completed form TP-1015.3-V

- **may**, at any time, complete a new copy of the form in order to increase the amounts indicated on the copy previously submitted;
- **must** complete a new copy of the form within 15 days after an event that results in a reduction of the amounts indicated on the copy previously submitted.

Please note that a new TP-1015.3-V form should not be completed when the increase in amounts is the result of the automatic indexation of the personal income tax system.

The 2003-01 version of form TP-1015.3-V must be completed by all employees, except employees

- who are claiming only the basic amount;
- whose employer uses the *Source Deduction Table for Québec Income Tax* (TP-1015.TI-V) to calculate source deductions.

1. The mathematical formulas have been simplified. An information bulletin entitled *Change to Mathematical Formulas* (PZ-836-V) was sent to employers at the end of August (2002).

Mathematical formulas

Form TP-1015.3-V serves as a reference for the definition of certain variables used in the mathematical formulas. Variable E, for example, is defined as the amount from line 7 of form TP-1015.3-V, that is, the total of the individual's personal tax credits. Since the personal tax credits are not all automatically indexed, the revised total cannot be determined simply by multiplying variable E by (1 + the indexation factor).

As stated in the bulletin sent to employers in August 2002 (PZ-836-V, *Changes to Mathematical Formulas*), the 2003-01 version of form TP-1015.3-V groups together the amounts that are automatically indexed. This change should simplify the calculation of source deductions for employers that use the mathematical formulas authorized by the Minister of Revenue.

As of 2003, variable E will correspond to the total of variables E₁ and E₂. Variable E₁ will correspond to the amount from line 5 (indexed amounts) of the 2003-01 version of form TP-1015.3-V, and variable E₂ will correspond to the amount from line 9 (non-indexed amounts).

In the case of employees who do not complete form TP-1015.3-V for 2003, variable E₁ will correspond to the basic amount for 2003, that is, \$8,970.

For 2004, variable E will correspond to the total of

- variable E₁ multiplied
 - by (1 + indexation factor for 2004), in the case of employees who completed form TP-1015.3-V for 2003, or
 - by 1, in the case of employees who completed form TP-1015.3-V for 2004;
- and**
- variable E₂.

Other changes have also been made to the mathematical formulas. For details, see Chapter 10.

Indexation of the amounts on form TP-1015.3-V

The personal income tax system has been automatically indexed since January 1, 2002. The amounts used to determine the source deduction codes of employees for 2003 are shown in the table below. The figures for 2002 are provided for information purposes.

	2003	2002
Basic amount	\$8,970	\$8,685
Amount transferred from one spouse to the other (replaces the amount respecting a spouse)	\$8,970	\$8,685
Amount for the first dependent child	\$2,710	\$2,670
Amount for other dependent children	\$2,500	\$2,465
Amount for a single-parent family	\$1,355	\$1,335
Amount for a child engaged in full-time post-secondary studies	\$1,720	\$1,695
Amount for a person living alone	\$1,095	\$1,080
Amount for other dependants	\$2,500	\$2,465
Amount granted for a dependant with an infirmity	\$3,650	\$3,595
Reduction threshold used to determine the net family income (this income is used to calculate the tax reduction for families and the amount with respect to age, for a person living alone and for retirement income)	\$27,095	\$26,700
Indexation factor for 2003: 1.476%		

To find out the revised amounts of the family income brackets used to determine the rate of the tax credit for child-care expenses, refer to the 2003-01 version of form TP-1015.3-V.

Indexation of thresholds for the three income tax brackets

For 2003, the income tax rates applicable to the three income tax brackets remain at 16%, 20% and 24%. However, the thresholds that determine the bracket in which an individual's taxable income is situated have been indexed as follows:

- The 16% rate applies to taxable income of up to \$27,095 (the threshold was previously \$26,700).
- The 20% rate applies to taxable income over \$27,095 but not over \$54,195 (the threshold was previously \$53,405).
- The 24% rate applies to taxable income over \$54,195.

Most of the following changes have applied since 2001 or 2002. The tax measures concerned were announced by the Ministère des Finances after the publication of the 2001-01 and 2002-01 versions of the *Guide for Employers* (TP-1015.G-V).

Quarterly remittances now an option

The Minister of Revenue may authorize an employer to remit source deductions, employer contributions and compensation tax on a quarterly basis, provided the following conditions are met:

- The employer's average monthly remittance does not exceed \$1,000 for one of the two years prior to the year concerned.
- In the last 12 months, the employer has fulfilled all fiscal obligations with respect to source deductions, employer contributions, compensation tax and consumption taxes.

This measure has been in effect since January 1, 2002.

An employer who has been authorized to make quarterly remittances for a particular year must do so by

- April 15, for remuneration paid in January, February and March;
- July 15, for remuneration paid in April, May and June;
- October 15, for remuneration paid in July, August and September;
- January 15 of the following year, for remuneration paid in October, November and December.

Meals and transportation provided to employees who work overtime

Effective January 1, 2002, an amount reimbursed for meal expenses to an employee who works overtime (or the value of a meal provided to the employee) does not constitute a taxable benefit if the following conditions are met:

- The overtime is done at the employer's request and is expected to last for at least three consecutive hours.
- Overtime is done rarely or on an occasional basis (fewer than three times a week).
- The meal expenses reimbursed to the employee (or, if applicable, the value of the meal provided to the employee) are reasonable.
- In the case of a reimbursement (total or partial) of an employee's expenses for meals, the employee provides receipts.

Similarly, where an employee who works overtime is reimbursed for expenses incurred for taxi transportation between his or her home and ordinary place of work, or is provided with transportation (of any type) between his or her home and ordinary place of work, the amount of the reimbursement or the value of the transportation provided does not constitute a taxable benefit if the following conditions are met:

- The overtime is done at the employer's request and is expected to last for at least three consecutive hours.
- Overtime is done rarely or on an occasional basis (fewer than three times a week).
- Public transport is not available, or it is reasonable to consider that, under the circumstances, the employee's safety would be jeopardized because of the time of day at which the trip is made.
- In the case of a reimbursement (total or partial) of an employee's expenses for taxi transportation, the employee provides receipts.

Where the amount of an allowance for travel expenses, personal expenses, living expenses or entertainment expenses is fixed by an order in council of the Québec government or a decision of the Conseil du trésor, the allowance is not taxable. Since January 1, 2002, this has also been the case for reimbursements of such expenses.

Gifts and rewards

Where **non-monetary** gifts are given to an employee for a special occasion (for example, a Christmas, birthday or wedding gift), the **first \$500** (including taxes) per year is not considered a taxable benefit. The same is true of **non-monetary** rewards given to an employee in recognition of certain accomplishments, such as a certain number of years of service. This measure has been in effect since January 1, 2001.

Gifts and rewards paid in cash (or easily convertible into cash) are entirely taxable. Please note that gift certificates and smart cards that must be used to purchase goods or services from a particular business or list of businesses are not considered to be easily convertible into cash.

The value of the gifts and rewards covered by this measure is wholly deductible in the calculation of the employer's income, provided the amount is reasonable under the circumstances.

Employees participating in the co-operative investment plan (CIP)

An employer that makes a source deduction at an employee's request so that the employee can acquire preferred shares qualifying under the CIP must, in calculating the remuneration subject to income tax withholdings, subtract the following amounts from the employee's gross remuneration for each pay period ending after April 30, 2002:

- an amount equal to
 - 150% of the amount withheld for the acquisition of shares of a small or medium-sized co-operative, under an investment program for workers,
 - 125% of the amount withheld for the acquisition of shares of a small or medium-sized co-operative, otherwise than under an investment program for workers,
 - 125% of the amount withheld for the acquisition of shares under an investment program for the workers of a co-operative other than a small or medium-sized co-operative,
 - 100% of the amount withheld, in all other cases;
- the value of the preferred shares that the employer transferred, at the employee's request, to a registered retirement savings plan (RRSP) of which the employee or his or her spouse is the annuitant.

The total of the amounts that the employer subtracts, in this respect, from the employee's gross remuneration for a year must not exceed 30% of the result of the following calculation:

- the salary paid to the employee for the year,
minus
- the contributions that the employee paid for the year to a registered pension plan (RPP), and
- the value of the preferred shares that the employer transferred in the year, at the employee's request, to an RRSP of which the employee or his or her spouse is the annuitant.

Bonuses and retroactive pay

You are required to withhold income tax from an amount you pay as a bonus or retroactive pay. For amounts paid in 2003, the threshold that determines the method to be used to calculate the income tax withholding has been raised from \$10,650 to \$11,050.

Québec Pension Plan (QPP)

The contribution rate for the QPP has been increased from 9.4% to 9.9% (4.95% for employers and 4.95% for employees). The new rate of 4.95% has been incorporated into the QPP source deduction tables that take effect on January 1, 2003, and into the mathematical formula used to calculate QPP source deductions for 2003.

The maximum pensionable earnings have been increased from \$39,100 to \$39,900.

Health services fund

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

In order to promote the creation and expansion of manufacturing corporations in remote resource regions, the \$10 million and \$15 million thresholds used in determining the amount of wages exempted from the employer contribution to the health services fund have been increased to \$20 million and \$30 million.

The requirement that a corporation have establishments only in remote resource regions has also been relaxed. A corporation that has establishments outside remote resource regions may now claim the exemption, provided all or substantially all (90% or more) of its payroll is attributable to employees who work in its establishments situated in remote resource regions.

Both of these measures apply retroactively to March 30, 2001.

Designation of new biotechnology development centres (BDCs)

A corporation that carries out an innovative project in the biotechnology sector in the biotechnology development centre (BDC) located in Laval may claim an exemption from the employer contribution to the health services fund if it obtains a certificate from Investissement Québec with regard to the project and meets certain other requirements.

In order to encourage the development of businesses in the biotechnology sector, the Québec government has designated three new BDCs, in Sherbrooke, Saint-Hyacinthe and Lévis. Corporations that carry out innovative projects in these BDCs may now be exempted from the contribution to the health services fund. The requirements are the same as those that apply to corporations carrying out an innovative project in the BDC in Laval.

Major investment projects

Formerly, a major investment project in the tertiary sector (that is, the service industry) gave entitlement to an exemption from the employer contribution to the health services fund only if it related to propulsive service industries.

Since September 26, 2001, it has been possible to claim the exemption with respect to a major investment project in the tertiary sector if the project starts after that date and consists in developing an international resort.

An “international resort” means a complex or group of lodging units featuring recreational equipment and developed natural attractions, whose existence and prosperity depend on international tourism.

To qualify as a major investment project, the development of an international resort must result in a payroll increase of at least \$4 million and involve an investment of at least \$300 million.

The eligible sectors of activity include ancillary activities carried out in the area of real estate (for example, real estate management). They include construction, provided the majority of the construction activities are entrusted to subcontractors.

Commission des normes du travail (CNT)

For 2003, the portion of an employee’s remuneration that exceeds \$53,500 is not subject to the contribution to the financing of the Commission des normes du travail. The threshold for 2002 was \$52,500.

Adjustment to the five-year tax exemption granted to certain foreign employees

Employees who change employers

The following persons are entitled to an income tax exemption (granted as a deduction from taxable income) for a period not exceeding five years:

- foreign researchers and foreign experts who hold employment with an employer that operates a business that carries out scientific research and experimental development (R&D) in Québec, or has R&D carried out on its behalf in Québec;
- foreign specialists who hold employment in an information technology development centre (ITDC), a marketplace for the new economy (MNE), the biotechnology development centre (BDC) located in Laval, the Centre national des nouvelles technologies de Québec (CNNTQ), the Cité du multimédia, E-Commerce Place (Cité du commerce électronique) or the Montréal international trade zone at Mirabel;
- foreign researchers on a post-doctoral internship who come to Québec to take up employment in this capacity with an eligible university entity or an eligible public research centre (the entity or centre must qualify for the purposes of the refundable tax credit for R&D);
- foreign professors who are specialized in certain specific fields, who come to Québec to take up employment in this capacity with a Québec university;
- foreign employees who are specialized in certain specific fields, who hold employment with an international financial centre (IFC) or with a stock exchange business or a securities clearing-house business.

Formerly, a person who changed employers before the end of his or her exemption period generally lost entitlement to the five-year exemption, even if the person’s new position was one for which the exemption is granted.

Since January 1, 2001, employees in the above-mentioned categories have been able to change employers during their exemption period without losing entitlement to the five-year tax exemption. However, the exemption period cannot exceed a total of five years for all of the positions held by the employee.

Foreign specialists

Foreign specialists who take up employment after March 19, 2002, under an employment contract entered into after that date, and who work

- at the biotechnology development centre (BDC) located in Sherbrooke or Saint-Hyacinthe,
- at a designated site specialized in biotechnology,
- in the nutraceuticals and functional foods sector in the Québec City region,
- at an innovation centre,
- in premises of the CNNTQ that are designated for the purposes of the tax credit for E-business activities, or
- in designated premises of the E-Commerce Zone,

are entitled to the five-year tax exemption, like the foreign specialists referred to in the previous section. The exemption may also be claimed by foreign specialists who take up employment after July 11, 2002, at the biotechnology development centre (BDC) located in Lévis, under an employment contract entered into after that date.

The requirements that these persons must meet in order to qualify for the five-year tax exemption are substantially the same as the requirements that must be met by the foreign specialists referred to in the previous section.

New form

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

Currently, employers that cease to operate their business during the year must file a duly completed *Summary of Source Deductions and Employer Contributions* (form RLZ-1.S-V) within 30 days after the cessation of activities. If they permanently cease to make remittances but still carry on their business, they must file form RLZ-1.S-V by the 20th day of the month following the month in which they make their last remittance of source deductions.

As of 2003, employers that are in one of the above situations must file instead form RLZ-1.ST-V, *Temporary Summary of Source Deductions and Employer Contributions*. The time limits for filing this form are the same as those described above.

1 Obligations of employers or payers

A. Responsibilities of employers

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

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. You must therefore 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 in accordance with 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; or
- 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 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 the 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

General information

With the authorization of the Minister of Revenue, you may remit your source deductions, employer contributions and compensation tax for 2003 at the following frequency:

- annually, if the aggregate of your source deductions and employer contributions for 2002 is \$1,200 or under, or if the Minister estimates that the aggregate of your source deductions and employer contributions for 2003 will be \$1,200 or under;
- quarterly, if your **average monthly remittance** for 2001 or 2002 is \$1,000 or under, and you have fulfilled all your fiscal obligations in the last 12 months.

If you do not meet the above conditions, you must make your remittances for 2003 at the following frequency:

- monthly, if your **average monthly remittance** for 2001 was under \$15,000;
- twice-monthly, if your **average monthly remittance** for 2001 was at least \$15,000 but under \$50,000;
- weekly, if your **average monthly remittance** for 2001 was \$50,000 or over.

If you are required because of your **average monthly remittance for 2001** to make twice-monthly or weekly remittances for 2003, you may elect to have the frequency of your remittances for 2003 based on your **average monthly remittance for 2002**.

Your **average monthly remittance** for a year is determined by dividing the total of the amounts you were required to pay as income tax, QPP contributions and the employer contribution to the health services fund for the year by the number of months in the year (maximum 12) for which the amounts were remitted. If you are a corporation, your average monthly remittance is equal to the sum of your average monthly remittance and that of every corporation associated with you.

The rules for determining the frequency of remittances are summarized in the following table. (Annual remittances are not covered in the table.) Refer to the explanations after the table to find out the dates by which remittances must be made.

Table 1

Average monthly remittance in 2001	Average monthly remittance in 2002	Frequency of remittances	Other frequency possible (with election)	Forms to be used
\$1,000 or under	—	Quarterly if fiscal obligations are met ¹	Monthly	TPZ-1015.R.14.4-V (TPZ-1015.R.14.1-V if you make an election)
		Monthly if they are not met	None	TPZ-1015.R.14.1-V
Over \$1,000 but under \$15,000	\$1,000 or under	Quarterly if fiscal obligations are met ¹	Monthly	TPZ-1015.R.14.4-V (TPZ-1015.R.14.1-V if you make an election)
		Monthly if they are not met	None	TPZ-1015.R.14.1-V
	Over \$1,000 but under \$15,000	Monthly	None	TPZ-1015.R.14.1-V
At least \$15,000 but under \$50,000	\$1,000 or under	Quarterly if fiscal obligations are met ¹	Twice-monthly or monthly	TPZ-1015.R.14.4-V (TPZ-1015.R.14.2-V if you elect to make twice-monthly remittances, or TPZ-1015.R.14.1-V if you elect to make monthly remittances)
		Twice-monthly if they are not met	Monthly	TPZ-1015.R.14.2-V (TPZ-1015.R.14.1-V if you make an election)
	Over \$1,000 but under \$15,000	Twice-monthly	Monthly	TPZ-1015.R.14.2-V (TPZ-1015.R.14.1-V if you make an election)
	\$15,000 or over	Twice-monthly	None	TPZ-1015.R.14.2-V
\$50,000 or over	\$1,000 or under	Quarterly if fiscal obligations are met ¹	Weekly ² or monthly	TPZ-1015.R.14.4-V (TPZ-1015.R.14.3-V if you elect to make weekly remittances, or TPZ-1015.R.14.1-V if you elect to make monthly remittances)
		Weekly if they are not met ²	Monthly	TPZ-1015.R.14.3-V (TPZ-1015.R.14.1-V if you make an election)
	Over \$1,000 but under \$15,000	Weekly ²	Monthly	TPZ-1015.R.14.3-V (TPZ-1015.R.14.1-V if you make an election)
	At least \$15,000 but under \$50,000	Weekly ²	Twice-monthly	TPZ-1015.R.14.3-V (TPZ-1015.R.14.2-V if you make an election)
	\$50,000 or over	Weekly ²	None	TPZ-1015.R.14.3-V

1. The Minister will authorize you to make quarterly remittances if you have met your fiscal obligations in the last 12 months.
2. If you make remittances weekly but pay employees every two weeks or twice a month, you may request that the Ministère send you 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. See “Application to make remittances based on pay periods,” further on in this section.

1015, 1015R14 to 1015R17, 1159.10, AQPP 63, ARAMQ 34.0.0.0.1

IMPORTANT: If you received form TPZ-1015.R.14.1-V (for annual or monthly remittances), TPZ-1015.R.14.2-V (for twice-monthly remittances), TPZ-1015.R.14.3-V (for weekly remittances), or TPZ-1015.R.14.4-V (for quarterly remittances), **you must file the form you received even if you made no source deductions and are not required to remit employer contributions for the period.** If you have no remittance to make, enter 0 in the “Amount payable” box. Penalties may be imposed for non-compliance (see section M in this chapter).

Please note that the date of receipt of a payment is the date on which it is received by the Ministère du Revenu or a financial institution (not the date of the postmark). **Cheques or money orders should be made payable to the Minister of Revenue of Québec.**

1086R18.1, AMR 27.1

Annual remittances

If the total of your source deductions and employer contributions for 2002 is \$1,200 or under, or if the Minister of Revenue estimates that this will be the case for 2003, the Minister may authorize you to make a single remittance for 2003. Your remittance must be made by the 15th day of the month following the last month in the year in which remuneration was paid. In most cases, the remittance is therefore due on January 15, 2004. The authorization remains in effect, unless the Ministère sends you form LMU-5-V, *Notice of Change in Filing Frequency of Returns*.

A duly completed TPZ-1015.R.14.1-V form must be submitted with the remittance. If you do not have this form when you make your remittance, enclose a statement giving particulars of the payment (including the period covered by the payment) and a letter clearly indicating your name, identification number, Québec enterprise number (NEQ) and complete address.

Note: If payment falls due on a Sunday or a statutory holiday, the due date is extended to the next day that is not a Sunday or a statutory holiday. No extension is granted if payment falls due on a Saturday.

1015, 1015R17, 1159.10, AQPP 63, ARAMQ 34.0.0.0.1, IA 52 and 61

Quarterly remittances

If, in 2001 or 2002, your **average monthly remittance** was \$1,000 or under, the Minister of Revenue may under certain circumstances authorize you to remit source deductions, employer contributions to the QPP and the health services fund and (if you are a specified financial institution other than a corporation) compensation tax by the following dates:

- April 15, 2003, for remuneration paid in January, February and March of 2003;
- July 15, 2003, for remuneration paid in April, May and June of 2003;
- October 15, 2003, for remuneration paid in July, August and September of 2003;
- January 15, 2004, for remuneration paid in October, November and December of 2003.

A duly completed TPZ-1015.R.14.4-V form must be submitted with your remittance. If you do not have this form when you make your remittance, enclose a statement giving particulars of the payment (including the period covered by the payment) and a letter clearly indicating your name, identification number, Québec enterprise number (NEQ) and complete address.

Note: If payment falls due on a Sunday or a statutory holiday, the due date is extended to the next day that is not a Sunday or a statutory holiday. No extension is granted if payment falls due on a Saturday.

The Ministère du Revenu will authorize you to make quarterly remittances if, in the last 12 months, you have met certain requirements, including the following:

- You have made your remittances of source deductions, employer contributions (including the contribution to the financing of the Commission des normes du travail and the contribution to the Fonds national de formation de la main-d’oeuvre) and compensation tax within the prescribed time limits.
- You have made your remittances of consumption taxes within the prescribed time limits.

Note: If you have more than one employer account, you must meet the requirements for each account.

The Ministère du Revenu does a yearly review to determine which employers may make remittances on a quarterly basis. However, if you wish to make quarterly remittances and believe you meet the applicable requirements, you may contact an office of the Ministère any time during the year (refer to the list of offices at the end of the guide).

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

1015, 1015R17, 1159.10, AQPP 63, ARAMQ 34.0.0.0.1, IA 52 and 61

Changing the frequency of your remittances

Even if the Minister of Revenue authorizes you to make quarterly remittances, you may elect to make your remittances for 2003

- monthly (in all cases),
- twice-monthly, if your **average monthly remittance** for 2001 was at least \$15,000 but under \$50,000, or
- weekly, if your **average monthly remittance** for 2001 was \$50,000 or over.

If you elect to change the frequency of your remittances, **you must advise the office of the Ministère that handles your establishment’s account. You cannot make the change until you receive form LMU-5-V, Notice of Change in Filing Frequency of Returns.**

Monthly remittances

If your **average monthly remittance** in 2001 was under \$15,000, you must remit source deductions, employer contributions to the QPP and the health services fund and (if you are a specified financial institution other than a corporation) compensation tax for each month of 2003 by the 15th day of the following month.

A duly completed TPZ-1015.R.14.1-V form must be submitted with your remittance. If you do not have this form when you make your remittance, enclose a statement giving particulars of the payment (including the period covered by the payment) and 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.

Note: If payment falls due on a Sunday or a statutory holiday, the due date is extended to the next day that is not a Sunday or a statutory holiday. No extension is granted if payment falls due on a Saturday.

1015R14.1, 1015R17, 1159.10, AQPP 63, ARAMQ 34.0.0.0.1, IA 52 and 61

Twice-monthly remittances

If your **average monthly remittance** in 2001 was at least \$15,000 but under \$50,000, you must make your 2003 remittances of source deductions, employer contributions to the QPP and the health services fund and (if you are a specified financial institution other than a corporation) compensation tax by the following dates:

- the 25th day of the month, for remuneration paid before the 16th day of the month;
- the 10th day of the following month, for remuneration paid after the 15th day of the month but before the 1st day of the following month.

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

If you do not have this form when you make your remittance, enclose a statement giving particulars of the payment (including the period covered by the payment) and a letter clearly indicating your name, identification number, Québec enterprise number (NEQ) and complete address.

Note: If payment falls due on a Sunday or a statutory holiday, the due date is extended to the next day that is not a Sunday or a statutory holiday. No extension is granted if payment falls due on a Saturday.

1015R14.2, 1015R17, 1159.10, AQPP 63, ARAMQ 34.0.0.0.1, IA 52 and 61

Changing the frequency of your remittances

If your **average monthly remittance** in 2002 was under \$15,000, you may elect to remit your source deductions, employer contributions to the QPP and the health services fund and (if you are a specified financial institution other than a corporation) compensation tax for each month of 2003 by the 15th day of the following month. If you decide to change the frequency of your remittances, you must notify the Ministère by writing to one of the offices listed at the end of the guide. However, you cannot make the change until you receive form LMU-5-V, *Notice of Change in Filing Frequency of Returns*.

1015R14.3.1

Weekly remittances

If your **average monthly remittance** in 2001 was \$50,000 or over, you must make your 2003 remittances of source deductions, employer contributions to the QPP and the health services fund and (if you are a specified financial institution other than a corporation) compensation tax by the third working day 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.

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

If you do not have this form when you make your remittance, enclose a statement giving particulars of the payment (including the period covered by the payment) and a letter clearly indicating your name, identification number, Québec enterprise number (NEQ) and complete address.

Example

Your employees, who are paid every two weeks, receive a pay cheque on January 3, 17 and 31, and on February 14 and 28, 2003. 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 5, February 19 and March 5, 2003. You must also file a copy of the form, without remittances, on January 17, February 12 and February 26, 2003.

1015R14.3, 1015R17, 1159.10, AQPP 63, ARAMQ 34.0.0.0.1, IA 52 and 61

Changing the frequency of your remittances

If your **average monthly remittance** in 2002 was under \$15,000, you may elect to remit your source deductions, employer contributions to the QPP and the health services fund and (if you are a specified financial institution other than a corporation) compensation tax for each month of 2003 by the 15th day of the following month.

If your **average monthly remittance** in 2002 was at least \$15,000 but under \$50,000, you may elect to make your 2003 remittances of source deductions, employer contributions to the QPP and the health services fund and (if you are a specified financial institution other than a corporation) compensation tax by the following dates:

- the 25th day of the month, for remuneration paid before the 16th day of the month;
- the 10th day of the following month, for remuneration paid after the 15th day of the month but before the 1st day of the following month.

If you decide to change the frequency of your remittances, you must notify the Ministère by writing to one of the offices listed at the end of the guide. However, you cannot make the change until you receive form LMU-5-V, *Notice of Change in Filing Frequency of Returns*.

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 have not made an election to change the frequency of your remittances (see the preceding section, “Changing the frequency of your remittances”),

you may ask the Ministère to send you TPZ-1015.R.14.3-V forms only for periods in which you pay remuneration. This means that, for periods in which you do not pay remuneration and, consequently, do not make source deductions and are not required to remit employer contributions or compensation tax, you will no longer have to file a remittance form with 0 in the “Amount payable” box.

To make such a request, enter your payroll dates on form TPZ-1015.R.14.3D-V, *Application to Make Remittances of Source Deductions and Employer Contributions Based on Pay Periods* (which was sent to you by the Ministère). Return the detachable portion of the form.

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 working day after the last day of the period concerned. Remittances include source deductions, employer contributions and, if you are a specified financial institution other than a corporation, compensation tax.

1015R17

Application form TPZ-1015.R.14.3D-V may be filed at any time. If you print out a copy of the form from our Web site, be sure to indicate your Québec enterprise number (NEQ) and identification number in the spaces provided for this purpose. Also enter, in the space to the left of the signature, the name and address of your business.

At the end of 2003, the Ministère will send you a *Notice of Renewal in Respect of Payroll Dates* (form LMU-5.3-V), which will indicate your payroll dates for 2004. The Ministère bases these dates on those you provided for 2003. If the payroll dates determined by the Ministère for 2004 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 2003

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

However, if you have a balance owing for 2003, 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, employer QPP contributions and (if you are a specified financial institution other than a corporation) compensation tax when you make your last remittance for the month of December, not when you file your *Summary of Source Deductions and Employer Contributions* (form RLZ-1.S-V). The filing deadline for form RLZ-1.S-V is normally February 29, 2004. If you do not pay your balance until you file form RLZ-1.S-V, you will be charged interest and you may have to pay a penalty.

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

Contribution to the health services 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 actual contribution rate and the estimated contribution rate.

The amount of your periodic remittances of the employer contribution to the health services fund for 2003 is based on an estimated contribution rate, which you must determine according to the rules given in section E of Chapter 5. 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. New employers

If you are remitting source deductions, employer contributions and (if you are a specified financial institution other than a corporation) compensation tax 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 period covered by your payment, and
- the total amount of the source deductions, employer contributions and (if applicable) compensation tax.

If you already have an identification number, send your payment and 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 payment and 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 remittance form for your next payment.

AMR 58.1, 58.1.1

Note: If you are new employer, you cannot make remittances on a quarterly basis. If, after you have operated your business for 12 months, you wish to make quarterly remittances and believe you meet the requirements, contact the office of the Ministère that handles your establishment's account.

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 remittance forms

Employers that temporarily cease to make remittances

Even if, for a period, you will not be making remittances (for example, because your business is seasonal), you must file the remittance form that you received (TPZ-1015.R.14.1-V, TPZ-1015.R.14.2-V, TPZ-1015.R.14.3-V or TPZ-1015.R.14.4-V) by the date applicable to your filing frequency (refer to section C above).

You are also required to **notify the office of the Ministère** to which your remittances are normally sent. On the detachable flap of the return envelope (ENV-111-V), specify the period for which you will not be making remittances and check the box indicating the reason. Submit the detachable flap and your remittance form within the applicable time limit.

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

1015, 1015R14 to 1015R17, 1159.10, 1086R18.1, AQPP 63, ARAMQ 34.0.0.0.1

Employers that permanently cease to make remittances

If you permanently cease to make remittances because you no longer have employees, you are required to file the remittance form that you received (TPZ-1015.R.14.1-V, TPZ-1015.R.14.2-V, TPZ-1015.R.14.3-V or TPZ-1015.R.14.4-V) by the 20th day of the month following the month in which you last made a remittance.

You are also required to **notify the office of the Ministère** to which your remittances are normally sent. To do so, check the box “No employees” on the detachable flap of the return envelope (ENV-111-V) and submit the detachable flap and your remittance form within the time limit specified above.

1015, 1015R16, 1159.10, AQPP 63, ARAMQ 34.0.0.0.1

Filing RL-1 slips and forms RLZ-1.S-V and RLZ-1.ST-V

Employers that temporarily cease to make remittances

If you temporarily cease to make remittances in 2003, you must file your RL-1 slips and the *Summary of Source Deductions and Employer Contributions* (form RLZ-1.S-V) by February 29, 2004.

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 the following documents by the 20th day of the month following the month of your last remittance:

- your temporary RL-1 slips (form RL-1.T, or form RL-1.TL for ink-jet or laser printers);
- the *Temporary Summary of Source Deductions and Employer Contributions* (form RLZ-1.ST-V, version 2003-01). However, you should file the *Summary of Source Deductions and Employer Contributions* (form RLZ-1.S-V, version 2003-10) if you stop making remittances in October, November or December 2003 and that version of form RLZ-1.S-V is available.

Copies 2 and 3 of the RL-1 slips must be remitted to your former employees within the same time limit.

You must also pay your contribution to the financing of the CNT and your contribution to the Fonds national de formation de la main-d'œuvre within the same time limit, along with form RLZ-1.ST-V (or form RLZ-1.S-V, if applicable). If you are an employer subject to the *Act to foster the development of manpower training*, you must also provide data regarding your participation in the development of worker training.

The contribution rate that you use on form RLZ-1.ST-V (or form RLZ-1.S-V) to calculate your 2003 contribution to the health services fund may be different from your actual contribution rate for the year. In that case, you must file the *Summary of Source Deductions and Employer Contributions* (form RLZ-1.S-V) by February 29, 2004. 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 employer contribution to the health services fund.**

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

F. Employers that cease to operate a business

Filing remittance forms

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 date on which you are ceasing operations and the reason for doing so. **The remittance form must be returned to the Ministère within seven days after the cessation of business operations**, 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, AQPP 63, ARAMQ 34.0.0.0.1

Filing RL-1 slips and forms RLZ-1.S-V and RLZ-1.ST-V

Within 30 days after ceasing to operate your business, you are required to file the following documents:

- your temporary RL-1 slips (form RL-1.T, or form RL-1.TL for ink-jet or laser printers);
- the *Temporary Summary of Source Deductions and Employer Contributions* (form RLZ-1.ST-V, version 2003-01). However, you should file the *Summary of Source Deductions and Employer Contributions* (form RLZ-1.S-V, version 2003-10) if you cease operations in October, November or December 2003 and that version of form RLZ-1.S-V is available.

Copies 2 and 3 of the RL-1 slips must be remitted to your former employees within the same time limit.

You must pay your contribution to the financing of the CNT and your contribution to the Fonds national de formation de la main-d'œuvre within the same time limit, along with form RLZ-1.ST-V (or form RLZ-1.S-V, if applicable). If you are an employer subject to the *Act to foster the development of manpower training*, you must also provide data regarding your participation in the development of worker training.

In calculating your contribution to the health services fund, you must determine your total payroll based only on the wages that **you** paid (or are deemed to have paid) to your employees from January 1, 2003, to the date on which your business closes. Do not include wages paid (or deemed paid) by employers associated with you on the business's closing date.

If you are carrying on another business on December 31, 2003, you must recalculate your total payroll and take into account the wages paid (or deemed paid) by employers associated with you on December 31, 2003. As a result, your contribution rate respecting the health services fund may be different from the rate you used on form RLZ-1.ST-V (or form RLZ-1.S-V, if applicable) to calculate your contribution for 2003.

If this is the case, you must file form RLZ-1.S-V, *Summary of Source Deductions and Employer Contributions*, by February 29, 2004. 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 employer contribution to the health services fund.** However, if the contribution rate is not different, you are not required to file form RLZ-1.S-V with respect to the business that closed.

1086R14, ADMT 14 to 16, ALS 39.0.3, 39.0.4, AQPP (r. 2) 11, ARAMQ 33 (“total payroll”), 34.0.0.1, ARAMQ (r. 1) 3

G. Employees who leave their employment

When an individual leaves his or her employment before the end of 2003, you may prepare the RL-1 slip at that time and give the individual copies 2 and 3. If the RL-1 slip for the 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. Submit copy 1 of the RL-1 slip at the same time as the *Summary of Source Deductions and Employer Contributions* (form RLZ-1.S-V), which you are normally required to file by February 29, 2004.

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

- when they take up employment, if they are remunerated by their employer;
- before they receive remuneration for the first time, if they are remunerated by a payer (rather than an employer);
- within 15 days after an event that results in a reduction of the amounts indicated on the previous TP-1015.3-V form completed (if the amounts on lines 2 to 9 of the form, which are used to determine the source deduction code, are reduced but this does not change the code, the individual does not have to file another copy of the form);
- when they ask their employer (or payer) not to withhold income tax from their remuneration for the year. See “Exemption from source deductions (deduction code “X”)” below.

If an individual does not complete form TP-1015.3-V, the income tax withholding takes into account only the basic amount (\$8,970) provided for on line 1 of the form. In that case, the employer or payer must enter “A” as the deduction code.

1015.3

An individual who wishes to increase the amount of deductions or credits indicated on form TP-1015.3-V may complete another copy of the form at any time.

IMPORTANT: Changes have been made to form TP-1015.3-V because of the changes to the mathematical formulas. **The 2003-01 version of the form must therefore be completed by all employees, except employees**

- who are claiming only the basic amount;
- whose employer uses the *Source Deduction Table for Québec Income Tax* (TP-1015.TI-V) to calculate source deductions.

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

The personal income tax system has been automatically indexed since January 1, 2002. The table below shows the amounts used to determine source deduction codes for 2002 and 2003. The figures for 2002 are provided for information purposes.

	2003	2002
Basic amount	\$8,970	\$8,685
Amount transferred from one spouse to the other (replaces the amount respecting a spouse)	\$8,970	\$8,685
Amount for the first dependent child	\$2,710	\$2,670
Amount for other dependent children	\$2,500	\$2,465
Amount for a single-parent family	\$1,355	\$1,335
Amount for a child engaged in full-time post-secondary studies	\$1,720	\$1,695
Amount for a person living alone	\$1,095	\$1,080
Amount for other dependants	\$2,500	\$2,465
Amount granted for a dependant with an infirmity	\$3,650	\$3,595
Reduction threshold used to determine the net family income (this income is used to calculate the tax reduction for families and the amount with respect to age, for a person living alone and for retirement income)	\$27,095	\$26,700

1. As of 2003, the basic amount will be determined by annually indexing the amount of \$8,840. The indexation factor will be identical to the factor used for the indexation of the personal income tax system (i.e., 1.476% for 2003). The basic amount for 2003 (\$8,970) is thus the result obtained by multiplying \$8,840 by (1 + 0.01476). Note that when the result is not a multiple of 5, it is adjusted to the nearest multiple of 5. If the result is halfway between two multiples of 5, round it off to the higher multiple.
2. As of 2003, the amount respecting a spouse will no longer be included on the income tax return. Instead, individuals who have a spouse on December 31 will be entitled to transfer to their spouse the unused portion of their non-refundable tax credits. Consequently, the expression “amount respecting a spouse” will be replaced on form TP-1015.3-V by “amount transferred from one spouse to the other.” An individual whose spouse died during the year may claim an amount in this respect, unless the two were living apart at the time of the spouse’s death. In order to calculate the **amount transferred from one spouse to the other**, an amount equivalent to the basic amount (\$8,970) is used.
3. Formerly, an individual claiming an amount respecting a spouse was not entitled to the amount for a single-parent family. As of 2003, the **amount respecting a spouse** will be replaced by the **amount transferred from one spouse to the other**. Therefore, as of 2003, an individual who claims the amount transferred from one spouse to the other cannot claim the amount for a single-parent family.

To find out the revised amounts of the family income brackets used to determine the rate of the tax credit for child-care expenses, refer to the 2003-01 version of form TP-1015.3-V.

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.

1015.3

Deduction for residents of designated remote areas and deductible support payments

As of 2003, the deductions for residents of designated remote areas and for deductible support payments may be reported on income tax returns filed under the simplified tax system.

Employees who are claiming either of these deductions on their income tax return will no longer have to do a special calculation on form TP-1015.3-V in order to determine the amount by which their remuneration is reduced. Consequently, work chart 6 (which was on page 4 of the form) has been eliminated.

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 employees who work for more than one employer and have already asked another employer to take into account the basic amount of \$8,970. It may also be used for employees 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 the 2003-01 version of form TP-1015.3-V because his or her total employment income in 2003 will be less than the sum of the amounts on lines 10 and 19 of the form (these amounts represent the personal tax credits and deductions to which the employee is entitled), do not withhold Québec income tax for 2003.

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 section Q of Chapter 9.

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

A reduction in source deductions is applied by decreasing the remuneration subject to source deductions of income tax or by decreasing the income tax payable, not by increasing the amounts provided for on form TP-1015.3-V.

The Minister of Revenue may authorize you to decrease the remuneration subject to source deductions of income tax on the basis of the deductions that the employee is entitled to claim in the calculation of 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. Note that if, 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, 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 section I of Chapter 9);
- 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;
- strategic investments. However, you cannot take into account a deduction respecting the co-operative investment plan (CIP) if, at the employee's request, you withhold an amount from the employee's remuneration so that he or she can acquire preferred shares qualifying under the CIP and, as a result, you take that amount into account when calculating the employee's remuneration subject to source deductions;
- 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 you to decrease the income tax payable, 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 and, as a result, you take that amount into account when calculating the employee's remuneration subject to source deductions.

Once the reduction is authorized, it must be distributed evenly over the pay periods remaining in the year (see examples 1 and 2 below). The authorization 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. The Ministère will send the employee a letter specifying the amount of the reduction that you must take into account. The employee must then submit the letter to you.

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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 29, 2004, employers must file, as applicable, the following documents for 2003: 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 will 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. A 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 submit a written and signed request to the Ministère du Revenu office in your area (you will find a list of our offices at the end of this 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, Bulletin LMR. 34-1/R1

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, if you fail to deduct or withhold an amount pursuant to a fiscal law within the time limit provided for by the law, you are subject to a penalty of 15% of the amount concerned.

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

Moreover, a penalty of \$25 per day, to a maximum of \$2,500, may be imposed if you fail to file a remittance form (TPZ-1015.R.14.1-V, TPZ-1015.R.14.2-V, TPZ-1015.R.14.3-V or TPZ-1015.R.14.4-V) within the time prescribed under the *Regulation respecting the Taxation Act*. This penalty also applies if you fail to file form RLZ-1.S-V (or form RLZ-1.ST-V, if applicable) and the related RL-1, RL-2 or RL-25 slips. For further information, see the *Guide to Filing the RL-1 Slip* (RL-1.G-V).

Please note that these penalties and fines do not apply to individuals who pay wages through the “service employment cheque,” a payment procedure managed by the Services de paie Desjardins. This procedure is used by individuals 70 and older who are claiming the tax credit respecting home-support services for seniors.

AMR 59, 59.2, 61

Payment made to a person not resident in Canada

If you fail to make the income tax withholding 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 equal to 15% of the amount.

However, you may recover the amount of the income tax withholding from the person who received the payment, either by filing suit before a court of competent jurisdiction or by withholding the 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 38”), the mathematical formulas reproduced in Chapter 10, or one of the calculation methods described in Chapter 3.

A computer program that calculates the various source deductions and employer contributions for each pay period (the “WINRAS” program) is also available on the Web site of the Ministère at

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

An employer must withhold income tax from the salary or wages (or the commissions) paid to an employee if

- the employee reports for work at an establishment of the employer situated in Québec; **or**
- the salary or wages are paid from an establishment of the employer situated in Québec, **and** the employee is not required to report for work at any establishment of the employer.

You are therefore not required to withhold income tax from salary, wages or commissions paid to employees who report for work at one of your establishments situated outside Québec.

Similarly, you are not required to withhold income tax from an amount **other than a salary, wages or commissions** that you pay to a beneficiary 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 beneficiary who is not resident in Canada (see sections R and S of Chapter 9).

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

B. Income subject to source deductions of income tax

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

- salary or wages (including the value of a taxable benefit granted to an employee or former employee, other than a benefit resulting from the exercise of a security option where, because of an election made under the federal income tax system, the taxation of this benefit is deferred from the year in which the securities are acquired to the year in which they are disposed of), allowances, tips, commissions or similar amounts paid, allocated, granted or awarded to an employee or a former employee;
- pension benefits, including annuity payments made under a pension plan;
- single payments, as described in section J of Chapter 3;
- benefits paid under the *Unemployment Insurance Act* (Statutes of Canada), 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 benefits paid under Part I, VIII or VIII.1 of the *Employment Insurance Act* (Statutes of Canada);

- an earnings supplement (excluding any portion related to child-care expenses or tuition fees) paid under a government project designed to encourage individuals to obtain or keep employment (government work incentive program), other than the Return to Work Supplement (an active measure sponsored by Emploi-Québec);
- financial assistance (excluding any portion related to child-care expenses or tuition fees) under a program established by the Canada Employment Insurance Commission under Part II of the *Employment Insurance Act*;
- financial assistance (excluding any portion related to child-care expenses or tuition fees) 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 on form TP-1015.N-V by a self-employed fisher;
- amounts that may reasonably be regarded as having been received, in whole or in part, as a consideration for entering into a contract for performance of services to be rendered in Québec, or for an 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 paid by 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 fees, taxable benefits (the main benefits are described below), 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 (for example, accumulated vacation pay), 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 Table for Québec Income Tax* (TP-1015.TI-V) or the computerized calculation method described in Chapter 10. Be sure to include the following amounts in calculating the employee's remuneration:

- tips that result from tippable sales and that the employee reported during the pay period on the *Register and Statement of Tips* (TP-1019.4-V) or an equivalent document;
- tips unrelated to tippable sales (for example, those received by hotel valets, porters, doormen and cloakroom attendants), that the employee reported on the *Register and Statement of Tips* or an equivalent document;
- tips that, because they constitute service charges added to the customer's bill, are distributed to the employee and do not have to be reported on the *Register and Statement of Tips* or an equivalent document;
- tips that you allocated to the employee for the pay period because the amount of tips reported was less than 8% of tippable sales (or was less than the percentage set by 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 salary or wages. You must therefore include commissions when you calculate the employee's remuneration. Employees who earn commissions and who 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 2003, the employee must submit form TP-1015.R.13.1-V to you by the latest of the following dates:

- January 31, 2003;
- 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 section F of Chapter 3.

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

The taxable benefits received by an employee are considered salary or wages. 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.

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In determining the value of a benefit, you must take into account the GST and QST that the employee would have paid had he or she purchased the property or service concerned. Do not add the GST and QST to taxable allowances.

41.3

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

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 the value of 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. The reimbursement of expenses for the use of a parking space. As a rule, an employee who is provided with a parking space free of charge or at a price below the fair market value is also considered to have received a taxable benefit. The value of the benefit 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. A non-reasonable allowance for the use of a motor vehicle. An allowance is not considered reasonable (and must therefore be included in the employee's income from an office or employment) if
 - 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; or
 - 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. Meals and accommodation provided to an employee, or allowances for meals and accommodation. (In some cases, compensation for meals and transportation paid to employees who work overtime is not taxable.)
7. Professional membership dues (or any portion thereof) that you reimburse to the employee or pay on the employee's behalf.
8. **Monetary** gifts and rewards, where they are given to an employee in the course of or by reason of his or her employment. However, when **non-monetary** gifts are given to an employee for a special occasion (for example, a Christmas, birthday or wedding gift), a tax exemption applies to the first \$500 (including taxes). This exemption also applies to **non-monetary** rewards given to an employee in recognition of certain accomplishments. However, the exemption does not apply to gift certificates whose amount is based on the employee's sales, since the certificates are received in exchange for performance of work.
9. Tuition fees that you pay directly or reimburse 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.
10. Travel expenses that you pay or reimburse with respect to an employee's spouse (unless the employee's spouse made a business trip at your request, mainly to assist in realizing the objectives of the trip).
11. Contributions that you pay 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 this 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. Premiums (including the tax on insurance premiums) that you pay under certain insurance plans, for the coverage that an individual receives during the year by reason of his or her 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. Contributions (including the related tax) that you pay to the administrator of a multi-employer insurance plan under a plan providing insurance of persons (other than wage loss insurance), respecting work carried out by an employee.

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. The 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. Premiums that you pay (but that are 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. Contributions that you make 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. 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 a loan granted to an employee (or a related person), where the sum is lent interest-free or at an interest rate below the prescribed rate.
19. Benefit respecting the remission of a debt (either a loan or another form of debt).

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 person related to a shareholder or partner;
- 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, if they are not included in the employee's income for the year in which the employee received them;
- single payments transferred to the trustee of a registered pension plan (RPP), an RRSP or a deferred profit-sharing plan (DPSP), if 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;
- 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 the 2003-01 version of form TP-1015.3-V);
- any remuneration paid to an employee who is not resident in Canada and does not hold an office or employment in Canada (see section S of Chapter 9);
- 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 the beneficiary's post-secondary studies. Such payments represent a 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;
- an amount of up to \$50,000 of an accumulated income payment made to the subscriber under an RESP (or to the subscriber's spouse if the subscriber is deceased), where the following conditions are met:
 - the accumulated income payment is included in income for the year in which it is received,
 - the amount in question is transferred to an RRSP whose annuitant is either the recipient of the payment or the recipient's spouse, and
 - the person making the payment has reasonable grounds to believe that the amount transferred to the RRSP may be deducted in the calculation of the recipient's income for the year.

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 – Source deductions or contributions required with respect to various payments

	Income tax	QPP	Health services fund	CNT	Worker training¹
Accumulated income payment under an RESP	Yes ²	No	No	No	No
Amounts paid by the custodian of an employee benefit plan	Yes	No	No	No	No
Amounts paid to a market maker's reserve account for contingent losses	No	Yes	Yes	Yes	Yes
Amounts paid under a retirement compensation arrangement	Yes	No	No	No	No
Amounts withdrawn by a market maker from a reserve account for contingent losses	Yes	No	No	No	No
Annuities from an RRIF (portion that exceeds the minimum)	Yes	No	No	No	No
Annuities from an RRSP or a DPSP	No	No	No	No	No
Bonuses and retroactive pay	Yes	Yes	Yes	Yes	Yes
Commissions	Yes	Yes	Yes	Yes	Yes
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
Directors' fees	Yes	Yes	Yes	No	Yes
Earnings supplements	Yes ³	No	No	No	No
Employment insurance benefits	Yes	No	No	No	No
Indemnities recognized by the CSST (income replacement indemnities)	No	No	No	No	No
Indemnities not recognized by the CSST	No	Yes	Yes	Yes	Yes
Indemnity in lieu of notice ⁴	Yes	No	No	Yes	No
Patronage dividends	No	No	No	No	No
Pension benefits	Yes	No	No	No	No
Research grants	No	No	No	No	No
Retiring allowance	Yes	No	No	No	No
Salaries and wages	Yes	Yes	Yes	Yes	Yes
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
Scholarships, bursaries, fellowships	No	No	No	No	No
Taxable benefits ⁶	Yes	Yes	Yes	Yes	Yes
Tips	Yes	Yes	Yes	Yes	Yes
Vacation pay	Yes	Yes	Yes	Yes	Yes

1. The contribution to the Fonds national de formation de la main-d'oeuvre.
2. You are not required to withhold income tax from the first \$50,000 of the payment if certain conditions are met (see the last point in section D above).
3. An earnings supplement (excluding any portion related to child-care expenses or tuition fees) paid under a government work incentive program, other than the Return to Work Supplement (an active measure sponsored by Emploi-Québec).
4. An amount paid to terminate or cancel an employment contract at or after the time employment ceases.
5. Unless the employer is an Indian, an Indian band or a band council.
6. 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 employer contribution to the health services fund, to the Fonds national de formation de la main-d'oeuvre and to the financing of the CNT.

3 How to calculate 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. Earnings supplements paid 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 38), or according to the method described in section D of this chapter 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 38) are contained in a separate document (TP-1015.TI-V).

A computer program that calculates source deductions of Québec income tax (the “WINRAS” program) is also available on the Web site of the Ministère at

www.revenu.gouv.qc.ca/fr/retenu/retenu/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 weekly, twice-monthly, monthly, quarterly or annual basis (as applicable), using the appropriate remittance form. For further details, see section C of Chapter 1.

Difference in results obtained

The amount of an income tax withholding may vary slightly depending on whether you refer to the tables contained in the document *Source Deduction Table for Québec Income Tax* (TP-1015.TI-V) or calculate the amount using the mathematical formulas applicable to regular payments (see section B of Chapter 10). This is because the elements taken into account differ.

A. Calculation of remuneration subject to source deductions

Before you determine the amount to withhold according to Table 38, you must calculate the amount of remuneration 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 below),
 - contributions to an RRSP (see the explanation below),
 - contributions under a retirement compensation arrangement;
- **75%** of the amount withheld from remuneration, upon authorization from the employee and to a maximum of \$5,000, so that the employee may acquire, as first purchaser, 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 in the *Source Deductions Return* (form TP-1015.3-V) as a deduction for residents of designated remote areas, a deduction for support payments or a tax credit for child-care expenses, divided by the number of pay periods remaining in the year;
- the amount indicated by the employee in the *Source Deductions Return* (form TP-1015.3-V) as a tax credit respecting a severe and prolonged mental or physical impairment, divided by the number of pay periods remaining in the year (**this does not apply if the employee completed the 2003-01 version of form TP-1015.3-V**); 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 section J of Chapter 1).

Employees participating in the co-operative investment plan (CIP)

If an employee authorizes you to withhold an amount so that he or she can acquire preferred shares qualifying under the CIP, you must also (in calculating the remuneration subject to source deduction of income tax) subtract the following amounts from the employee’s gross remuneration for each pay period:

- **150%** of the amount withheld for the acquisition of shares of a small or medium-sized co-operative, under an investment program for workers,
- **125%** of the amount withheld for the acquisition of shares of a small or medium-sized co-operative, otherwise than under an investment program for workers,
- **125%** of the amount withheld for the acquisition of shares under an investment program for the workers of a co-operative other than a small or medium-sized co-operative,
- **100%** of the amount withheld, in all other cases.

The amount that you subtract, for each pay period, must not exceed **30%** of the result of the following calculation:

- the gross remuneration paid to the employee for the pay period, **minus**
- the contributions that the employee paid to an RPP for the pay period,
- the value of the preferred shares that you transferred for the pay period, at the employee’s request, to an RRSP of which the employee or his or her spouse is the annuitant.

For example, if the employee’s gross remuneration for a pay period is \$3,400, the RPP contributions equal \$150, and the value of the shares transferred to an RRSP is \$250, the maximum you may subtract for the pay period is \$900.

If the amount you would normally subtract for a pay period (150%, 125% or 100% of the amount withheld) exceeds the above limit, contact the Ministère to find out how to proceed.

Special cases

See sections J through P of Chapter 9 if you operate an international financial centre (IFC), if you are an eligible shipowner, if you employ a foreign producer, or if you employ one of the following persons (who are entitled to a five-year tax exemption):

- a foreign specialist;
- a foreign researcher (including a foreign researcher on a post-doctoral internship);
- a foreign expert;
- a foreign professor.

IMPORTANT: Do not subtract QPP contributions, employment insurance premiums or union dues from remuneration in order to determine 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:

- (a) 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 2003;

(b) \$5,500;

- (c) \$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 2003 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:

- (a) 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 2003;
- (b) \$5,500 **minus** the total of the amounts deducted in 2003 with respect to the contributions referred to in point 1 and the contributions for current service and for past service rendered after 1989.

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 section J of Chapter 1).

1015R2.2

Shares in a labour-sponsored fund that are transferred to an RRSP

Where you deducted an amount from an employee's remuneration to allow the employee to purchase shares in the Fonds de solidarité des travailleurs du Québec or the Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l'emploi (called "Fondation") and, at the employee's request, you transferred the shares to an RRSP of which the employee or his or her spouse was the annuitant, you must subtract from the employee's gross remuneration the value of the transferred shares, to a maximum of \$5,000.

1015R2.2

Preferred shares qualifying under the CIP that are transferred to an RRSP

Where you deducted an amount from an employee's remuneration to allow the employee to purchase preferred shares qualifying under the CIP and, at the employee's request, you transferred the shares to an RRSP of which the employee or his or her spouse was the annuitant, you must subtract from the employee's gross remuneration the value of the transferred shares.

B. Deduction codes for the year beginning on January 1, 2003

The Québec income tax source deduction codes used in Table 38 (see publication TP-1015.3-V) are given below.

Deduction codes

Amount (\$)	Code
Nil	0
1 – 8,970	A
8,971 – 10,500	B
10,501 – 13,000	C
13,001 – 14,500	D
14,501 – 15,500	E
15,501 – 16,000	F
16,001 – 17,500	G
17,501 – 18,500	H
18,501 – 21,000	I
21,001 – 23,000	J
23,001 – 24,000	K
24,001 – 25,500	L
25,501 – 26,500	M
26,501 – 28,000	N
EXEMPTION	X

The appropriate code, which is based on the total of the 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 \$28,000, refer to the section of Table 38 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 you have employees who are not resident in Canada, see sections Q and S of Chapter 9.

C. Income tax withholdings based on Table 38

The sections of the income tax source deduction table (Table 38) 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.

The employer or payer must withhold income tax from the remuneration of each employee and each recipient of retirement income, in accordance with the individual's deduction code and the deductions and tax credits indicated on form TP-1015.3-V. The amount to be withheld is determined using the section of Table 38 that corresponds 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 section A above). 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 38 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. Then 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
	\$720
Remuneration subject to source deductions of income tax = \$720	
Deduction code indicated by the employee on form TP-1015.3-V	Code C
Determine the amount of income tax to withhold as follows:	
(a) Refer to the section of Table 38 marked “52 pay periods per year.”	
(b) In the left-hand column, “Remuneration subject to source deductions,” locate the bracket that includes \$720 (i.e., \$720.00 – \$729.99).	
(c) Follow the line across to the right until you reach column C. The amount of Québec income tax to withhold is \$79.23 .	

Example 2

Monthly pension benefit (12 pay periods)	\$4,000
Remuneration subject to source deductions of income tax	\$4,000
Deduction code indicated by the retiree on form TP-1015.3-V	Code E
Determine the amount of income tax to withhold as follows:	
(a) Refer to the section of Table 38 marked “12 pay periods per year.”	
(b) 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).	
(c) Follow the line across to the right until you reach column E. The amount of Québec income tax to withhold is \$455.68 .	

D. Remuneration not covered by Table 38

Table 38 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 earns commissions, but does not have to pay expenses or did not complete form TP-1015.13.1-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 below.
- 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 (for example, contributions to an RPP) and the annual amount of the deductions listed in section A above (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 given in section E below and, **from this amount, subtract 20% of the amount indicated on line 10 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 after the employee completed 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 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

Example (continued)

(c) Estimated Québec income tax for the year	
Income tax on the first \$54,195 (see section E below)	\$9,755.20
Plus 24% on the remainder (\$215,000 - \$54,195) x 24% =	+ \$38,593.20
	<u>\$48,348.40</u>
(d) Amount entered on line 10 of form TP-1015.3-V (\$21,550 x 20%)	- \$4,310.00
Estimated Québec income tax for the year	\$44,038.40

- Divide the estimated Québec income tax for the year by the **estimated annual remuneration**: $\$44,038.40 \div \$218,400 = 0.2016$.
- Multiply the **gross remuneration** for the pay period by the rate obtained in (e): $(\$4,000 + \$200) = \$4,200 \times 0.2016 = \mathbf{\$846.72}$.
The result is the Québec income tax to be withheld for the pay period.
- If the remuneration paid to the employee is the same for each pay period, withhold \$846.72 per pay period. Otherwise, whenever gross remuneration is not covered by Table 38, multiply the amount of the remuneration by the rate of 0.2016.

E. Income tax rates

The income tax rates given below must be used where remuneration subject to source deductions is not covered by Table 38.

Remuneration subject to source deductions		Income tax rate	
Over	But not over		
\$0	\$27,095	16%	
\$27,095	\$54,195	\$4,335.20	on the first \$27,095 + 20% on the remainder
\$54,195		\$9,755.20	on the first \$54,195 + 24% on the remainder

750

F. Commission income

Employees who earn commissions and who do not have to pay their 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 D above, depending on whether the remuneration is covered by Table 38).

If the commissions are not paid regularly, you may use the method for bonuses described in section H below, for a given pay period. If the remuneration is not covered by Table 38, use the method described in section D above.

Employees who earn commissions and who pay their expenses and have completed form TP-1015.R.13.1-V within the prescribed time (see “Commissions” in section B of Chapter 2)

Remuneration covered by Table 38

If the remuneration subject to source deductions of income tax is covered by Table 38, 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 in section C above to determine how much income tax to withhold.

Remuneration not covered by Table 38

If the remuneration subject to source deductions of income tax is not covered by Table 38, 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 line 8 of 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, from the employee’s estimated annual remuneration, the annual amount of withholdings (for example, contributions to an RPP) and the annual amount of the deductions listed in section A above (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 given in section E above, and, from this amount, subtract 20% of the amount indicated on line 10 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 after the employee completed 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 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 (this amount is not covered by Table 38). The employee’s gross wages per pay period are \$769.23, and you estimate that the employee’s net commissions for the year will be \$60,000. 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

Example (continued)

(c) Estimated Québec income tax for the year	
Income tax on the first \$54,195 (see section E above)	\$9,755.20
Plus 24% on the remainder (\$76,850 – \$54,195) x 24% =	+ \$5,437.20
	<u>\$15,192.40</u>
(d) Amount entered on line 10 of form TP-1015.3-V (\$17,000 x 20%)	– \$3,400.00
Estimated Québec income tax for the year	= \$11,792.40
(e) Divide the estimated Québec income tax for the year by the estimated annual remuneration : \$11,792.40 ÷ \$80,000 = 0.1474.	
(f) Multiply the gross wages and the commissions for the pay period by the rate obtained in (e): \$8,200 x 0.1474 = \$1,208.68 .	
The result is the Québec income tax to be withheld for the pay period.	
(g) To determine the Québec income tax to withhold from any other remuneration not covered by Table 38, multiply the amount of the remuneration by the rate of 0.1474.	

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

G. Vacation pay

Where vacation pay is calculated on a percentage basis and is paid to an employee **who is taking holidays**, refer to the section of Table 38 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, as applicable. 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 for an employee who receives vacation pay but **is not taking holidays**, use the calculation method for bonuses given in section H below.

Payments that 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 and retroactive pay are subject to source deductions of income tax. The examples below show how to calculate the income tax to be withheld (see examples 1 and 2 for bonuses, and example 3 for retroactive pay). **However, where an employee’s estimated annual remuneration, including bonuses and retroactive pay, does not exceed \$11,050, income tax of 8% should be withheld from the bonus or retroactive pay.**

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 10 and 19 of the TP-1015.3-V form completed for 2003. (The amounts on lines 10 and 19 represent the deductions and personal tax credits 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."

- (a) Divide the bonus by the number of pay periods in the year:
 $\$2,500 \div 52 = \48.08
- (b) Add \$48.08 to \$540, for a total of \$588.08 per week.
- (c) To determine the additional weekly source deduction of income tax resulting from the extra weekly income of \$48.08, consult the section of Table 38 marked "52 pay periods per year."
- | | |
|-------------------------------|-----------|
| Amount withheld from \$588.08 | \$41.73 |
| Amount withheld from \$540.00 | – \$33.73 |
| Additional source deduction | = \$8.00 |
- (d) To determine the amount to withhold from the bonus of \$2,500, multiply the additional source deduction (\$8.00) by 52:
 $\$8.00 \times 52 = \416.00 .
- (e) The amount to be withheld from John's remuneration for the pay period is therefore \$449.73 (i.e., \$33.73 + \$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 income tax to be withheld from the second bonus is calculated as follows:

- (a) Divide the amount of the second bonus by the number of pay periods in the year: $\$1,040 \div 52 = \20
 Add the result to the weekly remuneration subject to source deductions: $\$540 + \$20 = \$560$
- (b) Divide the amount of the previous bonuses (in this case there is only one) by the number of pay periods in the year:
 $\$2,500 \div 52 = \48.08
- (c) Add the amounts obtained in (a) and (b):
 $\$560 + \$48.08 = \$608.08$
- (d) Consult the section of Table 38 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
($\$560 + \48.08) = | \$42.00 |
| Minus | |
| Amount withheld from \$588.08
($\$540 + \48.08) = | – \$38.00 |
| Amount withheld from the additional \$20 | = \$4.00 |
- (e) To determine the amount 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.

Example 3

Retroactive pay

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

- (a) Consult the section of Table 38 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 | \$13.90 |
| Amount withheld from \$275 a week | – \$9.90 |
| Additional source deduction | = \$4.00 |
- (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 therefore \$53.90 (i.e., $\$13.90 + \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 10 and 19 of form TP-1015.3-V (or \$8,970 if he or she did not complete the form).

However, you must withhold income tax if the estimated amount of the fees exceeds the sum of lines 10 and 19, or if the director entered the deduction code "0" on form TP-1015.3-V (this code is used by persons who work for more than one employer).

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 later of the following dates: the date of the last payment, or January 1, 2003.
- (b) In the section of Table 38 marked "12 pay periods per year," locate the source deduction of income tax for the amount determined in (a), and multiply it by the number of months that have elapsed since the later of the following dates: the date of the last payment, or January 1, 2003. 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 of 15% of that amount. However, you may recover the amount of the source deduction from the person who received the payment, either by filing a suit before a court of competent jurisdiction or by withholding the amount concerned from any sum 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) or 20% (if the payment is over \$5,000):

- a payment made under a pension plan upon
 - the death, resignation or retirement of an employee or a former employee,
 - the winding-up of the plan, in full satisfaction of all rights of the participant in the plan, or
 - the amendment of the plan, where the amendment entitles the participant to receive the payment even if he or she 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), in order to finance the 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, or
 - a payment made by a person who has reasonable grounds to believe that the payment is deductible by the above-mentioned 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, a refund of premiums or (if the conditions set forth in section D of Chapter 2 are met) the portion of an accumulated income payment that does not exceed \$50,000.

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 is subject to an additional income tax withholding of 8%, besides the 16% or 20% withholding already referred to. However, no additional withholding is required in the case of an educational assistance payment, a refund of premiums or (where the conditions set forth in section D of Chapter 2 are met) the portion of an accumulated income payment that does not exceed \$50,000.

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 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. Earnings supplements

A government department or agency that pays an earnings supplement as part of a government project designed to encourage individuals to obtain or keep employment (government work incentive program) must withhold 16% income tax from the payment, other than the portion of the payment related to child-care expenses or tuition fees. However, no income tax must be withheld from an amount paid under the Return to Work Supplement (an active measure sponsored 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 in section C of Chapter 10.

A computer program that calculates the various source deductions and employer contributions for each pay period (the “WINRAS” program) is also available on the Web site of the Ministère at

www.revenu.qc.ca/fr/retenues/retendue/winras.asp.

You must make remittances of the employee QPP contributions deducted at source and the corresponding employer QPP contributions on a weekly, twice-monthly, monthly, quarterly or annual basis (as applicable), using the appropriate remittance form. For further details, see section C of Chapter 1.

Note: 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 the employer pays, allocates, grants or awards.

AQPP 37.1, 50, 52, 59, 63, AQPP (r. 2) 6

B. Data

The Québec Pension Plan (QPP) data for 2003 are given below. The 2002 data are provided for information purposes.

	2003	2002
Maximum pensionable earnings	\$39,900	\$39,100
Basic exemption	\$3,500	\$3,500
Maximum contributory earnings	\$36,400	\$35,600
Contribution rate	4.95%	4.7%
Maximum employee contribution	\$1,801.80	\$1,673.20
Maximum employer contribution (per employee)	\$1,801.80	\$1,673.20

The employer QPP contribution is equal to the sum of the 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 Canada Pension Plan (CPP), see section K of this chapter.

The table at the end of Chapter 2 will help you to determine whether certain payments are subject to QPP contributions.

Self-employed workers

Self-employed workers must base their QPP contributions on the income they earn from the business they carry on (either directly or as an active member of a partnership), not on their withdrawals. The QPP contribution is generally paid in instalments and submitted, separately from any QPP contributions made for employees, with form TPZ-1026.A-V, *Instalment Payments Made by an Individual*. For further information, consult 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 to keep track of the person’s earnings, which are entered each year in a record 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 record.

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 keep a record of the employee’s name and number as shown on the card. In all correspondence, and particularly on the RL-1 slip you prepare, you must write the employee’s **first name, last name and social insurance number** exactly as they appear on the social insurance card.

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 the employee 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 are 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 deferred profit-sharing plan (DPSP), and death benefits under the QPP or the **Canada Pension Plan (CPP)**;
- payments made by a trustee under a supplementary unemployment benefit plan;
- retiring allowances paid to an employee (on or after retirement) in recognition of long service, as well as amounts paid further to 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);
- salary insurance benefits, that is, benefits paid to an employee further to the total or partial loss of income from an office or employment, **under a salary insurance plan** (health, accident, disability or income insurance) **to which the employer made contributions**;
- worker’s compensation (certain amounts paid further to an industrial accident are, however, subject to QPP contributions: see section D below);
- 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 a registered retirement savings plan (RRSP), a registered retirement income fund (RRIF) or a registered education savings plan (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 paid for the work can be deducted in the calculation of their taxable income (see section G of Chapter 9);
- 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 situated 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 employee
 - 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 employee
 - 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 2003 have been set at \$39,900.

The following remuneration constitutes pensionable earnings, provided it is paid for **work performed in Québec**:

- wages, salaries (including stipends), commissions and directors' fees;
- tips (including those unrelated to tippable sales) that the employee reported during a pay period on the *Register and Statement of Tips* (TP-1019.4-V) or 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 *Register and Statement of Tips* or 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 has been approved by 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 value of the benefit in the calculation of his or her income (however, you must **include as pensionable earnings any 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 section B of Chapter 9),
- 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 section C of Chapter 9);
- the portion of the salary or wages that is deferred, under a salary deferral arrangement (see section C of Chapter 9);
- worker's compensation payments that the Commission de la santé et de la sécurité du travail (CSST) does not reimburse or (in the case of a self-insurer) does not recognize (see section D of Chapter 9);
- 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 section B of Chapter 9).

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,
 - the trustee of an employee trust, or
 - the custodian of an employee benefit plan.

The value of a taxable benefit in kind (that is, other than in money) constitutes pensionable earnings under the QPP. However, you are not required to withhold QPP contributions on the amount concerned if you are not paying the employee any other sum in cash or by cheque for the pay period in which the benefit is granted.

AQPP 37.1, 40, 41, 45, 50, Bulletin RRQ. 45-2/R2

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 employee reports for work at an establishment of the employer situated in Québec; **or**
- the remuneration is paid from an establishment of the employer situated in Québec to an employee who works in Canada and who is not required to report for work at any establishment of the employer.

The remuneration paid to an employee who reports for work at an establishment of the employer situated outside Québec is therefore not covered by the QPP.

If the employee works outside Canada, see section I of Chapter 9.

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 section I of this chapter).

AQPP 7, 215

Employees who reach age 18 in 2003 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 2003, 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 the 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 **4.95% 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 exemption is \$14.58 per day. The QPP contribution is therefore \$4.00, that is, 4.95% of \$80.84 ($\$110 - \$29.16 = \80.84). The same result may be obtained by referring to Table B of the QPP source deduction tables (contained in publication TP-1015.TR-V); in this case the QPP contribution of \$2.00 per day is multiplied by 2.

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
- if the pay periods are irregular, the higher of the following amounts:
 - \$3,500, multiplied by the number of days in the pay period divided by 365;
 - \$67.30.

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

To determine the exemption corresponding to the number of days included in an irregular pay period, refer to the table at the end of publication TP-1015.TR-V.

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

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

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 if the employee has not worked the entire year.** For example, if the employee worked for two months in the year and is remunerated on a monthly basis, you subtract \$291.66 from the remuneration for each month, for a total of \$583.33 (2/12 of the annual exemption of \$3,500). **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, you may deduct the portion of the employee contribution that you paid out of your own funds from any remuneration paid to the employee in the 12 months following the date on which you would normally have withheld 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 60

Maximum annual contribution

The total QPP contributions withheld from remuneration paid or deemed paid to an employee in 2003 must not exceed the maximum annual contribution of \$1,801.80 (that is, 4.95% of the maximum contributory earnings of \$36,400). 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 2003, multiply \$1,801.80 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 below).
- If an employee dies in 2003, multiply \$1,801.80 by the number of months in the year up to and including the month of death, and divide the result **by 12** (see example 2 below).
- If a QPP or CPP disability pension becomes payable to an employee in 2003, multiply \$1,801.80 by the number of months prior to the first month that is excluded from the employee’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 employee in 2003, multiply \$1,801.80 by the number of months subsequent to the month in which the pension ceases to be payable; divide the result **by 12**.

Example 1

Lisa turned 18 on July 15, 2003. She receives a salary of \$3,800 per month (\$45,600 per year), which exceeds the maximum pensionable earnings (\$39,900).

From January to July 2003, Lisa has no QPP contribution payable.

From August to December 2003,

- the basic monthly exemption is \$291.66 ($\$3,500 \div 12$);
- the monthly withholding respecting the QPP is \$173.66, calculated as follows:
 $\$3,800 - \$291.66 = \$3,508.34$
 $\$3,508.34 \times 4.95\% = \173.66

Maximum contribution for 2003:

$$5/12 (\$39,900 - \$3,500) \times 4.95\% = \$750.75$$

Lisa's QPP contributions for 2003 must not exceed \$750.75.

Example 2

At the time of his death, on March 15, 2003, Benjamin was receiving a weekly salary of \$900. His pensionable earnings for 2003 were \$9,000. This amount is less than the maximum pensionable earnings of \$39,900.

From January to March 2003, Benjamin 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 \$41.22, calculated as follows:
 $\$900 - \$67.30 = \$832.70$
 $\$832.70 \times 4.95\% = \41.22

Maximum contribution for 2003:

$$3/12 (\$39,900 - \$3,500) \times 4.95\% = \$450.45$$

Benjamin's QPP contributions for 2003 must not exceed \$450.45.

AQPP 9, 41, 43, 44, 50

E. Source deductions of employee contributions

Source deductions of QPP contributions are based on the employee's gross pensionable earnings, calculated **before** the following withholdings are taken into account:

- union dues;
- contributions to a registered pension plan;
- any other amount that you take into account to determine the remuneration subject to source deductions of income tax.

Gross remuneration that is not subject to source deductions of income tax (for example, the remuneration paid to an employee covered in sections J through P of Chapter 9) is subject to QPP contributions, unless otherwise indicated in this chapter. In other words, the amount of pensionable earnings under the QPP, on which you base your withholdings of QPP contributions, must be determined without taking into account the instructions for determining the remuneration subject to source deductions of income tax.

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 publication TP-1015.TR-V (Table B), which applies to non-continuous employment. (To determine whether employment is continuous or non-continuous, see section D above.)

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 \$6.82. For daily wages of \$30 (non-continuous employment), the source deduction is \$0.76 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: if you do 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 4.95% of the gross amount without taking the exemption into account.**

Example

On October 25, 2003, an employee receives \$650 in retroactive pay. The amount is paid **separately from the employee's regular salary**. QPP contributions of \$500 have already been withheld for the year thus far. The QPP contribution on the payment of \$650 is determined as follows: $\$650 \times 4.95\% = \32.18 . However, the amount withheld must not exceed the QPP contributions that remain to be withheld for the year, that is, the maximum contribution for the year (\$1,801.80) minus the contributions already withheld (\$500).

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 "Exemption" in section D above).
- (b) Multiply the contributory earnings, as determined in (a), by 4.95%.

Withhold the amount obtained in (b). **Once the maximum annual contribution is reached, do not withhold further contributions (see "Maximum annual contribution" in section D above).**

Example

An employee receives a weekly salary of \$8,500 and taxable benefits worth \$500, for a total of \$9,000 per week. The deduction tables cannot be used in this case because the remuneration is not covered by the tables. Subtract the exemption for the pay period (\$67.30) from the pensionable earnings (\$9,000) to obtain the employee's contributory earnings ($\$9,000 - \$67.30 = \$8,932.70$). Multiply the result by 4.95% in order to determine the amount to withhold as a QPP contribution ($\$8,932.70 \times 4.95\% = \442.17). You must therefore withhold \$442.17 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 (that is, \$3,500 divided by four fee payments). The amount to be withheld is \$6.19, or $4.95\% \times (\$1,000 - \$875)$.

Employee who works for more than one employer

Source deductions must be made by every employer, regardless of whether other amounts have been, are being or will be withheld by another employer with respect to the same employee. (This rule does not apply if the employer has succeeded another employer in the circumstances described in section G below.) If, as a result, the employee's QPP contributions 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

F. Employer contribution

The employer's contribution to the QPP is equal to the sum of the 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, during the year, you immediately succeeded another employer following the formation or winding-up of a corporation or the acquisition of a major portion of the property of an undertaking or of a separate part of an undertaking, and there was no interruption of an employee's service, you must take into account the amounts that the previous employer deducted from the employee's remuneration from the beginning of the year.

If either you or the previous employer failed to withhold the required QPP contributions from an employee's remuneration, you are both obliged to remit the portion of the employee contribution that was not correctly withheld and that is attributable to the period during which the employee in question worked for you. Each of you 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 constituting act must be enclosed with the application.

As a rule, a corporation resulting from the amalgamation of two or more other corporations does not constitute a new employer for the purposes of QPP contributions where the corporations are amalgamated

- under Part 1A of the *Companies Act*, in the case of corporations governed by the Act;
- under the *Canada Business Corporations Act* (Statutes of Canada);
- under the *Cooperatives Act*;
- under section 323 of the *Act respecting health services and social services*;
- under the *Act respecting trust companies and savings companies*;
- under a statute of another province of Canada which provides that the new corporation is to continue the legal 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 QPP contribution.

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.

Bulletin RRQ. 52-1/R3

Employee transferred from one employer to another

Where an employee of

- a municipality,
- a metropolitan 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(h), AQPP (r. 2) 10

H. Excess contributions

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

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

If the overpayment results from a decision under section 65 of the *Act respecting the Québec Pension Plan* 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.

AQPP 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 employee contribution that you paid out of your own funds by deducting the amount from any remuneration you pay the employee in the 12 months following the date on which the contribution should have been withheld. From each payment of remuneration, you may withhold only one of the contributions 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 in which the Ministère may make an assessment

The Ministère may redetermine an amount payable and make a reassessment or an additional assessment. Once you are advised of the amount assessed, you must pay it immediately. If you disagree with an assessment, you may request an explanation or take one of the measures explained in the folder *Recourse for Your Tax-Related Problems* (IN-106-V).

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

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

AQPP 66

I. Social security agreements

The social security agreements signed by Québec and various 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
- Barbados
- Chile
- Croatia
- Cyprus
- Denmark
- Dominican
- Finland
- France
- Germany
- Greece
- Ireland
- Italy
- Jamaica
- Luxembourg
- Malta
- Norway
- the Philippines
- Portugal
- Saint Lucia
- Slovenia
- Sweden
- Switzerland
- the United States
- Uruguay

Negotiations are currently in progress with other countries, and new agreements could take effect in 2003.

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 du Revenu. 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 benefit from these social security agreements, you must obtain a certificate of coverage. Contact the Direction des ententes de sécurité sociale, at (514) 873-5030 or 1 800 565-7878.

AQPP 2, 4, 7, 215, AQPP (r. 8) 8

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 at the end of this chapter).

AQPP 46, AQPP (r. 2) 9

K. Employees who receive a retirement pension or who are 70 or older in 2003

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

Employees who are at least 55 but under 70 years old and who reduce their work hours may, if certain conditions are met, make an arrangement with the employer under which, for the purposes of determining their QPP contribution, they are deemed to have earned all or part of the amount by which their remuneration is reduced.

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 approved by the Régie. Payment of the additional QPP contributions resulting from the arrangement is shared equally by you and the employee. For further information, 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 an employee agree that the employee's 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. 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), \$35.03 must be deducted in each of the first 51 pay periods. The amount withheld in the 52nd pay period will be \$15.27, that is, \$1,801.80 (maximum contribution) minus \$1,786.53 (amount already withheld).

Example 2

A 40-year-old employee earns \$515 for the pay period from January 10 to 17, 2003, and also receives, **separately from her regular wages**, a bonus of \$100. In accordance with Table A of the QPP source deduction tables (TP-1015.TR-V), \$22.16 must be withheld from the employee's regular wages, and \$4.95 (4.95% x \$100, no exemption) from the bonus of \$100. The total QPP contribution withheld for the pay period is therefore \$27.11.

Example 3

A 50-year-old man who was employed only from July 7 to July 25, 2003, 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 refer to the "Table respecting the Calculation of the Exemption" at the end of publication TP-1015.TR-V) A QPP contribution of \$35.53 must be withheld from the employee's pay, that is, $4.95\% \times (\$900 - \$182.19)$.

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 \$770 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):
\$35.03 x 20 weeks \$700.60

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:
\$35.03 x 9 weeks + \$315.27

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:
\$35.03 x 22 weeks + \$770.67

Deduction for the 52nd week: + \$15.27

Total = \$1,801.80

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. 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. Employers who are Indians should also refer to section G in Chapter 9.

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

A computer program that calculates the employer contribution to the health services fund for each pay period (the “WINRAS” program) is also available on the Web site of the Ministère at

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

The table at the end of Chapter 2 will help you determine whether certain payments are subject to the employer contribution to the health services fund. You must remit your contribution on a weekly, twice-monthly, monthly, quarterly or annual basis (as applicable), using the appropriate remittance form. For further details, see section C of Chapter 1.

Note: A reference to wages paid by an employer means wages that the employer pays, allocates, grants or awards.

ARAMQ 33.2, 34, 34.0.0.1

B. Wages subject to the contribution

Contribution base

Under the *Act respecting the Régie de l'assurance maladie du Québec*, wages are subject to the employer contribution to the health services fund. The term “wages” covers all remuneration related to an office or employment, as well as vacation pay, bonuses, tips (including allocated tips), directors' fees, commissions paid to employees, and taxable benefits provided in cash or otherwise (for example, meals and accommodation). For further information about taxable benefits, see section C of Chapter 2, or consult the brochure *Taxable Benefits* (IN-253-V).

Wages also include

- certain deferred amounts (see sections B and C of Chapter 9);
- amounts paid to a market maker's reserve account for contingent losses (see section H of Chapter 9).

The amount subject to the contribution corresponds to the employee's gross wages before source deductions.

ARAMQ 33

Wages are subject to the contribution if

- they are paid to employees who report for work at an establishment of the employer situated in Québec; **or**
- they are paid from an establishment of the employer situated in Québec to an employee who is not required to report for work at any establishment of the employer.

Consequently, no contribution to the health services fund is required with respect to wages paid to an employee who reports for work at an establishment of the employer situated outside Québec.

ARAMQ 34

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

- (a) **wages** (other than wages described in (b) below) related to 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 situated outside Québec; and
- (b) **wages** paid as a premium, retroactive pay or vacation pay, and wages that are not related to a regular pay period of the employee, 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 situated in Québec.

ARAMQ 34.0.0.1

As used here, the term “establishment” has the meaning assigned by 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 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 situated outside Québec

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

- the place where the employee primarily reports for work;
- the employee's principal place of residence;
- 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 performed by an 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 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 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 social security agreements with Québec providing for the reciprocal coverage of health insurance plans. Québec employers that post employees to these countries 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 employer's establishment in Québec.

Where the employee's wages are not paid by the employer that posted the employee abroad, 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 wages received for the period in which he or she was posted abroad.
- The wages paid to the employee for the period in which he or she was posted abroad are deemed to be wages paid to the employee, by the above employer, on the 60th day after the end of the year.

ARAMQ 34.0.2

D. Wages not subject to the contribution

The following amounts are not subject to the employer contribution to the health services fund:

- 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 at an international financial centre (IFC), provided the employer is a corporation or a partnership. However, if certain 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 for reciprocal coverage of health insurance plans and who, under the agreement, are subject only to the legislation of the foreign country to which reciprocity applies.

AIFC 64, ARAMQ 33 ("wages")

E. Payment of the contribution

Your contribution to the health services fund for 2003 is the result obtained when the wages subject to the contribution in 2003 are multiplied by a rate based on your total payroll for 2003. The rate varies from 2.7% to 4.26%.

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 both the wages that are not subject to the contribution (listed in section D above) and the wages that are exempted from the contribution (refer to sections F and G below).

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

Periodic remittances of the employer contribution to the health services fund

You must make remittances of your contribution to the health services fund on a weekly, twice-monthly, monthly, quarterly or annual basis (as applicable), using the appropriate remittance form. For further details, see section C of Chapter 1.

At the time you make your periodic remittances of the employer contribution to the health services fund in 2003, 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 2003.

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 total payroll for the preceding months, as shown in the following example.

Example (monthly remittances)

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 the total payroll 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 \$1 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 2.899%, the rate will be 2.9%.

3. Once the total payroll reaches \$5 million, the 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 2003 were the same as that for 2002. This means that your estimated contribution rate for 2003 is equal to your actual contribution rate for 2002. For example, if your total payroll for 2002 did not exceed \$1 million and your actual contribution rate for 2002 was therefore 2.7%, your periodic remittances of the employer contribution to the health services fund for 2003 must be based on a rate of 2.7%.

However, if you expect that your total payroll for 2003 will be less than your total payroll for 2002 and that, as a result, your actual contribution rate for 2003 will be lower than the estimated rate you would normally be required to use, you may use a lower rate to calculate your remittances. If that rate is lower than your actual contribution rate for 2003, see the second paragraph of the section “Balance resulting from the difference between the actual contribution rate and the estimated contribution rate” and the section “Deficient payments.”

ARAMQ 34.0.0.0.1

How to determine your actual contribution rate

Your actual contribution rate for 2003 will be determined when you file the *Summary of Source Deductions and Employer Contributions* (form RLZ-1.S-V). The rate will depend on your total payroll for 2003.

If your total payroll for 2003 is \$1 million or under, your contribution rate will be 2.7%.

If your total payroll for 2003 is over \$1 million but under \$5 million, your contribution rate will be determined according to the formula, 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 2003 is \$5 million or over, your 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 form RLZ-1.S-V**.

However, 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 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 employer 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, a penalty of up to 15% of the unpaid amount may be imposed.

AMR 59.2, ARAMQ 34.0.0.0.2, 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 mandatary 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. Exempted 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 employer contribution to the health services fund. **The exemption period begins on the first day of your first taxation year and ends five years later.** For example, a corporation whose first taxation year begins on September 1, 2003, will be exempt from paying the contribution with respect to wages paid from that date to August 31, 2008.

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

For a taxation year beginning after June 30, 2000, the exemption applies to the first \$700,000 of wages paid (or deemed paid) for the taxation year.

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

Where the end of the last taxation year for which the exemption may be claimed does not coincide with the end of the five-year exemption period, the \$700,000 ceiling must be reduced in proportion to the number of days in the taxation year that are included in the exemption period.

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

ARAMQ 33 (“eligible employer,” “employer exemption,” “exemption period”), 34

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, you may under certain conditions be exempted from the employer contribution to the health services fund until December 31, 2010.

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

If you are eligible for the five-year tax exemption for new corporations, you may elect to claim instead the ten-year tax exemption for manufacturing businesses (which applies not only to the employer contribution to the health services fund, but also to income tax and the tax on capital). To make the election, complete Part I of form CO-737.18.18-V, *Exemption for Small and Medium-Sized Manufacturing Businesses in Remote Resource Regions*. This election is irrevocable.

Wages exempted from the employer contribution to the health services fund

- If, for a particular taxation year during the exemption period, your paid-up capital for the preceding taxation year (calculated on a consolidated basis) is \$20 million or less, you may claim a full exemption with regard to the wages paid (or deemed paid) for pay periods ending in the particular taxation year.
- If, for a particular taxation year during the exemption period, your paid-up capital for the preceding taxation year (calculated on a consolidated basis) is over \$20 million but under \$30 million, the exemption applicable to the pay periods ending in the particular taxation year is reduced using the following formula:

$$\frac{\$30 \text{ million} - \text{paid-up capital calculated on a consolidated basis}}{\$10 \text{ million}}$$

For example, if the paid-up capital for the preceding taxation year is \$24 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 exempted and the employer contribution to the health services fund is calculated on the remaining \$4,000.

- If, for a particular taxation year during the exemption period, your paid-up capital for the preceding taxation year (calculated on a consolidated basis) is \$30 million or over, you cannot claim an exemption with regard to the wages paid (or deemed paid) for pay periods ending in the particular taxation year.

Even if you are not entitled to the exemption from the employer contribution to the health services fund for a particular taxation year, you may be eligible for the exemption for a subsequent taxation year if your paid-up capital for the preceding taxation year (calculated on a consolidated basis) is under \$30 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.

To obtain the exemption from the employer 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).

Paid-up capital calculated on a consolidated basis

The paid-up capital “calculated on a consolidated basis” (or “calculated on a worldwide basis”) means the paid-up capital of all the corporations with which you are associated, regardless of the location in which they carry on their activities and regardless of whether they are subject to the *Taxation Act*.

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

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

Remote resource regions

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

- Bas-Saint-Laurent (region 01);
- Saguenay–Lac-Saint-Jean (region 02);
- Abitibi-Témiscamingue (region 08);
- Côte-Nord (region 09);
- Nord-du-Québec (region 10);
- Gaspésie–Îles-de-la-Madeleine (region 11);
- 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;
- Laurentides (region 15): the regional county municipality of Antoine-Labelle.

737.18.18 (“eligible region”), ARAMQ 33 (“qualified corporation,” “exemption period”), 34, 34.0.0.0.3, 34.1.0.1

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 hold a certificate from the Ministère des Finances attesting that your activities relate to the activities listed on the certificate, you may obtain an exemption from the employer contribution to the health services fund with regard to the wages paid or deemed paid (for the period covered by the certificate) to employees who carry out at least 75% of their tasks within the international trade zone.

ARAMQ 34

G. Exempt employers

Information technology development centre (ITDC), biotechnology development centre (BDC) or marketplace for the new economy (MNE)

If you are a corporation that is carrying out an innovative project in an ITDC, a BDC or an MNE, you may claim an exemption from the employer 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 your first taxation year.

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

- The corporation holds an unrevoked certificate issued by the Ministère des Finances or Investissement Québec (as applicable) confirming that it operates or may operate a business that is carrying out an innovative project in one of the above-mentioned places.
- 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 has sent 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-V, *Exemption for a Corporation That Carries Out an Innovative Project in an ITDC, an MNE or a BDC*.

771.1, 771.12, ARAMQ 33 ("exempt employer," "eligibility period"), 33.0.1, 34

Major investment projects

If you are a corporation (or partnership) operating a business that is carrying out a major investment project in Québec, and you have obtained an annual qualification certificate for 2003 from the Ministère des Finances, you may be exempted from the employer contribution to the health services fund. The exemption applies to wages paid (or deemed paid) for pay periods ending in 2003, provided the wages are related to eligible activities.

If the annual qualification certificate does not cover the entire year, the exemption applies to the wages paid (or deemed paid) for pay periods included in the period covered by the certificate.

Where a pay period is not entirely included in the exemption period, the exemption may be claimed only with regard to the portion of the wages related to the exemption period.

This exemption applies for a period of ten years.

For information about the types of project that give entitlement to the exemption, see the Web site of the Ministère des Finances, at the following address: www.finances.gouv.qc.ca/en/documents/inst-finan/conge_fiscal.asp.

For any other information, contact a representative of the Ministère du Revenu in your area.

737.18.14, ARAMQ 34

Stock exchange business or securities clearing-house business

You may be exempted from the employer contribution to the health services fund if you are a corporation and all of the following conditions are met:

- 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 within the territory of the City of Montréal.
- More than half of the wages that you pay (or that you are deemed to pay) to employees of your corporation are paid (or deemed paid) to employees of an establishment situated in Québec.

The exemption applies to the wages paid or deemed paid (to employees of the stock exchange business or securities clearing-house business operated within the territory of the City of Montréal) for pay periods ending before December 31, 2010.

The exemption is calculated on form LE-33-V, *Exemption from the Employer Contribution to the Health Services Fund for a Corporation That Operates a Stock Exchange Business or a Securities Clearing-House Business*. This form must be enclosed with your *Summary of Source Deductions and Employer Contributions* (form RLZ-1.S-V).

Employers that cease to qualify for the exemption in the year

If, at any time in your first taxation year or before the end of your exemption period, you no longer meet the conditions to be considered

- a corporation carrying out an innovative project in an information technology development centre (ITDC),
- a corporation carrying out an innovative project in a biotechnology development centre (BDC),
- a corporation carrying out an innovative project in a marketplace for the new economy (MNE),

you may still qualify for the exemption from the employer contribution to the health services fund under certain circumstances. For further information, contact the Ministère du Revenu.

ARAMQ 33 ("exempt employer")

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 compensation 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 weekly, twice-monthly, monthly, quarterly or annual basis (as applicable), using the appropriate remittance form. For further details, see section C of Chapter 1. If you are a corporation, see the note at the end section B below.

1159.2, 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 (including allocated tips), directors’ fees, commissions paid to employees, taxable benefits provided in cash or otherwise, and certain deferred amounts (see sections B and C of Chapter 9). However, amounts withdrawn by a market maker from a 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 to employees who report for work at an establishment of the financial institution situated in Québec; **or**
- they are paid from an establishment of the financial institution situated in Québec to an employee who is not required to report for work at any establishment of the financial institution.

Wages paid to an employee who reports for work at an establishment of the financial institution situated outside Québec are therefore not subject to compensation tax.

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

- (a) **wages** (other than wages described in (b) below) related to a regular pay period are subject to compensation tax unless the employee, during the pay period in question, reports for work **primarily** at an establishment of the financial institution situated outside Québec; and
- (b) **wages** paid as a premium, retroactive pay or vacation pay, and wages that are not related to a regular pay period of the employee, 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 situated in Québec.

1159.1, 1159.1.1

Note: Specified financial institutions that are **corporations** (for example, 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 must make a contribution to the financing of the Commission des normes du travail (CNT) if the remuneration they pay to employees working in Québec (or deemed to be working in Québec) is **subject to the contribution**. However, certain categories of employers are not required to pay the contribution (see the section “Employers not required to pay the contribution” below).

An employee is deemed to work in Québec if

- the employee reports for work at an establishment of the employer situated in Québec; **or**
- the employee’s remuneration is paid from an establishment of the employer situated in Québec **and** the employee is not required to report for work at any establishment of the employer.

Remuneration paid to an employee who reports for work at an establishment of the employer situated outside Québec is therefore not subject to the contribution.

However, where an employee reports for work both at an establishment of the employer situated **in Québec** and at an establishment of the employer situated **outside Québec**, the contribution to the financing of the CNT must be paid with respect to

- (a) all the **remuneration subject to the contribution** (other than remuneration described in (b) below) that is related to a regular pay period, unless the employee, during the pay period in question, reports for work **primarily** at an establishment of the employer situated outside Québec; and
- (b) all the **remuneration subject to the contribution** that is paid as a premium, retroactive pay or vacation pay, or that is not related to a regular pay period of the employee, if the remuneration is paid to an employee who **ordinarily** reports for work at an establishment of the employer situated in Québec.

The table at the end of Chapter 2 will help you to determine whether certain payments are subject to the contribution to the financing of the CNT.

Note: A reference to remuneration paid by the employer means remuneration that the employer pays, allocates, grants or awards.

Remuneration paid from an establishment situated outside Québec

Where an individual is not required to report for work at an establishment of his or her employer situated in Québec and the individual’s remuneration is not paid from such an establishment, a contribution to the financing of the CNT is required with respect to the **remuneration subject to the contribution** paid (or deemed paid) if it is reasonable to consider that, during the pay period in question, the individual is an employee of an establishment of the employer situated in Québec. The following criteria are used to determine whether this is the case:

- the place where the employee primarily reports for work;
- the employee’s principal place of residence;
- 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.

Services performed by an 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 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 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.

Employers not required to pay the contribution

The following is a list of the **principal employers that are not required to pay the contribution to the financing of the CNT**:

- metropolitan 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.

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, tips (including allocated tips), taxable benefits and similar payments made to an employee. Remuneration includes certain deferred amounts (see sections B and C of Chapter 9). It also includes an amount paid as an indemnity in lieu of notice and an amount paid 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 in the year to an employee who works 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 governed by a decree adopted under the *Act respecting collective agreement decrees*, in respect of remuneration 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 \$53,500 (amount for 2003);
- remuneration paid to a domestic (see the definition below);
- remuneration paid to an employee by an institution, a regional board or a family-type resource referred to in the *Act respecting health services and social services*, in proportion to the amounts of money received by such entities under the Act;
- remuneration paid to an employee by an institution, a regional council or a foster family referred to in the *Act respecting health services and social services for Cree Native persons*, in proportion to the amounts of money received by such entities under the Act;
- directors’ fees;
- remuneration paid to an employee to whom the *Act respecting labour standards* does not apply. Section 3 of the Act provides a list of such employees. It includes, for example, an employee whose duties consist solely in taking care of or providing care to a child, a person with an illness or disability or an elderly person, where the care is provided in the home, the employer is not seeking to make a profit from the work, and the employee is not subject by regulation to the *Act respecting labour standards*. It 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, a person with an illness or disability or an 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 you are an employer that would have been 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 the decree continued to apply (these decrees expired on July 1, 2000), you are required to pay an additional contribution to the financing of the CNT. The additional contribution is equal to 0.12% of the remuneration that would have been subject to a levy by a parity committee had the decrees not expired.

ALS 39.0.2, ALS (r. 5.3) 2

D. Payment of the contribution

The **contribution** to the financing of the CNT for 2003 **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 29, 2004). If you cease to carry on your business during the year, you must pay your contribution and file one of the following forms within 30 days of ceasing operations:

- the *Temporary Summary of Source Deductions and Employer Contributions* (form RLZ-1.ST-V, version 2003-01); or
- the *Summary of Source Deductions and Employer Contributions* (form RLZ-1.S-V, version 2003-10), if you cease operations in October, November or December 2003, and the 2003-10 version of the form is available.

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 above).

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*.

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 2003 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 their *Summary of Source Deductions and Employer Contributions* (form RLZ-1.S-V) for 2003, and file the form by the prescribed deadline.

The table at the end of Chapter 2 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 sections B and C of Chapter 9), must be included in the total payroll if

- they are paid to employees who report for work at an establishment of the employer situated in Québec; **or**
- they are paid from an establishment of the employer situated in Québec to an employee who is not required to report for work at any establishment of the employer.

You should therefore not include in total payroll the salary or wages paid to an employee who reports for work at an establishment of the employer situated outside Québec.

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

- (a) the **salary or wages** (other than the salary or wages described in (b) below) related to a regular pay period are included in total payroll, unless the employee, during the pay period in question, reports for work **primarily** at an establishment of the employer situated outside Québec; and
- (b) the **salary or wages** paid as a premium, retroactive pay or vacation pay, or not related to a regular pay period of the employee, are included in total payroll if they are paid to or for an employee who **ordinarily** reports for work at an establishment of the employer situated in Québec.

As 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 in the case 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.

Salary or wages paid from an establishment situated outside Québec

Where an individual is not required to report for work at an establishment of his or her employer situated in Québec, and the individual's salary or wages are not paid from such an establishment, the salary or wages paid (or deemed paid) are included in total payroll if it is reasonable to consider that, during the pay period in question, the individual is an employee of an establishment of the employer situated in Québec. The following criteria are used to determine whether this is the case:

- the place where the employee primarily reports for work;
- the employee's principal place of residence;
- 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.

Services performed by an 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 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 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.

For the purposes of the *Act to foster the development of manpower training*, **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 employer contribution to the health services fund** (see section B of Chapter 5). Please note that the following amounts, which are not subject to the employer 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, where, in accordance with a social security agreement providing for reciprocal coverage of health insurance plans, the employees concerned are subject only to the legislation of the foreign country to which reciprocity applies.

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'œuvre.

ADMT 4, 14

Eligible training expenditures

If, in 2003, you become subject to the *Act to foster the development of manpower training*, the training expenditures made in 2002 that would have been eligible expenditures had you been subject to the Act are carried forward to 2003, 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

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

Exemption from the contribution

Some employers are exempted from paying the contribution to the Fonds national de formation de la main-d'œuvre 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'œuvre for 2003 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 29, 2004).

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 2003 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 for the year in which you cease operations are insufficient, you must pay a contribution to the Fonds national de formation de la main-d'œuvre and file one of the following forms within 30 days of ceasing operations:

- the *Temporary Summary of Source Deductions and Employer Contributions* (form RLZ-1.ST-V, version 2003-01);
- the *Summary of Source Deductions and Employer Contributions* (form RLZ-1.S-V, version 2003-10), if you cease operations in October, November or December 2003, and the 2003-10 version of the form is available.

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 the services are performed for a client of the agency. Consequently, the usual source deductions must be made by the employment agency.

This is also the case if the employment agency places a worker with a client and remunerates the worker, and a relationship of subordination exists between the worker and the client.

However, you may be deemed to have paid the salary or wages earned by an employee of an **employer that does not have an establishment in Québec**, for services performed for you. In that case, the individual's remuneration is taken into account in 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. 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 salary or 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 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 employer 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.

Note: If an employee reports for work both at an establishment of the employer situated **in Québec** and at an establishment of the employer situated **outside Québec**, the amount the employer pays to a custodian or trustee, for the employee's benefit, is subject to employer contributions to the health services fund and the Fonds national de formation de la main-d'oeuvre, as well as to compensation tax, if the employee **ordinarily** reports for work at an establishment of the employer situated in Québec.

Where a benefit is granted to an employee further to the exercise of an option to purchase securities (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 employer 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 section B of Chapter 2 and section J of Chapter 3.

ADMT 3, 4 and Schedule, AQPP 45, 50, 52, ARAMQ 34, Bulletin RAMQ. 34-2/R2, 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 salary or wages **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 employer 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"), AQPP 45, ARAMQ 33 ("wages")

Self-funded leaves of absence

Amounts paid to an employee respecting a self-funded leave of absence described in section 47.16R1 of the *Regulation respecting the Taxation Act* (other than amounts deemed to be paid under a salary deferral arrangement or an employee benefit plan) 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 employer contribution to the health services fund;
- compensation tax;
- the contribution to the financing of the CNT.

The amounts in question must also 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 that period,

the payment is 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) by the CSST.

However, the amount that is not reimbursed (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 became 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 on which 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 employer 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 employer 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 the employee **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 employer 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 a special work site or remote work location

A benefit in cash or in kind (that is, a monetary or non-monetary benefit) related to employment at a special work site or remote work location is **not taxable if the conditions outlined below are met. In that case, the benefit is not subject to**

- income tax withholdings,
- the employer 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 minimum participation in the development of worker training).

The benefit must correspond to expenses incurred for

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

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

(b) **transportation** between

- the employee's principal place of residence and the **special work site**, or
- the **remote work location** 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 “duties of a temporary nature” refers to the brief or provisional nature of the duties performed. As a rule, an individual's duties are considered to be of a temporary nature where it is expected that they will not provide continuous employment, for the individual or another person, for more than two years.

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 an individual cannot reasonably be expected to travel daily to and from his or her principal place of residence if the distance between the principal place of residence and the place of work, by the most direct route ordinarily travelled, is over 80 kilometres. However, where this condition is not met, the Ministère du Revenu may also consider such factors as

- the condition of the route travelled;
- the means of transportation available;
- the number of hours of work required of the employee;
- the length of the rest period if the employee returns home daily;
- the employee's general physical and mental health;
- the amount of time required for travel, and the time of day or night at which the travel would take place.

Note 4: As a rule, the work location is considered remote if it is 80 kilometres or more, by the most direct route ordinarily travelled, from the nearest established community of at least 1,000 inhabitants.

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 location and the established community; and
- the time required to travel between the work location 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** 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 one of your establishments situated **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;
- employer and employee contributions to the QPP;
- the employer contribution to the health services fund;
- the contribution to the financing of the CNT;
- 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, refer to section I in this chapter. If the remuneration paid to the employee is tax-exempt for the reasons indicated under “Specified employers” (in section I), 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 above) 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 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, Obedjwan, 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), Oujé-Bougoumou, Pakuashipi (Saint-Augustin), and Winneway (Longue-Pointe).

Income “situated” on a reserve or premises

Income earned by an Indian or a person of Indian ancestry is not subject to income tax if it 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** if 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.
- 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.

- The duties of the office or employment are connected to the employer’s non-commercial activities, which are carried on exclusively for the benefit of Indians living on the reserve, and the employer
 - resides on a reserve, and
 - is an Indian band that possesses a reserve, 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.

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

725.0.2

IMPORTANT: Where some of the duties of an office or employment are carried out on a reserve or premises, but the income is not wholly tax-exempt because it is not considered “situated” on a reserve or premises, you are not required to withhold income tax from the portion of the income related to duties carried out on the reserve or premises.

As a rule, where the full amount of the income from the office or employment is tax-exempt because it is considered “situated” on a reserve or premises, the Indian or person of Indian ancestry is not required to pay income tax on the following amounts received by reason of the office or employment:

- benefits paid under the *Unemployment Insurance Act* or the *Employment Insurance Act* (Statutes of Canada);
- benefits paid under the *Act respecting the Québec Pension Plan*, or under an equivalent plan (within the meaning of the Act);
- a retiring allowance;
- benefits paid under a registered pension plan;
- 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 (or to make employer QPP contributions) respecting income from an office or employment that you pay, allocate, grant or award to an Indian or a person of Indian ancestry, if the income is “situated” in whole or in part on a reserve or premises.

However, an employer that is an Indian and that pays remuneration constituting pensionable earnings under the Québec Pension Plan 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

An employer that 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) is not obliged to make a contribution to the health services fund with regard to wages 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 employer contribution to the health services fund.

Wages are not subject to the employer 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 Indians or persons of Indian ancestry who live on a 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 a 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.

Moreover, an employer that is (or is considered to be) an Indian, an Indian band or a band council within the meaning of the *Indian Act* is not obliged to participate in the development of worker training with respect to the portion of the total payroll that comprises salaries and wages 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 if the total payroll for 2003 exceeds \$250,000.

Bulletin RAMQ, 34-5/R1

Other employer contributions

As an employer, whether Indian or non-Indian, you must include any remuneration 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 employer 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'oeuvre.

Note: If an employee reports for work both at an establishment of the employer situated **in Québec** and at an establishment of the employer situated **outside Québec**, the amount the employer pays to the employee's reserve account for contingent losses is subject to employer contributions to the health services fund and the Fonds national de formation de la main-d'oeuvre, the contribution to the financing of the CNT, and compensation tax, if the employee **ordinarily** reports for work at an establishment of the employer situated in Québec.

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 employer 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'oeuvre.
- 58.1, 979.3, 1015, 1015R1, 1015R3.2 to 1015R3.4, 1159.1 ("wages" and "amount paid as wages"), 1159.2, 1159.3(e), ADMT 4 and Schedule, ALS 39.0.2, AQPP 45, 50, ARAMQ 33, 34*

I. Employees who work outside Canada

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

- The remuneration is paid from your establishment situated 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 performed 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 section I of Chapter 4).

If the remuneration is paid from your establishment situated in Québec to employees who work outside Canada and are not required to report for work at your establishment (whether it is situated in Canada or outside Canada), contact the office of the Ministère du Revenu in your area.

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

You must pay the employer contribution to the **health services fund** with respect to the wages paid from your establishment in Québec to your employees who work outside Canada and are not required to report for work at your establishment (whether it is situated in Canada or outside Canada).

Furthermore, if you posted one or more employees to a country that has signed a **social security agreement** with Québec, under which reciprocal coverage of health insurance plans is provided, you must remit the employer contribution to the health services fund with respect to the wages paid from your establishment located outside Canada (see section C of Chapter 5).

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.

If 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 section J of Chapter 1), 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).

For a definition of the term “specified employer” and a list of the activities provided for by law, consult Chapter 4 of the *Guide to Filing the RL-1 Slip* (RL-1.G-V).

737.24 to 737.26, 737.25R1, 1016, *Bulletin IMP*. 737.25-1

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 deductions 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.

Note: A foreign specialist may claim the deduction for a maximum of five years. If a foreign specialist was already entitled to a five-year tax exemption before taking up employment with you, because he or she worked for another employer as a foreign specialist, foreign expert, foreign researcher (this category includes that of a foreign researcher on a post-doctoral internship) or foreign professor, the exemption period begins on the date on which the individual took up such employment for the **first** time.

You may subtract the amount in question from the employee’s gross remuneration only if the Ministère des Finances issued a qualification certificate (or a certificate) with respect to the employee for the previous taxation year. Furthermore, the employee’s conditions of employment for the pay period in question must be substantially the same as the conditions in effect at the time the qualification certificate (or the 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. 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.

In order for an employee to claim one of these deductions in the 2003 income tax return, you must provide the employee with a letter containing the following information:

- the period during which the employee worked at the IFC;
- the portion of the exemption period included in 2003 (in the case of an employee entitled to the deduction for foreign specialists);
- any pertinent information regarding the deduction to which the employee is entitled.

For information about the types of income that give entitlement to these deductions and the requirements that must be met by employees, refer to Chapter 4 of the *Guide to Filing the RL-1 Slip* (RL-1.G-V).

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 employer 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, 737.18, 737.18.0.1, 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.

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 employer 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 corporation operating a business

- that is carrying out an innovative project in an information technology development centre (ITDC),
- at a biotechnology development centre (BDC),
- at a designated site specialized in biotechnology,
- in the nutraceuticals and functional foods sector in the Québec City region,
- in the Cité du multimedia,
- in designated premises of the Centre national des nouvelles technologies du Québec (CNNTQ),
- in a marketplace for the new economy (MNE),
- at an innovation centre,
- in E-Commerce Place (Cité du commerce électronique), or
- in designated premises of the E-Commerce Zone,

and you have an employee who **qualifies as a foreign specialist**, you are not required to withhold income tax from the gross remuneration that you pay the employee for the period (hereafter called the “exemption period”) during which he or she is entitled to the deduction for foreign specialists.

If only part of the gross remuneration that you pay the employee was earned during his or her exemption period (this may happen, for example, when 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.

Furthermore, the employee’s conditions of employment for the pay period in question must be substantially the same as the conditions in effect at the time of issue of the certificate you are required to obtain with respect to the employee.

The exemption period lasts for a maximum of five years, and generally begins on the date on which the individual takes up employment.

Note: If the individual was already entitled to a five-year tax exemption before taking up employment with you, because he or she worked for another employer as a foreign specialist, foreign expert, foreign researcher (this category includes that of a foreign researcher on a post-doctoral internship) or foreign professor, the exemption period begins on the date on which the individual took up such employment for the **first** time.

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** the applicable eligibility date (see the table below), under an employment contract entered into after that date.
- The employee was not resident in Canada immediately before taking up, for the **first** time, employment that entitled him or her to a five-year tax exemption, or immediately before the contract relating to that employment was entered into.
- The employee worked exclusively or almost exclusively, and on a continuous basis, for you.
- You obtained a certificate in respect of the employee from Investissement Québec or from the Ministère des Finances, as applicable (see the table below), confirming that the employee's duties consisted exclusively or almost exclusively in performing one of the following tasks:
 - training activities,

- scientific research and experimental development (R&D),
- specialized tasks with respect to innovation management, marketing, transfer of technologies or innovation financing,
- the development and operation of technological systems or infrastructures (this applies only to specialists working in E-Commerce Place, in the E-Commerce Zone, at an innovation centre, or in premises of the CNNTQ designated for the purposes of the tax credit for E-business activities),
- any other task related to biotechnology (this applies only to specialists working at a BDC, at a designated site specialized in biotechnology, or in the nutraceuticals and functional foods sector in the Québec City region);
- The employee's duties are exclusively or almost exclusively attributable to eligible activities for which you received a certificate from Investissement Québec or the Ministère des Finances, as applicable (see the table below) (this does not apply to businesses that are carrying out an innovative project).

A copy of the certificate you obtained in respect of the employee must be provided to the employee, so that he or she can claim the deduction for foreign specialists in the 2003 income tax return. When you prepare the employee's RL-1 slip for 2003, you must indicate the income used to calculate the deduction for foreign specialists. This income corresponds to the portion of the remuneration paid in 2003 that is related to the employee's exemption period.

Place or sector in which the specialist works	Eligibility date	Eligible activities	Certificate issued by
ITDC (innovative project)	March 25, 1997	N/A	Investissement Québec
Laval BDC (innovative project)	March 29, 2001	N/A	Investissement Québec
Laval BDC (other than an innovative project)	March 29, 2001	Activities related to biotechnology	Investissement Québec
Sherbrooke and Saint-Hyacinthe BDCs (innovative project)	March 19, 2002	N/A	Investissement Québec
Sherbrooke and Saint-Hyacinthe BDCs (other than an innovative project)	March 19, 2002	Activities related to biotechnology	Investissement Québec
Lévis BDC (innovative project)	July 11, 2002	N/A	Investissement Québec
Lévis BDC (other than an innovative project)	July 11, 2002	Activities related to biotechnology	Investissement Québec
Designated site specialized in biotechnology	March 19, 2002	Activities related to biotechnology	Investissement Québec
Nutraceuticals and functional foods sector, in the Québec City region	March 19, 2002	<ul style="list-style-type: none"> • Activities related to making products for the biotechnology and human health sector • Activities related to biotechnology and human health 	Investissement Québec
Cité du multimédia	March 14, 2000	<ul style="list-style-type: none"> • Activities in the multimedia sector, related to production or services • Activities related to information technologies 	Investissement Québec
CNNTQ (premises designated for purposes of the tax credit for corporations established in the CNNTQ)	March 14, 2000	Activities related to information technologies and multimedia	Investissement Québec

Place or sector in which the specialist works	Eligibility date	Eligible activities	Certificate issued by
CNNTQ (premises designated for purposes of the tax credit for E-business activities)	March 19, 2002	<ul style="list-style-type: none"> • Activities related to the development and supply of products and services relating to E-business • Activities related to the implementation of E-business solutions • Activities of a customer contact centre 	Ministère des Finances
MNE (innovative project)	March 9, 1999	N/A	Investissement Québec
MNE (other than an innovative project)	March 14, 2000	Activities related to the new economy	Investissement Québec
Innovation centre	March 19, 2002	<ul style="list-style-type: none"> • Activities related to information technologies and communications • Activities related to production technology • Activities related to biotechnology • Activities related to materials technologies • Activities related to scientific and technological services 	Investissement Québec
E-Commerce Place (Cité du commerce électronique)	May 11, 2000	<ul style="list-style-type: none"> • Activities related to the development and supply of products and services relating to E-business • Activities related to the implementation of E-business solutions 	Ministère des Finances
E-Commerce Zone	March 19, 2002	<ul style="list-style-type: none"> • Activities related to the development and supply of products and services relating to E-business • Activities related to the implementation of E-business solutions • Activities of a customer contact centre 	Ministère des Finances

737.22.0.1 to 737.22.0.3, 1015.0.1, 737.22.03R1, 1086R8.12.0.1

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 have an employee who **qualifies as a foreign specialist**, you are not required to withhold income tax from the gross remuneration that you pay the employee for his or her exemption period (the period during which he or she was entitled to the deduction for foreign specialists).

If only part of the gross remuneration that you pay the employee was earned during his or her exemption period (this may happen, for example, when 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.

Furthermore, the employee's conditions of employment for the pay period in question must be substantially the same as the conditions in effect at the time of issue of the certificate you are required to obtain with respect to the employee.

The exemption period lasts for a maximum of five years, and generally begins on the date on which the individual takes up employment.

Note: If the individual was already entitled to a five-year tax exemption before taking up employment with you, because he or she worked for another employer as a foreign specialist, foreign expert, foreign researcher (this category includes that of a foreign researcher on a post-doctoral internship) or foreign professor, the exemption period begins on the date on which the individual took up such employment for the **first** time.

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 for you in the Montréal international trade zone at Mirabel.
- The employee was not resident in Canada immediately before taking up, for the **first** time, employment that entitled him or her to a five-year tax exemption.

- 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, confirming that he or she is employed by you 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, in the Montréal international trade zone at Mirabel.

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

Note: If, after the exemption period, the foreign specialist exercises a security option that you granted during the exemption period, the benefit resulting from the exercise of the option gives entitlement to the deduction for foreign specialists even if the exemption period is over. Consequently, no income tax should be withheld from the portion of the remuneration represented by this benefit.

In order for the employee to claim the deduction for foreign specialists in the 2003 income tax return, you must give the employee two copies 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 his or her exemption period and the remuneration paid during this period.

737.18.6, 737.18.7, 737.18.10, 737.18.10.1, 1015.0.1, 1086R8.12.0.0.1

L. Foreign researchers

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

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 employer 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 (R&D) in Québec (or has R&D carried out on its behalf in Québec), and you have an employee who **qualifies as a foreign researcher**, you are not required to withhold income tax from the gross remuneration that you pay the employee for the period in which he or she is entitled to the deduction for foreign researchers. This period is referred to as the "exemption period."

If only part of the gross remuneration that you pay the employee was earned during his or her exemption period (this may happen, for example, when 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.

Furthermore, the employee's conditions of employment for the pay period in question must be substantially the same as the conditions in effect at the time of issue of the certificate you are required to obtain with respect to the employee.

The exemption period lasts for a maximum of five years, and generally begins on the date on which the individual takes up employment. In order to claim the deduction for foreign researchers in the 2003 income tax return, an employee who **qualifies as a foreign researcher** must therefore have taken up employment in 1998 or after.

Note: If the individual was already entitled to a five-year tax exemption before taking up employment with you, because he or she worked for another employer as a foreign specialist, foreign expert, foreign researcher (this category includes that of a foreign researcher on a post-doctoral internship) or foreign professor, the exemption period begins on the date on which the individual took up such employment for the **first** time.

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

- The employee carried out duties exclusively or almost exclusively in the area of R&D.
- The employee was not resident in Canada immediately before taking up, for the **first** time, employment that entitled him or her to a five-year tax exemption, or immediately before the contract relating to that employment 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.

A copy of the certificate you obtained in respect of the employee must be provided to the employee, so that he or she can claim the deduction for foreign researchers in the 2003 income tax return. When you prepare the employee's RL-1 slip for 2003, you must indicate the income used to calculate the deduction for foreign researchers. This income corresponds to the portion of the remuneration paid in 2003 that is related to the employee's exemption period.

737.19 to 737.21, 1015.0.1, 737.21R1, 1086R8.12

Foreign researcher on a post-doctoral internship

If you are a university entity or public research centre recognized for the purposes of the tax credit for scientific research and experimental development (R&D), and you have an employee who **qualifies as foreign researcher on a post-doctoral internship**, you are not required to withhold income tax from the gross remuneration that you pay the employee for the period in which he or she is entitled to the deduction for foreign researchers on a post-doctoral internship. This period is referred to as the "exemption period."

If only part of the gross remuneration that you pay the employee was earned during his or her exemption period (this may happen, for example, when 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.

Furthermore, the employee's conditions of employment for the pay period in question must be substantially the same as the conditions in effect at the time of issue of the certificate you are required to obtain with respect to the employee.

The exemption period lasts for a maximum of five years, and generally begins on the date on which the individual takes up employment.

Note: If the individual was already entitled to a five-year tax exemption before taking up employment with you, because he or she worked for another employer as a foreign specialist, foreign expert, foreign researcher (this category includes that of a foreign researcher on a post-doctoral internship) or foreign professor, the exemption period begins on the date on which the individual took up such employment for the **first** time.

In order for an 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 R&D.
- The employee was not resident in Canada immediately before taking up, for the **first** time, employment that entitled him or her to a five-year tax exemption, or immediately before the contract relating to that employment 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.

A copy of the certificate you obtained in respect of the employee must be provided to the employee, so that he or she can claim the deduction for foreign researchers on a post-doctoral internship in the 2003 income tax return. When you prepare the employee's RL-1 slip for 2003, you must indicate the income used to calculate the deduction for foreign researchers on a post-doctoral internship. This income corresponds to the portion of the remuneration paid in 2003 that is related to the employee's exemption period.

737.22.0.0.1 to 737.22.0.0.3, 1015.0.1, 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.

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 employer 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 (R&D) in Québec (or has R&D carried out on its behalf in Québec), and you have an employee who **qualifies as a foreign expert**, you are not required to withhold income tax from the gross remuneration that you pay the employee for the period in which he or she is entitled to the deduction for foreign experts. This period is referred to as the "exemption period."

If only part of the gross remuneration that you pay the employee was earned during his or her exemption period (this may happen, for example,

when 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.

Furthermore, the employee's conditions of employment for the pay period in question must be substantially the same as the conditions in effect at the time of issue of the certificate you are required to obtain with respect to the employee.

The exemption period lasts for a maximum of five years, and generally begins on the date on which the individual takes up employment.

Note: If the individual was already entitled to a five-year tax exemption before taking up employment with you, because he or she worked for another employer as a foreign specialist, foreign expert, foreign researcher (this category includes that of a foreign researcher on a post-doctoral internship) or foreign professor, the exemption period begins on the date on which the individual took up such employment for the **first** time.

In order for an 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 before taking up, for the **first** time, employment that entitled him or her to a five-year tax exemption, or immediately before the contract relating to that employment 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.

A copy of the certificate you obtained in respect of the employee must be provided to the employee, so that he or she can claim the deduction for foreign experts in the 2003 income tax return. When you prepare the employee's RL-1 slip for 2003, you must indicate the income used to calculate the deduction for foreign experts. This income corresponds to the portion of the remuneration paid in 2003 that is related to the employee's exemption period.

737.22.0.0.5 to 737.22.0.0.7, 1015.0.1, 737.22.0.0.7R1, 1086R8.12.0.0.2

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 have an employee who **qualifies as a foreign expert**, you are not required to withhold income tax from the gross remuneration that you pay the employee for the period in which he or she is entitled to the deduction for foreign experts. This period is referred to as the "exemption period."

If only part of the gross remuneration that you pay the employee was earned during his or her exemption period (this may happen, for example, when 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.

Furthermore, the employee's conditions of employment for the pay period in question must be substantially the same as the conditions in effect at the time of issue of the certificate you are required to obtain with respect to the employee.

The exemption period lasts for a maximum of five years, and generally begins on the date on which the individual takes up employment.

Note: If the individual was already entitled to a five-year tax exemption before taking up employment with you, because he or she worked for another employer as a foreign specialist, foreign expert, foreign researcher (this category includes that of a foreign researcher on a post-doctoral internship) or foreign professor, the exemption period begins on the date on which the individual took up such employment for the **first** time.

If, after the exemption period, the foreign expert exercises a security option that you granted during the exemption period, the benefit resulting from the exercise of the option gives entitlement to the deduction for foreign experts even if the exemption period is over. Consequently, no income tax should be withheld from the portion of the remuneration represented by this benefit.

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 the aforementioned establishment) at some other place.
- The employee was not resident in Canada immediately before taking up, for the **first** time, employment that entitled him or her to a five-year tax exemption, or immediately before the contract relating to that employment 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 (that is, 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.

A copy of the certificate you obtained in respect of the employee (confirming that he or she qualifies as a foreign expert) must be provided to the employee, so that he or she can claim the deduction for foreign experts in the 2003 income tax return. You must also give the employee a letter specifying

- the period of the year in which he or she was your employee;
- the period of the year included in his or her exemption 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.

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 employer 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 2003 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 the pay periods concerned.

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).

In order for the employee to claim the deduction to which he or she is entitled in the 2003 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, 737.28.1, 1015.0.1

O. Foreign professors

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

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 employer 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 have an employee who **qualifies as a foreign professor**, you are not required to withhold income tax from the gross remuneration that you pay the employee for the period in which he or she is entitled to the deduction for foreign professors. This period is referred to as the "exemption period."

If only part of the gross remuneration that you pay the employee was earned during his or her exemption period (this may happen, for example, when 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.

Furthermore, the employee's conditions of employment for the pay period in question must be substantially the same as the conditions in effect at the time of issue of the certificate you are required to obtain with respect to the employee.

The exemption period lasts for a maximum of five years, and generally begins on the date on which the individual takes up employment.

Note: If the individual was already entitled to a five-year tax exemption before taking up employment with you, because he or she worked for another employer as a foreign specialist, foreign expert, foreign researcher (this category includes that of a foreign researcher on a post-doctoral internship) or foreign professor, the exemption period begins on the date on which the individual took up such employment for the first time.

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 before taking up, for the **first** time, employment that entitled him or her to a five-year tax exemption, or immediately before the contract relating to that employment 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 confirming that the employee is specialized in one of the above-mentioned fields and holds a doctoral degree.

A copy of the certificate you obtained in respect of the employee must be provided to the employee, so that he or she can claim the deduction for foreign professors in the 2003 income tax return. When you prepare the employee's RL-1 slip for 2003, you must indicate the income used to calculate the deduction for foreign professors. This income corresponds to the portion of the remuneration paid in 2003 that is related to the employee's exemption period.

737.22.0.5 to 737.22.0.8, 1015.0.1

P. Foreign producers

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

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 employer 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 a film production recognized by SODEC, 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 this production.

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

If the producer performed services for you other than in the course of regular and continuous employment, see section R below.

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, as explained in section J of Chapter 1);
- 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 section I of Chapter 4] and the other applicable conditions are met);
- the employer 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)

If an individual is not resident in Canada in 2003 or becomes a resident in 2003, the deductions and personal tax credits that the individual may enter on form TP-1015.3-V may be limited.

Individual who spends fewer than 183 days in Québec

An individual who spends fewer than 183 days in Québec in 2003 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 6 and line 8 of form TP-1015.3-V (2003-01 version), unless he or she earned income in another province or territory of Canada. In that case, contact the Ministère du Revenu.

No amount may be entered with regard to the tax reduction for families, deductible support payments 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.

26, 752.0.25

Individual who spends more than 182 days in Québec

An individual who spends more than 182 days in Québec in 2003 is deemed to be resident in Québec for the entire year, and may enter on form TP-1015.3-V (2003-01 version) 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

Contact the Ministère du Revenu to find out what amounts should be entered on the TP-1015.3-V form of an individual who becomes a Canadian resident in 2003.

23, 24, 752.0.24, 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 (including salary or wages) with respect to the production.

If you are required to withhold 9% income tax from such a payment but fail to do so, a penalty will be imposed (see “Payment made to a person not resident in Canada” in section M of Chapter 1).

Moreover, 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 employer 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 contains 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 du Revenu 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 in section J of Chapter 3.

A. Principal changes

Variable E

For 2003, variable E will correspond to the total of variables E_1 and E_2 . Variable E_1 will correspond to the amount from line 5 (indexed amounts) of the 2003-01 version of form TP-1015.3-V, and variable E_2 will correspond to the amount from line 9 (non-indexed amounts).

In the case of employees who do not complete form TP-1015.3-V for 2003, variable E_1 will correspond to the basic amount for the year (\$8,970).

Multiply variable E_1 by (1 + indexation factor for 2004) to obtain its value for 2004. If the employee completes form TP-1015.3-V for 2004, however, multiply variable E_1 by 1.

Variables F and F_1

The amounts to be taken into account in determining the values of variables F and F_1 now include (in addition to the amounts previously taken into account) the following deductions:

- the deduction respecting the co-operative investment plan (CIP), that is, 150%, 125% or 100%, as applicable, of the amount withheld from the employee's remuneration for the purchase of preferred shares qualifying under the CIP (a limit applies: see "Employees participating in the co-operative investment plan (CIP)" in section A of Chapter 3);
- the deduction for foreign specialists that may be claimed by specialists who work
 - at the biotechnology development centre (BDC) situated in Sherbrooke, Saint-Hyacinthe or Lévis,
 - at a designated site specialized in biotechnology,
 - in the nutraceuticals and functional foods sector in the Québec City region,
 - at an innovation centre,
 - in premises of the CNNTQ designated for the purposes of the tax credit for E-business activities,
 - in designated premises of the E-Commerce Zone.

Furthermore, where RRSP contributions are taken into account in determining variables F and F_1 , you must include the value of any preferred shares qualifying under the CIP that you transferred, at the employee's request, to an RRSP of which the employee or his or her spouse is the annuitant.

Indexation of thresholds for the three income tax brackets

For 2003, the income tax rates applicable to the three income tax brackets remain at 16%, 20% and 24%. However, the thresholds that determine the bracket in which an individual's taxable income is situated have been indexed as follows:

- The 16% rate applies to taxable income of up to \$27,095 (the threshold was previously \$26,700).
- The 20% rate applies to taxable income over \$27,095 but not over \$54,195 (the threshold was previously \$53,405).
- The 24% rate applies to taxable income over \$54,195.

The values of variable K have therefore been increased from \$1,068 to \$1,083 and from \$3,204.20 to \$3,251.

Québec Pension Plan (QPP) (variables C and M)

The QPP contribution rate has been increased from 9.4% to 9.9% (4.95% for employees and 4.95% for employers). The new rate has been incorporated into variable C of the mathematical formula used to calculate employee QPP contributions.

The maximum pensionable earnings have been raised from \$39,100 to \$39,900. As a result, variable M, which was equal to \$1,673.20, is now equal to \$1,801.80.

B. Source deductions of income tax

1. Calculation of income tax to be withheld on a regular basis

Employers must use this formula to calculate source deductions of income tax for employees who receive salary or wages on a regular basis. The formula must also be used by payers of retirement income.

If you pay bonuses in addition to regular remuneration, use the formula given below under "Bonuses and retroactive pay."

Regular payments

Definition of variables

$$A = \text{Québec income tax to be withheld at source for the pay period}$$
$$= \frac{(Y/P)}{100} + L$$

If the result is negative, enter 0.

E = Personal tax credits indicated on form TP-1015.3-V

$$= E_1 + E_2$$

E₁ = Amount from line 5 of form TP-1015.3-V (2003-01 version)

Note: As of 2004, variable E₁ must be multiplied by (1 + indexation factor for the year concerned), unless the employee completes form TP-1015.3-V for the year concerned. In that case, multiply variable E₁ by 1.

E₂ = Amount from line 9 of form TP-1015.3-V (2003-01 version)

F = Total of the following amounts for the pay period:

- amounts withheld as contributions to an RPP, contributions under a retirement compensation arrangement, or contributions to an RRSP;
- the deduction respecting the co-operative investment plan (CIP), that is, 150%, 125% or 100%, as applicable, of the amount withheld from the employee's remuneration for the purchase of preferred shares qualifying under the CIP;
- the portion of the remuneration that gives entitlement to one of the following deductions:
 - the deduction for employees of an IFC or foreign specialists working at an IFC,
 - the deduction for foreign specialists working in the Montréal international trade zone at Mirabel,
 - the deduction for foreign researchers who carry out duties in the area of scientific research or experimental development (R&D),
 - the deduction for foreign researchers on a post-doctoral internship,
 - the deduction for foreign experts who carry out duties as part of an R&D project,
 - the deduction for foreign specialists working at an ITDC,
 - the deduction for foreign specialists working at a BDC,
 - the deduction for foreign specialists working at a designated site specialized in biotechnology,
 - the deduction for foreign specialists working in the nutraceuticals and functional foods sector in the Québec City region,
 - the deduction for foreign specialists working in the Cité du multimédia, the CNNTQ, an MNE or E-Commerce Place (Cité du commerce électronique),
 - the deduction for foreign specialists working at an innovation centre,
 - the deduction for foreign specialists working in the E-Commerce Zone,
 - the deduction for Québec sailors assigned to international freight transportation,
 - the deduction for foreign professors working at a Québec university,
 - the deduction for foreign experts 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 foreign producers.

G = Gross income from an office or employment, as well as regular payments subject to source deductions (for example, pension 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 (2003-01 version). If the value of 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 after the employee completed form TP-1016-V, *Application for a Reduction in Source Deductions of Income Tax* (for example, the deduction granted to an employee working outside Canada). If the value of 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 (2003-01 version) after the first pay period in the year

K = Constant applicable for the adjustment of the income tax rate (see the income tax table below)

K₁ = Non-refundable tax credits for the year authorized by the Ministère du Revenu after the employee completed form TP-1016-V, *Application for a Reduction in Source Deductions of Income Tax* (for example, the tax credit for charitable donations). If the value of 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 (2003-01 version) 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 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 below)

Y = Québec income tax for the year

$$= T(I) - K - K_1 - 0.20(E) - 0.15[P(Q)]$$

If the amount is negative, enter 0.

Income tax table

Annual taxable income (I)		T	K
Over	But not over		
\$0	\$27,095	16%	\$0
\$27,095	\$54,195	20%	\$1,083
\$54,195		24%	\$3,251

Bonuses and retroactive pay

You may use Method 1 or Method 2 to calculate the income tax to be withheld from bonuses or retroactive pay or from lump-sum payments (for example, a payment covering accumulated overtime or unused vacation time). Please note that Method 1 is more precise than Method 2.

Method 1

Definition of variables

The variables that are not defined below have the same value as the variables already defined for regular payments.

A_1 = Québec income tax to be withheld at source from a bonus or retroactive pay paid during the pay period

$$= Y_2 - Y_1$$

B_1 = Bonuses or retroactive pay paid since the beginning of the year (excluding the amount of variable B_2) (see note 1 below)

B_2 = Bonuses or retroactive pay paid during the pay period (see note 1 below)

F_1 = Total of the amounts included in variable F, **accrued** to the date the bonus or retroactive pay was paid

G_1 = Gross income from an office or employment, **accrued** to the date the bonus or retroactive pay was paid

I_1 = Annual taxable income to the date the bonus or retroactive pay was paid

$$= (G_1 - F_1) + [\text{Pr} (G - F)] - J - J_1$$

Pr = Number of pay periods remaining in the year

Y_1 = $[T (I_1 + B_1)] - K - K_1 - 0.20 (E) - 0.15 [P(Q)]$
(see note 2 below)

Y_2 = $[T (I_1 + B_1 + B_2)] - K - K_1 - 0.20 (E) - 0.15 [P(Q)]$
(see note 2 below)

Note 1: If you took into account any of the amounts included in variable F in calculating the income tax to be withheld from bonuses or retroactive pay paid since the beginning of the year (variable B_1), including bonuses or retroactive pay paid during the pay period (variable B_2), you must reduce variables B_1 and B_2 accordingly.

Note 2: In calculating variable Y_1 , determine the income tax rate (variable T) according to the result obtained when you add variables I_1 and B_1 . For example, if variable I_1 equals \$25,000 and variable B_1 equals \$5,000, the income tax rate will be the rate applicable to taxable income of \$30,000 (\$25,000 + \$5,000), that is, 20%.

In calculating variable Y_2 , determine the income tax rate (variable T) according to the result obtained when you add variables I_1 , B_1 and B_2 .

Method 2

(a) Determine the taxable income (variable I) for the regular payments.

(b) 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.

(c) 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 amount paid as a bonus or retroactive pay during the pay period (variable B_2), the following amounts:
 - amounts withheld as contributions to an RPP,
 - amounts withheld as contributions under a retirement compensation arrangement,
 - amounts withheld as contributions to an RRSP,
 - the deduction respecting the CIP, that is, 150%, 125% or 100%, as applicable, of the amount withheld from the employee's remuneration for the purchase of preferred shares qualifying under the CIP;
 - the portion of the amount of variable B_2 that was paid to an employee of an IFC, a foreign specialist, a foreign researcher, a foreign expert, a foreign producer, a foreign professor, or a Québec sailor, and that gives entitlement to one of the deductions listed in the third point of the description of variable F.
- Multiply the result by the income tax rate that corresponds to the taxable income bracket determined in (d) (see the income tax table).

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 applicable to this income is 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

Employers must use this formula to calculate source deductions of income tax for employees whose remuneration varies (for example, employees who earn sales commissions).

You may use either of the following two methods to calculate the Québec income tax to be withheld from bonuses or retroactive pay. Under Method 1, the income tax respecting the bonus or retroactive pay is spread out over the pay periods remaining in the year. Under Method 2, the total income tax respecting the bonus or retroactive pay is withheld for the pay period concerned.

Method 1

Definition of variables

A = Québec income tax to be withheld at source for the pay period

$$= \frac{[(Y/S_1) - M]}{P} + L$$

If the result is negative, enter 0.

B = Bonuses or retroactive pay paid during the pay period **plus** bonuses or retroactive pay paid since the beginning of the year

E = Personal tax credits indicated on form TP-1015.3-V

$$= E_1 + E_2$$

E₁ = Amount from line 5 of form TP-1015.3-V (2003-01 version)

Note: As of 2004, variable E₁ must be multiplied by (1 + indexation factor for the year concerned), unless the employee completes form TP-1015.3-V for the year concerned. In that case, multiply variable E₁ by 1.

E₂ = Amount from line 9 of form TP-1015.3-V (2003-01 version)

F = Total of the following amounts taken into account **since the beginning of the year (including the pay period):**

- amounts withheld as contributions to an RPP, contributions under a retirement compensation arrangement, or contributions to an RRSP;
- the deduction respecting the co-operative investment plan (CIP), that is, 150%, 125% or 100%, as applicable, of the amount withheld from the employee's remuneration for the purchase of preferred shares qualifying under the CIP;
- the portion of the remuneration that **gives entitlement to one of the following deductions:**
 - the deduction for employees of an IFC or foreign specialists working at an IFC,
 - the deduction for foreign specialists working in the Montréal international trade zone at Mirabel,
 - the deduction for foreign researchers who carry out duties in the area of scientific research or experimental development (R&D),
 - the deduction for foreign researchers on a post-doctoral internship,
 - the deduction for foreign experts who carry out duties as part of an R&D project,
 - the deduction for foreign specialists working at an ITDC,
 - the deduction for foreign specialists working at a BDC,
 - the deduction for foreign specialists working at a designated site specialized in biotechnology,

- the deduction for foreign specialists working in the nutraceuticals and functional foods sector in the Québec City region,
- the deduction for foreign specialists working in the Cité du multimédia, the CNNTQ, an MNE or E-Commerce Place (Cité du commerce électronique),
- the deduction for foreign specialists working at an innovation centre,
- the deduction for foreign specialists working in the E-Commerce Zone,
- the deduction for Québec sailors assigned to international freight transportation,
- the deduction for foreign professors working at a Québec university,
- the deduction for foreign experts 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 foreign producers.

G = Gross income from an office or employment for the pay period and all amounts subject to source deductions for the pay period, **plus** total remuneration since the beginning of the year (**excluding variable B**)

I = Estimated annual taxable income

$$= S_1 (G - F) + B - J - J_1$$

If the result is negative, enter 0.

J = Deductions indicated on line 19 of form TP-1015.3-V (2003-01 version)

J₁ = Annual deductions authorized by the Ministère du Revenu after the employee completed form TP-1016-V, *Application for a Reduction in Source Deductions of Income Tax* (for example, 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)

K₁ = Non-refundable tax credits authorized by the Ministère du Revenu after the employee completed form TP-1016-V, *Application for a Reduction in Source Deductions of Income Tax* (for example, the tax credit for charitable donations)

L = Additional source deduction of income tax requested by 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 (2003-01 version), 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 "Fondaction") **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 (that is, number of pay periods in the year, divided by the number corresponding to the current pay period)

Examples of factor S_1 :

	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)

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 first determine the Québec income tax to be withheld from a bonus or retroactive pay paid during the pay period (variable A_3), and then determine 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 paid during the period)

$$= \frac{[Y - M_1]}{S_1} - M + L$$

If the result is negative, enter 0.

A_3 = Québec income tax to be withheld at source from a bonus or retroactive pay 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 (that is, 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

$$C = 0.0495(S_3 - V/P) \text{ to a maximum of } M - A_5$$

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_5 = QPP contributions withheld since the beginning of the year

C = QPP contribution for the pay period

M = Maximum employee QPP contribution for the year (\$1,801.80)

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 4.95% of the amount paid, to a maximum of $M - A_5$.

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)

W = Contribution rate based on total payroll, to be determined as follows:

Contribution rate for 2003

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

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, your total payroll for the first two consecutive calendar years corresponds to the wages you paid from the beginning of the calendar year to the end of the period covered by the remittance of the employer 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.

If you are not a new employer, your total payroll for the purposes of the health services fund is generally equal to your total payroll for the preceding year. For further information, see Chapter 5.

E. Example: Calculation of source deductions of income tax on regular payments

Example

Pierre earns a gross annual salary of \$52,000 and is paid weekly (\$1,000 per week). He contributes \$70 per week, or \$3,640 for the year, to a registered pension plan. The amount indicated on line 10 of the 2003-01 version of Pierre's TP-1015.3-V form (that is, the total of lines 5 and 9) is \$21,830. On January 3, Pierre 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 source deduction of income tax 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:

$$\begin{aligned} Y &= \text{Québec income tax for the year} \\ &= T(I) - K - K_1 - 0.20 (E) - 0.15 [P(Q)] \\ &= 0.20 (\$48,360) - \$1,083 - \$0.00 - 0.20 (\$21,830) - 0.15 [52 (\$100)] \\ &= \$9,672 - \$1,083 - \$0.00 - \$4,366 - 0.15 (\$5,200) \\ &= \$9,672 - \$1,083 - \$0.00 - \$4,366 - \$780 \\ &= \$8,589 - \$4,366 - \$780 \\ &= \$3,443 \end{aligned}$$

Step 3

Determine variable A using the following formula:

$$\begin{aligned} A &= \text{Québec income tax to be withheld at source for the pay period} \\ &= \frac{(Y/P)}{} + L \\ &\quad \text{If the result is negative, enter 0.} \\ &= (\$3,443 / 52) + \$0.00 \\ &= \$66.21 \end{aligned}$$

Example (continued)

For the 32 pay periods remaining in the year, calculate the source deduction of income tax as follows:

Step 1

Determine variable I using the following formula:

$$\begin{aligned} I &= [P(G - F)] - J - J_1 \\ &= [52 (\$1,000 - \$70)] - \$0.00 - \$0.00 \\ &= [52 (\$930)] - \$0.00 - \$0.00 \\ &= \$48,360 - \$0.00 - \$0.00 \\ &= \$48,360 \end{aligned}$$

Step 2

Determine variable Y using the following formula:

$$\begin{aligned} Y &= \text{Québec income tax for the year} \\ &= T(I) - K - K_1 - 0.20 (E) - 0.15 [P(Q)] \\ &= 0.20 (\$48,360) - \$1,083 - \$0.00 - 0.20 (\$21,830) - 0.15 [52 (\$0.00)] \\ &= \$9,672 - \$1,083 - \$0.00 - \$4,366 - \$0.00 \\ &= \$8,589 - \$4,366 \\ &= \$4,223 \end{aligned}$$

Step 3

Determine variable A using the following formula:

$$\begin{aligned} A &= \text{Québec income tax to be withheld at source for the pay period} \\ &= \frac{(Y/P)}{} + L \\ &\quad \text{If the result is negative, enter 0.} \\ &= (\$4,223 / 52) + \$0.00 \\ &= \$81.21 \end{aligned}$$

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