

Guide for Employers

Source deductions
and contributions
2004



Notice

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

When a new fiscal measure affecting the majority of employers is announced and the measure modifies the information contained in this guide, the Ministère du Revenu du Québec will, as a rule, send an information sheet to all employers to inform them of the changes.

For more information, contact an office of the Ministère (refer to the list of offices at the end of this guide).

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Introduction

A. Purpose of the guide

This guide is for you if you are an employer that pays a **salary or wages** (see page 9 for information on the term “salary or wages”), a retiring allowance or a death benefit to an individual **who is resident in Québec**. It contains information on Québec income tax and contributions to the Québec Pension Plan (QPP), as well as on the contributions to the health services fund and the Fonds national de formation de la main-d’oeuvre (FNFMO) and the contribution to the financing of the Commission des normes du travail (CNT). The guide also contains information on the computerized calculation of source deductions and employer contributions.

However, you should also consult the *Supplementary Guide for Employers (TP-1015.GC-V)* if any of the following situations apply to you:

- For 2004, your source deductions and employer contributions are remitted on a twice-monthly or weekly basis.
- You have an employee from an employment agency.
- You are an Indian employer or you have an Indian employee.
- You have an employee who works outside Canada.
- You have an employee who is not resident in Québec.
- You have an employee who reports for work at one of your establishments located in Québec **and** at one of your establishments located outside Québec.
- You have an employee who is not required to report for work at any of your establishments located in Québec and whose salary or wages are paid from an establishment located outside Québec.
- You make payments to a person not resident in Canada, for services rendered in Québec otherwise than in the course of regular and continuous employment.
- You pay directors’ fees.
- You have an employee who exercises a security option and who has elected, for federal income tax purposes, to have the taxation of the benefit deferred to the year in which the security is disposed of.
- You are a clearing member and you employ a market maker.
- You pay retirement benefits and annuities.
- You pay an amount as a scholarship, a bursary, a fellowship or a prize for a remarkable achievement.
- You pay a research subsidy to an individual.
- You make single payments other than retiring allowances and death benefits.
- You pay amounts to a custodian or trustee under an employee benefit plan, a profit-sharing plan or an employee trust.
- You are a custodian of a retirement compensation arrangement.
- You withhold contributions under a retirement compensation arrangement.
- You are a custodian of an employee benefit plan.
- You are a trustee of an employee trust.
- You are a co-operative and you have an employee who participates in the co-operative investment plan (CIP).
- You are a specified financial institution subject to compensation tax.
- You use the *Source Deduction Table for Québec Income Tax (TP-1015.TI-V)* **and** the amount of remuneration subject to tax withholdings, or the number of pay periods, is not included in the table.
- You use the *Source Deduction Tables for QPP Contributions (TP-1015.TR-V or TP-1015.TR.12-V)* **and** the amount of remuneration on which you must withhold QPP contributions, or the number of pay periods, is not included in the tables.
- You are a corporation resulting from an amalgamation.
- You pay an amount to an employee under a plan providing for a self-funded leave of absence.
- You have a salary deferral arrangement with an employee.
- You have a phased retirement arrangement with an employee.
- You are an insurer and you pay benefits under a wage loss insurance plan (if the benefits are paid under a plan **to which the employer contributed**).
- You operate an international financial centre (IFC).
- You operate a business within the Montréal international trade zone at Mirabel, in a biotechnology development centre (BDC), in an information technology development centre (ITDC), at a designated site specialized in biotechnology, in the Cité du multimédia, on designated premises of the Centre national des nouvelles technologies de 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.
- You operate a business in the nutraceuticals and functional foods sector in the Québec City region.
- You operate a business that carries out scientific research and experimental development (or has scientific research and experimental development carried out on its behalf) and you employ a foreign researcher (including a foreign researcher on a post-doctoral internship) or a foreign expert.
- You operate a stock exchange business or a securities clearing-house business located within the territory of the Ville de Montréal.
- You are an eligible shipowner and you have an employee who is a Québec sailor working in international freight transportation.
- You pay amounts to a foreign producer that holds a certificate issued for the year by the Société de développement des entreprises culturelles (SODEC).
- You are a Québec university and you employ a foreign professor who has a five-year tax exemption.
- You are a public-sector employer.

B. Legal 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.

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*
- 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 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*
- ADMT (r. 2.1) and section number: *Regulation respecting exemptions to the application of Division II of Chapter II of the Act to foster the development of manpower training*
- 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 (available in English). The abbreviation "IMP." refers to a bulletin concerning the *Taxation Act*; "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*.

C. Abbreviations used in the guide

| | |
|-------|--|
| CNT | Commission des normes du travail |
| CPP | Canada Pension Plan |
| CSST | Commission de la santé et de la sécurité du travail |
| FNFMQ | Fonds national de formation de la main-d'oeuvre |
| FTQ | Fédération des travailleurs et travailleuses du Québec |
| GST | Goods and services tax |
| NEQ | Numéro d'entreprise du Québec (Québec enterprise number) |
| QPP | Québec Pension Plan |
| QST | Québec sales tax |
| RPP | Registered pension plan |
| RRSP | Registered retirement savings plan |
| SIN | Social insurance number |

D. Information on certain terms used in the guide

Below you will find information on a number of terms that we use frequently in this guide.

Employment

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

Employee

An employee is an individual who carries out work under a written or verbal contract of employment or who holds an office.

Remuneration

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

Salary or wages

Salary or wages may include the following amounts as well as any similar payment made to an employee:

- fees;
- taxable benefits;
- commissions;
- overtime pay;
- retroactive payments of salary or wages, including payments resulting from a collective agreement signed before the death of an employee;
- 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 an 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 pursuant to a request for a reduction in the allocation rate);
- advances;
- bonuses;
- amounts paid after an employee's death (for example, an amount equivalent to unused vacation days);
- fees paid in the course of employment (for example, fees paid to council or committee members).

Remuneration, salary or wages paid

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

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

1, 1015R1, 1015R1.0.0.1, ADMT 4 and Schedule, ALS 1, 39.0.1, AQPP 1, 37.1, ARAMQ 33, 33.2

Most of the documents mentioned in this guide are available on the Web site of the Ministère du Revenu at the following address: www.revenu.gouv.qc.ca. Documents that are marked "Specimen" are provided for information purposes only, and are not to be used in any other way.

You may also 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 this form); or
- by contacting one of our offices (refer to the list of offices at the end of this guide).

Principal changes

Shorter guide

The 2004 version of the *Guide for Employers* is shorter than the 2003 version. Certain sections referring to special cases (twice-monthly and weekly remittance frequencies, salary deferral arrangements, employee benefit plans, employees working outside Canada, foreign employees working in Québec, Indians, market makers, etc.) have been deleted from this guide.

These special cases are now described in a new document entitled *Supplementary Guide for Employers* (TP-1015.GC-V). The "Introduction" section of the present guide (page 7) contains a list of the situations for which you should refer to the supplementary guide. Note that the principal changes related to these situations are described only in the supplementary guide.

New electronic services

The Ministère has offered electronic services for some time. In 2003, the following new services became available online:

- filing returns respecting source deductions and employer contributions;
- filing RL-1 slips and the *Summary of Source Deductions and Employer Contributions* (form RLZ-1.S-V);
- making a request to stop (or resume) receiving the paper version of the documents in the Employer's Kit;
- consulting your tax file;
- paying a balance owing to the Ministère.

To use any of these services, you must register online. For details, go to the home page of the Ministère's Web site and click on Clic – Revenu Registration. However, before registering for electronic services, make sure that you are registered and have an active account with the Ministère.

For more information on the electronic services offered by the Ministère, consult the brochure *The New Electronic Services of the Ministère: Now Online* (IN-312-V).

Source deductions deemed to be held in trust

Under a measure that came into effect on April 22, 2004, you are not required to keep distinct and separate from your own funds the amounts you deduct, withhold or collect as an employer or a payer under a fiscal law.

Indexation of the amounts on form TP-1015.3-V (Source Deductions Return)

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 2004 are shown in the table below. The figures for 2003 are provided for information purposes.

| | 2004 | 2003 |
|---|----------|----------|
| Basic amount | \$9,150 | \$8,970 |
| Amount transferred from one spouse to the other (replaces the amount respecting a spouse) | \$9,150 | \$8,970 |
| Amount for the first dependent child | \$2,765 | \$2,710 |
| Amount for other dependent children | \$2,550 | \$2,500 |
| Amount for a single-parent family | \$1,380 | \$1,355 |
| Amount for a child engaged in full-time post-secondary studies | \$1,755 | \$1,720 |
| Amount for a person living alone | \$1,115 | \$1,095 |
| Amount for other dependants | \$2,550 | \$2,500 |
| Amount granted for a dependant with an infirmity | \$3,725 | \$3,650 |
| Reduction threshold used to calculate 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) | \$27,635 | \$27,095 |
| Indexation factor for 2004: 2% | | |

Indexation of thresholds for the three income tax brackets

For 2004, 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 \$27,635 (the threshold was previously \$27,095).
- The 20% rate applies to taxable income over \$27,635 but not over \$55,280 (the threshold was previously \$54,195).
- The 24% rate applies to taxable income over \$55,280.

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 2004, the threshold that determines the method to be used to calculate the income tax withholding has been raised from \$11,050 to \$11,300.

Worker's compensation – CSST

If one of your employees suffers an employment injury and is unable to work for the rest of the day, you must pay the employee an amount equal to 100% of his or her **net salary or wages** (within the meaning of the *Act respecting industrial accidents and occupational diseases*) for the portion of the day the employee is absent.

Effective in 2004, this amount is considered salary or wages, rather than an income replacement indemnity. Consequently, it is subject to source deductions and employer contributions.

The amount that you pay in respect of an employee who is absent from work in order to undergo a medical test **at your request** is also considered salary or wages, rather than an income replacement indemnity. Consequently, it is subject to source deductions and employer contributions.

Employees entitled to a tax benefit respecting trips made by a resident of a designated remote area

Effective in 2004, if an employee's remuneration for a pay period includes the value of a taxable benefit related to trips made by a resident of a designated remote area and the employee qualifies for the travel deduction for residents of a designated remote area, you must take the deduction into account when determining the employee's remuneration subject to source deductions of income tax.

For further information, see sections 2.8.1 and 5.4.1.3 of the *Guide for Employers* (TP-1015.G-V, version 2005-01).

Maximum pensionable earnings (QPP)

The maximum pensionable earnings for purposes of the Québec Pension Plan (QPP) have been increased from \$39,900 to \$40,500. The maximum annual contribution has therefore increased from \$1,801.80 to \$1,831.50.

Contribution to the health services fund

Five-year exemption

A new corporation that meets certain conditions may be exempted from the contribution to the health services fund for a period of five years.

Before June 13, 2003, the exemption applied to the first \$700,000 in salaries or wages paid, for each taxation year included in the five-year period. As of June 13, 2003, the exemption applies to only 75% of the first \$700,000 in salaries or wages.

This exemption was eliminated on March 30, 2004. Only new corporations whose first taxation year began prior to that date can continue to benefit from the exemption according to the previous terms and conditions.

Temporary exemption for manufacturing businesses in remote resource regions

A corporation that carries on a manufacturing or processing business in a remote resource region of Québec may be exempted from the contribution to the health services fund if it meets certain conditions.

Formerly, you had to take into account the total salaries or wages paid by the corporation when calculating the exempt salaries or wages. However, as of June 13, 2003, you take into account only 75% of the salaries or wages paid by the corporation.

Remuneration subject to the CNT contribution

For 2004, the portion of an employee's remuneration that exceeds \$55,000 is not subject to the contribution to the financing of the Commission des normes du travail (CNT). The threshold for 2003 was \$53,500.

Effective in 2004, employers in the clothing industry are no longer required to pay the additional contribution of 0.12%.

Contribution to the FNFMO

Currently, employers must participate in the development of manpower training if their total payroll for the year exceeds \$250,000. The amount of \$250,000 has been increased to \$1 million in 2004.

Mathematical formulas

For 2004, variable E corresponds to the total of

- variable E_1 multiplied
 - by $[1 + 0.02$ (indexation factor for 2004)], for employees who began working for you in or before 2003 **and** did not complete the 2004-01 version of form TP-1015.3-V, or
 - by 1, for employees who began working for you in 2004 and employees who completed the 2004-01 version of form TP-1015.3-V;

plus

- variable E_2 .

Other changes have also been made to the mathematical formulas. For details, see Chapter 9.

1 Obligations of employers

A. What are your responsibilities as an employer?

As an employer, you are required to

- withhold Québec income tax and Québec Pension Plan (QPP) contributions from the salaries or wages you pay your employees;
- remit to the Ministère du Revenu the amounts withheld, as well as 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 (FNFMO);
- 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,
 - were required to pay 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 participate in the development of worker training and, consequently, to inform the Ministère of your total payroll and the total amount of your eligible training expenditures, or
 - were required to pay a contribution to the FNFMO.

If you do not prepare and file your own RL-1 slips, make sure the person or firm that files the slips also files form RLZ-1.S-V.

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

1015, 1086R1, ADMT 14, 15, 16, ALS 39.0.2, 39.0.3, 39.0.4, AMR 20, 24, AQPP 52, 59, 63, AQPP (r. 2) 11, ARAMQ 34, 34.0.0.0.1, ARAMQ (r. 1) 3

B. Liability

If a **corporation** fails to withhold amounts at source or to remit source deductions or employer contributions, **the corporation and its directors in office at the time the amounts should have been withheld or remitted** are solidarily liable for the payment of the amounts, including any related penalties and interest.

This does not apply to

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

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

Regardless of the legal form of the business (sole proprietorship, corporation, partnership, etc.), solidary liability extends to any person who authorizes the payment of amounts subject to source deductions or causes such payments to be made. If you deal with a business that offers payroll management and processing services, for example, the business will generally be liable, along with you, for the payment of your source deductions (income tax and QPP contributions).

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

C. Remitting source deductions and employer contributions

General information

You are required to withhold Québec income tax and employee QPP contributions from the salaries or wages you pay your employees. These source deductions and your employer contributions to the QPP and the health services fund must be remitted to the Ministère du Revenu at regular intervals. The Ministère will notify you if the frequency with which you must make remittances for the year is not the same as for the previous year.

Your contributions to the financing of the CNT and to the FNFMO must be remitted once a year.

Table

| Source deductions and employer contributions for 2004 | Due date |
|--|--|
| <ul style="list-style-type: none">• Source deductions• QPP contributions• Contribution to the health services fund | According to your remittance frequency for 2004 (see the following page) |
| <ul style="list-style-type: none">• Contribution to the financing of the CNT• Contribution to the FNFMO | February 28, 2005 |

If you stop making remittances of source deductions and employer contributions in 2004, see section E on page 17.

1015, 1015R14 to 1015R14.6, ALS 39.0.3, ADMT 15, AQPP 59, 63, ARAMQ 34.0.0.0.1

At what frequency must you make remittances for 2004?

The Ministère may authorize you to remit your source deductions and your employer contributions to the QPP and the health services fund for 2004

- annually, if it estimates that the total of your source deductions and employer contributions for 2003 is \$1,200 or under, or that the total will be \$1,200 or under for 2004;
- quarterly, if your **average monthly remittance** for 2002 or 2003 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 2004 on a monthly basis.

However, if your **average monthly remittance** for 2002 was at least \$15,000, your remittance frequency could be twice-monthly or weekly. See the *Supplementary Guide for Employers* (TP-1015.GC-V).

Your **average monthly remittance** for a year is determined by dividing the total of the amounts you were required to remit as income tax withholdings, QPP contributions 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.

Have you fulfilled your fiscal obligations in the past 12 months?

The Ministère considers that you have fulfilled your fiscal obligations in the previous 12 months if, among other things, you have remitted within the prescribed time

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

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

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

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

1015, 1015R14 to 1015R14.6, AQPP 63, ARAMQ 34.0.0.0.1

Changing the frequency of your remittances

Even if the Ministère authorizes you to make **quarterly** remittances, you may elect to make monthly remittances instead. To make such an election, **advise the office of the Ministère that handles your account. You cannot make the change until you receive form LMU-5-V, Notice of Change in Filing Frequency of Returns.**

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

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

Making remittances

The due dates for remitting your source deductions and your employer contributions to the QPP and the health services fund for 2004 vary according to your remittance frequency.

Table

| Remittance frequency in 2004 | Date by which your remittance must be made | | Form to be used | Notes |
|------------------------------|---|------------------|-------------------|--|
| Annual | The 15th day of the month following the last month of the year in which remuneration was paid (January 15, 2005, in most cases) | | TPZ-1015.R.14.1-V | |
| Monthly | The 15th day of the month, for remuneration paid in the previous month | | TPZ-1015.R.14.1-V | To reduce mailing costs, the Ministère sends out remittance forms every three months. In January, for example, you will receive your forms for January, February and March. You must file the forms by your usual payment dates. |
| Quarterly | Payment of remuneration | Due date | TPZ-1015.R.14.4-V | |
| | January, February and March 2004 | April 15, 2004 | | |
| | April, May and June 2004 | July 15, 2004 | | |
| | July, August and September 2004 | October 15, 2004 | | |
| | October, November and December 2004 | January 15, 2005 | | |

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 date of receipt of a payment is the date on which it is received at an office of the Ministère or at a financial institution (not the date of the postmark). For a postdated cheque, the date of receipt is the date on which the cheque can be cashed.

1015, 1015R14 to 1015R14.6, 1015R17, AMR 27.1, 27.1.1, AQPP 63, ARAMQ 34.0.0.0.1, IA 52, 61

Payment by mail or at a financial institution

A duly completed copy of remittance form TPZ-1015.R.14.1-V or TPZ-1015.R.14.4-V, as applicable, must be submitted with your remittance. If you do not have the form, enclose a letter clearly indicating your name, identification number, Québec enterprise number (NEQ) and complete address, and a statement giving full particulars of the payment (including the period covered by the payment).

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

1015R17

IMPORTANT: If you received a remittance form, you must return it to the Ministère 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.

1086R18.1

Payment via the Internet

You may remit your source deductions and employer contributions to the Ministère via the Internet, provided your financial institution offers this possibility and you are registered for Clic Revenu electronic services.

If you make your remittances online, you must also file online a source deductions and employer contributions return. (This return is similar to the paper version of the remittance form.)

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

Even if you submit your source deductions and employer contributions return via the Internet, you may receive a paper copy of a remittance form (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) from the Ministère. In this case, **do not return the form to the Ministère.**

For more information on the electronic services offered by the Ministère, consult the brochure *The New Electronic Services of the Ministère: Now Online* (IN-312-V).

Balance payable for 2004

You must pay the **full amount** of your source deductions and your employer contributions to the QPP and the health services fund for a given period within the time limit applicable to your remittance frequency (see the table on the previous page).

If you have a balance owing for 2004 because your remittances were lower than required, the balance may bear interest as of the due date for each remittance.

However, if you have a balance owing because you had to use estimated data to calculate your remittances, you must pay it within the time limits provided for below. This may be the case, for example, if you used an estimated rate to calculate your periodic remittances of the contribution to the health services fund or estimated data to calculate the value of the taxable benefit respecting an automobile made available to an employee.

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

Remittances based on estimates

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

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

To calculate the amount of your periodic remittances of the employer contribution to the health services fund for 2004, you must use an estimated contribution rate, **which must be determined according to the rules given in section E on page 40.** If the estimated rate is lower than your actual contribution rate, which is determined at the time of filing form RLZ-1.S-V, you will have a balance owing. The balance resulting from the difference between these rates must be received at an office of the Ministère or at a financial institution **by the deadline for filing form RLZ-1.S-V.**

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

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

1015, 1015R14 to 1015R14.6, ADMT 15, 19, AMR 12.0.1, 28, ALS 39.0.2, 39.0.3, 39.0.6, AMR (r. 1) 28R1, 28R2, 28R3, AQPP 59, 63, 73, ARAMQ 34.0.0.0.1 to 34.0.0.0.3, 37

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

You must file your RL-1 slips and RLZ-1.S-V form for 2004 by February 28, 2005. However, you may be required to submit the forms before that date if you stop making remittances of source deductions and employer contributions during 2004. See section E on page 17 if you are in that situation.

1086R1, ADMT 16, ALS 39.0.4, AQPP (r. 2) 11, ARAMQ (r. 1) 3

D. New employers

If you are remitting source deductions and employer contributions 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 and your employer contributions to the QPP and the health services fund.

If you already have an identification number, send your payment and letter to the office of the Ministère that your establishment deals with. Be sure to mention your identification number in your letter.

If you do not have an identification number, your payment and letter should be sent to the Service à la clientèle of the office that your establishment deals with. An account will be opened in your name and you will receive a remittance form for your next payment.

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 applicable conditions, contact the office of the Ministère that handles your 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 Inspecteur général des institutions financières (IGIF), 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 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 IGIF, which is authorized to register all legal forms of business.

A “sole proprietorship” is constituted by an individual who operates a business and is its sole owner. A sole proprietorship is not obliged to obtain an NEQ if its firm name includes the last name and first name of the owner.

AMR 58.1, 58.1.1

E. What should you do if you stop making remittances?

If you stop remitting source deductions and employer contributions in 2004, you must file the following forms by the time limit applicable to your situation:

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

See the table below to find out when each form is to be submitted to the Ministère.

| Forms to be transmitted | Situation in 2004 | | |
|---|--|---|---|
| | You continue to operate your business | | You stop operating your business |
| | You temporarily stop making remittances (e.g., seasonal business) | You permanently stop making remittances (you no longer have employees) | |
| Remittance form ¹ and remittance | Same time limit as would apply if you continued to make remittances ³ | The 20th day of the month after the month of your last remittance of source deductions and employer contributions | The 7th day after the day on which you stop operating your business ⁵ |
| Temporary RL-1 slips (form RL-1.T or RL-1.TL) and form RLZ-1.ST-V ² or | N/A | The 20th day of the month after the month of your last remittance ⁴ | The 30th day after the day on which you stop operating your business ⁶ |
| RL-1 slips and form RLZ-1.S-V | February 28, 2005 | N/A | N/A |

1. When you file your remittance form, you must complete the detachable portion of the return envelope (ENV-111-V) and indicate why you are no longer making remittances.

2. If the 2004-10 version of form RLZ-1.S-V is available, use it instead of form RLZ-1.ST-V.

3. Refer to the table on page 14 or, if you make remittances twice-monthly or weekly, the table on page 11 of the *Supplementary Guide for Employers* (TP-1015.GC-V). On the detachable portion of the return envelope (ENV-111-V), indicate the period for which you will not be making remittances. Please note that you must continue to file a remittance form for each period (provided you receive a form). Indicate, on each form you submit, the date on which you expect to resume making source deductions.

4. Copies 2 and 3 of the temporary RL-1 slips must be remitted to your former employees by the same date.

By the same date, you must also pay your contribution to the financing of the CNT and, if applicable, your contribution to the FNFMO. Use the remittance slip enclosed with form RLZ-1.ST-V (or form RLZ-1.S-V, as applicable) to make your payment, **unless you are making remittances via the Internet**. If you are required to participate in the development of manpower training, you must report the eligible training expenditures you incurred.

If your actual contribution rate for the health services fund is different from the rate that you use to calculate your contribution on your first summary of source deductions and employer contributions (form RLZ-1.ST-V or RLZ-1.S-V), you must file a second summary (form RLZ-1.S-V) by February 28, 2005. Write the word "Amended"

at the top of page 1 of this form. On the form and the remittance slip, **complete only the lines that concern the contribution to the health services fund**.

5. On the detachable portion of the return envelope (ENV-111-V), indicate the date on which your business ceases operations.

6. By the same date, you must also remit copies 2 and 3 of the temporary RL-1 slips to your former employees and pay your contribution to the financing of the CNT and your contribution to the FNFMO (for more information, see note 4 above).

In calculating your contribution to the health services fund, you must determine your total payroll based only on the salaries or wages that you paid to your employees from January 1, 2004, to your business's closing date. Do not include salaries or wages paid by employers associated with you on the business's closing date.

However, if you are operating another business on December 31, 2004, you must recalculate your total payroll and take into account the salaries or wages paid by employers associated with you on December 31, 2004. As a result, your contribution rate may be different from the rate you used on form RLZ-1.ST-V (or form RLZ-1.S-V, if applicable) to calculate your contribution for 2004.

If the contribution rate is different, you must file, by February 28, 2005, a second summary (form RLZ-1.S-V) for the business you ceased to operate. Write the word "Amended" at the top of page 1 of this form. On the form and the remittance slip, complete only the lines that concern the contribution to the health services fund. **If the contribution rate is the same**, you are not required to file a second summary for the business.

F. What should you do if an employee leaves?

If one of your employees leaves his or her employment before the end of 2004, you may prepare the RL-1 slip at that time and give the employee copies 2 and 3. If the 2004 version of the RL-1 slip is not available, use the 2003 version; simply cross out "2003" and indicate "2004." 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).

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

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

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

If an employee does not complete form TP-1015.3-V, you must take into account only the basic amount of \$9,150 (line 1 of the form) in calculating income tax withholdings. In that case, use "A" as the deduction code.

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

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 amounts used to determine source deduction codes are shown on page 10.

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

You are required to keep the TP-1015.3-V forms completed by your employees and to provide them to the Ministère on request.

Deduction code "0"

An employee who works for more than one employer and has already asked another employer to take into account the basic amount of \$9,150 may complete form TP-1015.3-V to request that you use code "0" to calculate income tax withholdings. This will ensure that the basic amount of \$9,150 is not taken into account twice.

Exemption from source deductions (deduction code "X")

Where an employee has entered the letter "X" on line 20 of the 2004-01 version of form TP-1015.3-V because his or her total employment income in 2004 will be less than the total 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 from the employee's income for 2004.

1015.3, 1015R12

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

An employee may elect to have an additional amount of income tax withheld from his or her income subject to source deductions of income tax. To make the election, the employee must complete one of the following forms and submit it to you: *Request to Have Additional Income Tax Withheld at Source* (form TP-1017-V), or *Source Deductions Return* (form TP-1015.3-V). The additional amount of income tax is deducted for each pay period.

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

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

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

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

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

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

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

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

The Ministère may also authorize you to decrease the amount of income tax withheld from the employee's remuneration, because the employee is entitled to tax credits such as

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

As indicated above, a reduction in source deductions of income tax is applied by decreasing either the remuneration subject to source deductions or the amount of income tax to be withheld, not by increasing the amounts indicated on form TP-1015.3-V. The amount of the reduction authorized by the Ministère 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.

1016

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

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

J. Registers and supporting documents

At your establishment or residence in Québec, or at another location designated by the Ministère du Revenu, 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 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 relate.

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 end of the last taxation year to which they relate.

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

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

AMR 34 to 35.6, Bulletin LMR. 34-1/R1

K. 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 returns required with respect to source deductions and employer contributions.

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

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

Moreover, if you fail to file form TPZ-1015.R.14.1-V, TPZ-1015.R.14.2-V, TPZ-1015.R.14.3-V or TPZ-1015.R.14.4-V within the time limit specified in the *Regulation respecting the Taxation Act*, you are liable to a penalty of \$25 per day, to a maximum of \$2,500. This penalty also applies if you fail to file your RL-1 slips and form RLZ-1.S-V (or form RLZ-1.ST-V, if applicable) within the prescribed time limits.

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

Please note that the penalties and fines cannot be imposed on persons 70 and older who are claiming the tax credit respecting home-support services for seniors and pay salaries or wages by means of "service employment cheques" (this payment procedure is managed by the Services de paie Desjardins).

AMR 59, 59.0.2, 59.1, 59.2, 59.3 to 59.5, 59.5.9, 59.6, 60 to 61.0.0.2, 61.1 to 64

2 Are you required to make source deductions and employer contributions?

A. Basic conditions

You must make source deductions and employer contributions with respect to the amounts you pay to an employee who is resident in Québec, if the basic conditions given in the table below are met.

Table 1

| | Basic conditions | |
|---|---|--|
| | A | and B |
| Québec income tax | The amount paid is subject to source deductions of income tax (see section B below). | The amount is paid to an employee <ul style="list-style-type: none"> • who reports for work at one of your establishments¹ located in Québec; or <ul style="list-style-type: none"> • who is not required to report for work at any of your establishments (in Québec or elsewhere), but is paid from one of your establishments located in Québec. |
| QPP (employee and employer contributions) | The amount paid is subject to QPP contributions (see section B below). | |
| Health services fund | The amount paid is subject to the contribution to the health services fund (see section B below). | |
| CNT | The amount paid is subject to the contribution to the financing of the CNT (see section B below). | |
| FNFMO | The amount paid must be included in your total payroll (see section B below). | |

1. The term "establishment" has the meaning given by the *Taxation Act*.

ADMT 4 and Schedule, ALS 39.0.1, AQPP 7, ARAMQ 34, Bulletin IMP. 1015-1/R1, Bulletin IMP. 1015-4

B. Is the payment subject to source deductions and employer contributions?

The table below indicates whether certain amounts that you may pay your employees are subject to source deductions of income tax, employer and employee QPP contributions, and employer contributions to the health services fund and the financing of the CNT. The table also indicates whether you must include the amounts in the total payroll used to calculate your contribution to the FNFMO.

Table 2

| | Income tax | QPP | Health services fund | CNT | FNFMO |
|---|------------|-----|----------------------|-----|-------|
| Bonuses and retroactive pay | Yes | Yes | Yes | Yes | Yes |
| Commissions | Yes | Yes | Yes | Yes | Yes |
| Compensation in lieu of notice ¹ | Yes | No | No | Yes | No |
| Death benefits received from the employer | Yes | No | No | No | No |
| Indemnity that cannot be reimbursed by the CSST | Yes | Yes | Yes | Yes | Yes |
| Indemnities recognized by the CSST (income replacement indemnities) | No | No | No | No | No |
| Indemnities not recognized by the CSST | No | Yes | Yes | Yes | Yes |
| Patronage dividends | No | No | No | No | No |
| Retiring allowances | Yes | No | No | No | No |
| Salaries or wages | Yes | Yes | Yes | Yes | Yes |
| Taxable benefits | Yes | Yes | Yes | Yes | Yes |
| Tips | Yes | Yes | Yes | Yes | Yes |
| Vacation pay | Yes | Yes | Yes | Yes | Yes |

1. Compensation paid to an employee where the employer terminates an employment contract without giving the employee notice in writing as required by law, or where the employer has not given notice in time. For purposes of the *Taxation Act*, such an amount is considered a retiring allowance and, consequently, is subject to source deductions of income tax.

2. This is an amount paid to an employee for the portion of the day in which he or she was absent because of a work-related injury (100% of the employee's **net salary or wages** within the meaning of the *Act respecting industrial accidents and occupational diseases*) and the amount you paid to the employee who was absent from work **at your request** to undergo a medical test.

3 Source deductions of Québec income tax

A. General information

This chapter provides explanations that will help you calculate source deductions of Québec income tax. The method to be used to calculate 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. For salaries or wages, make source deductions using

- the *Source Deduction Table for Québec Income Tax* (TP-1015.TI-V); or
- the mathematical formulas in Chapter 9.

A computer application (“WinRAS”), based on the mathematical formulas, is also available on the Web site of the Ministère. You can use the application to calculate (among other things) the source deductions of Québec income tax for each pay period. A version of WinRAS can be obtained at the following address:

www.revenu.gouv.qc.ca/fr/entreprise/services/generaux/winras

You must remit source deductions of income tax periodically. Use 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, according to your remittance frequency. Refer to the table on page 14 or, if you make remittances twice-monthly or weekly, the table on page 11 of the *Supplementary Guide for Employers* (TP-1015.GC-V).

B. Income subject to source deductions of income tax

The following types of remuneration are subject to source deductions of income tax:

- salaries or wages (see page 9 for information on the term “salary or wages”);
- single payments, such as a retiring allowance or the taxable portion of a death benefit;
- an amount indicated by a self-employed fisher on form TP-1015.N-V (see section H on page 18).

You must withhold income tax **if the amount is paid to an employee who meets one of the conditions given in column B of Table 1 on page 21.**

C. Income not subject to source deductions of income tax

As a rule, income tax must not be withheld from the following types of income:

- **deemed indemnities** paid further to a work-related accident (see section A on page 46);
- 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 a partner;
- single payments transferred to the trustee of an RPP or an RRSP, if they are transferred directly to another plan and not paid to the employee;
- employment income that is less than the amount of an employee’s deductions and tax credits, where the employee indicated “X” on line 20 of the 2004-01 version of form TP-1015.3-V.

1015R12

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

Table TP-1015.TI-V may be used to calculate income tax on remuneration that is paid weekly (52 or 53 pay periods per year), every two weeks (26 or 27 pay periods per year), twice-monthly (24 pay periods per year) or monthly (12 pay periods per year).

You must withhold income tax for each employee based on the following factors:

- the employee’s remuneration subject to source deductions of income tax;
- the deduction code entered on the employee’s *Source Deductions Return* (form TP-1015.3-V);
- the number of pay periods in the year (53, 52, 27, 26, 24 or 12).

You must also take into account any additional income tax withholdings the employee has requested on form TP-1015.3-V or TP-1017-V.

1015R3

Calculating the remuneration subject to source deductions of income tax

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

| Remuneration subject to source deductions of income tax | |
|--|--|
| Calculation for each pay period | Remarks |
| <ul style="list-style-type: none"> Gross salary or wages (except commissions) | See sections F through J on pages 26 to 28. |
| <p>plus</p> <ul style="list-style-type: none"> commissions | See section K on page 28. |
| <p>minus the total of the following amounts:</p> <ul style="list-style-type: none"> contributions to an RPP | See "Contributions to an RPP" on page 24. |
| <ul style="list-style-type: none"> contributions to an RRSP | <p>You may subtract the RRSP contributions made by an employee from the gross salary or wages only if, further to an agreement with the employee, you withhold the contributions from the employee's salary or wages and remit the contributions directly to the issuer of an RRSP of which the employee or his or her spouse is the annuitant.</p> <p>If the contributions are not remitted directly to the RRSP issuer, the employee may complete form TP-1016-V, <i>Application for a Reduction in Source Deductions of Income Tax</i>. The Ministère may then authorize you to reduce the employee's remuneration subject to source deductions.</p> <p>If an employee purchases shares in a labour-sponsored fund through source deductions and requests the transfer of the shares to his or her RRSP or a spousal RRSP, you must subtract the value of the transferred shares (to a maximum of \$5,000) from the employee's gross salary or wages. Note: The fund may be the Fonds de solidarité des travailleurs du Québec (FTQ) or the Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l'emploi (called "Fondaction").</p> |
| <ul style="list-style-type: none"> 75% of the amount withheld from the employee's salary or wages for the purchase of shares in the Fonds de solidarité des travailleurs du Québec (FTQ) or the Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l'emploi (called "Fondaction") | <p>You may subtract from the employee's gross salary or wages 75% of the amount withheld if the following conditions are met:</p> <ul style="list-style-type: none"> The employee has authorized you to withhold the amount from his or her salary or wages. The shares purchased are class A shares of the Fonds de solidarité des travailleurs du Québec (FTQ) or class A or B shares of the Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l'emploi (called "Fondaction"). The employee is the first purchaser of the shares. <p>The maximum amount that you may subtract is \$3,750 per year.</p> |
| <ul style="list-style-type: none"> travel deduction for residents of a designated remote area | See section 5.4.1.3 of the <i>Guide for Employers</i> (TP-1015.G-V, version 2005-01) |
| <ul style="list-style-type: none"> amount for residents of a designated remote area or for support payments amount for child-care expenses | <p>You must take these amounts into account if the employee has indicated them on the <i>Source Deductions Return</i> (form TP-1015.3-V).</p> <p>Divide the amount or amounts by the number of pay periods remaining in the year to determine the amount to subtract from the employee's gross salary or wages for a pay period.</p> |
| <ul style="list-style-type: none"> amount respecting a severe and prolonged mental or physical impairment | <p>You must take this amount into account if the employee indicated it on the most recent TP-1015.3-V form completed and the form dates from a year prior to 2003.</p> <p>Divide this amount by the number of pay periods in the year to determine the amount to subtract from the employee's gross salary or wages for a pay period.</p> |
| <ul style="list-style-type: none"> amount of the deductions authorized by the Ministère, if the employee completed form TP-1016-V | Divide this amount by the number of pay periods remaining in the year in order to determine the amount to subtract from the employee's gross salary or wages for a pay period. |

1015R2 to 1015R2.3

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

Example

An employee receives a weekly salary of \$1,000 (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, calculated for the pay period). The remuneration subject to source deductions of income tax is determined as follows:

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

Contributions to an RPP

In calculating an employee's remuneration subject to source deductions of income tax, you must take into account the contributions to a registered pension plan (RPP) that entitle the employee to a deduction in the calculation of income. The deductible contributions are those withheld from the employee's salary or wages and paid into a defined contribution RPP or a defined benefit RPP. They may relate to service rendered in the current year or past service.

Contributions for service rendered prior to 1990

The amount that an employee may deduct with respect to contributions made in 2004, for service rendered before 1990, is limited.

| Employee who did not contribute to the RPP to which he or she makes contributions for services rendered before 1990 | | Employee who contributed to an RPP |
|--|---|------------------------------------|
| Situation in the year the service was rendered | | |
| The employee did not contribute to any RPP | The employee contributed to another RPP and the contributions for services rendered before 1990 are paid under an agreement signed before March 28, 1988 | |
| As a rule, the amount that the employee may deduct is 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 these contributions for any year prior to 2004; (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 these contributions for any year prior to 2004 and with respect to optional contributions for any year prior to 1987. | As a rule, the amount that the employee may deduct is equal to the lower of the following amounts: (a) the total amount of the contributions (other than optional contributions to a defined contribution RPP and the contributions covered in the column to the left) made by the employee after 1962, minus the total of the amounts he or she deducted with respect to these contributions for any year prior to 2004; (b) \$5,500 minus the total of the amounts deducted in 2004 with respect to the contributions covered in the column to the left and with respect to contributions for current service and for past service rendered after 1989. | |

965.0.1, 965.0.3, 1015R2.1 (b)

Deduction codes for 2004

The deduction codes used in the *Source Deduction Table for Québec Income Tax* (TP-1015.TI-V) are given below.

Deduction codes

| Amount (\$) | Code |
|-----------------|------|
| Nil | 0 |
| 1 – 9,150 | A |
| 9,150 – 11,000 | B |
| 11,001 – 13,000 | C |
| 13,001 – 15,000 | D |
| 15,001 – 15,500 | E |
| 15,501 – 16,500 | F |
| 16,501 – 18,000 | G |
| 18,001 – 19,000 | H |
| 19,001 – 21,000 | I |
| 21,001 – 23,500 | J |
| 23,501 – 24,500 | K |
| 24,501 – 26,000 | L |
| 26,001 – 27,000 | M |
| 27,001 – 28,500 | N |
| Exemption | X |

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

If the amount used to determine the deduction code exceeds \$28,500, subtract, for each increment of \$500 (or portion thereof), the amount in column Z from the amount in column N.

How to use table TP-1015.TI-V

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

- Refer to the section of table TP-1015.TI-V 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, in order to determine the amount of income tax to withhold. If no amount is indicated, do not withhold income tax.

- Where applicable**, add to the amount of the income tax withholding the additional income tax the employee asked you to withhold. This amount is shown on the TP-1015.3-V or TP-1017-V form submitted to you by the employee.
- Where applicable**, divide the non-refundable tax credits (for charitable donations, medical expenses, etc.) authorized by the Ministère, after the employee completed form TP-1016-V, by the number of pay periods remaining in the year. Then subtract the result from the income tax to be withheld.

Example

| | | |
|--|---|--------|
| Weekly salary or wages (52 periods) | | \$700 |
| Value (GST and QST included) of meals and accommodation provided free of charge | + | \$100 |
| | = | \$800 |
| Minus: Contributions to an RPP and estimated deductions for the year from line 19 of form TP-1015.3-V (calculated for the period in question) | - | \$80 |
| Remuneration subject to source deductions of income tax | = | \$720 |
| Deduction code indicated by the employee on form TP-1015.3-V | | Code C |
| Determine the amount of income tax to withhold as follows: | | |
| (a) Refer to the section of table TP-1015.TI-V 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 income tax to withhold is \$77.92 . | | |

E. Using the mathematical formulas to calculate income tax withholdings

The mathematical formulas that you may use to calculate source deductions of income tax are contained in Chapter 9.

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

1015

F. Taxable benefits

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

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

If you use the mathematical formulas to calculate your income tax withholdings, you must include the value of the taxable benefit in variables G and G_1 .

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

37, 41.3

Important points concerning the calculation of income tax withholdings or remuneration subject to source deductions of income tax

Consult the sections below for information concerning the calculation of income tax withholdings or remuneration subject to source deductions of income tax, if you granted an employee benefits for any of the following:

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

Stand-by charge and operating costs for an automobile

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

Contributions paid to a private health services fund

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. You may use any reasonable estimation method (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, you must recalculate the benefit on the basis of the actual data.

Contributions paid to a multi-employer insurance plan

Once the total contributions you pay to a multi-employer insurance plan with regard to an employee reach an amount corresponding to a reasonable estimate of the taxable benefit the employee would receive if he or she were covered by the plan for the entire year, you are not required to continue withholding income tax respecting the contributions. However, you must continue to pay your employer contributions and to withhold QPP contributions.

1015R3.5

G. Vacation pay

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

- 2% – Use the section marked "52 pay periods per year" or "53 pay periods per year" (as applicable).
- 4% – Use the section marked "26 pay periods per year" or "27 pay periods per year" (as applicable).
- 6% – Divide the vacation pay by 3. Use the section marked "52 pay periods per year" or "53 pay periods per year" (as applicable), and multiply the weekly income tax withholding by 3.
- 8% – Divide the vacation pay by 4. Use the section marked "52 pay periods per year" or "53 pay periods per year" (as applicable), and multiply the weekly income tax withholding by 4.

To calculate the amount of income tax to withhold from the vacation pay of an employee **who is not taking holidays**, use the method for bonuses given in section H below. If you are using the mathematical formulas, see (as applicable) Part 1.2 on page 49 or Part 2 on page 50.

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

H. Bonuses and retroactive pay

Bonuses and retroactive pay are subject to source deductions of income tax. The examples on the following page 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 the total of an employee's estimated annual salary or wages and the amount of the bonus or retroactive pay does not exceed \$11,300, income tax of 8% must be withheld from the bonus or retroactive pay.

Do not withhold income tax if the employee completed form TP-1015.3-V for 2004 and entered "X" on line 20 of the form. The "X" indicates that the employment income will be less than the deductions and personal tax credits to which the employee is entitled.

1015R5 to 1015R7, 1015R12

Example 1

First bonus paid in the year

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

- (a) Divide the bonus by the number of pay periods in the year:
 $\$2,500 \div 52 = \48.08
- (b) Add \$48.08 to \$540, for a total of \$588.08 per week.
- (c) To calculate the additional weekly source deduction of income tax resulting from the extra weekly income of \$48.08, consult the section of table TP-1015.TI-V marked "52 pay periods per year."
- | | |
|-------------------------------|------------------|
| Amount withheld from \$588.08 | \$40.22 |
| Amount withheld from \$540 | – <u>\$32.22</u> |
| Additional source deduction | = \$8.00 |
- (d) To determine the amount to withhold from the bonus of \$2,500, multiply the additional source deduction (\$8) by 52: $\$8 \times 52 = \416
- (e) The amount to be withheld from John's remuneration for the pay period is therefore \$448.22 (i.e., $\$32.22 + \416).

Example 2

Other bonuses paid in the year

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

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

- (a) Divide the amount of the second bonus by the number of pay periods in the year: $\$1,040 \div 52 = \20
Add the result to the weekly remuneration subject to source deductions: $\$540 + \$20 = \$560$
- (b) Divide the amount of the previous bonus by the number of pay periods in the year: $\$2,500 \div 52 = \48.08
- (c) Add the amounts obtained in (a) and (b): $\$560 + \$48.08 = \$608.08$
- (d) Consult the section of table TP-1015.TI-V marked "52 pay periods per year" to calculate the additional weekly source deduction of income tax resulting from the second bonus.
- | | |
|---|------------------|
| Amount withheld from \$608.08 ($\$560 + \48.08) = | \$40.42 |
| Amount withheld from \$588.08 ($\$540 + \48.08) = | – <u>\$36.42</u> |
| Additional source deduction | = \$4.00 |

- (e) To determine the amount to withhold from the bonus of \$1,040, multiply the additional source deduction (\$4) by 52: $\$4 \times 52 = \208

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

Example 3

Retroactive pay

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

- (a) Consult the section of table TP-1015.TI-V marked "52 pay periods per year" to calculate the additional weekly source deduction of income tax resulting from the pay increase.
- | | |
|-----------------------------------|-----------------|
| Amount withheld from \$300 a week | \$13.21 |
| Amount withheld from \$275 a week | – <u>\$9.21</u> |
| Additional source deduction | = \$4.00 |
- (b) Multiply the additional source deduction (\$4) by the number of weeks covered by the retroactive pay increase:
 $\$4 \times 10 = \40
- (c) The amount to be withheld from Eric's remuneration for the pay period is therefore \$53.21 (i.e., $\$13.21 + \40).

I. Overtime pay

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

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

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

If you are using one of the mathematical formulas

If you are using the **mathematical formula based on regular payments**, use one of the methods applicable to bonuses to calculate the income tax to be withheld from a payment for **accumulated overtime** (see Part 1.2 on page 49).

However, if the overtime worked by an employee during a pay period is paid at the same time as the regular salary or wages for the period, you are not required to use one of the methods applicable to bonuses. You may add the overtime pay to the regular salary or wages and include the result in variable G of the mathematical formula given in Part 1.1 on page 48.

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

- variable B if you are using Method 1 of this formula;
- variables B₃ and B₄ if you are using Method 2 of this formula.

However, if the overtime worked by an employee during a pay period is paid at the same time as the regular salary or wages for the period, you may include the overtime pay in variable G (instead of in variable B or variables B₃ and B₄).

J. Tips

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

- tips that result from tippable sales and that the employee reported during the pay period on the *Register and Statement of Tips* (TP-1019.4-V) or an equivalent document;
- tips unrelated to tippable sales (for example, tips the employee received as a hotel valet, porter, doorman or cloakroom attendant), reported by the employee on the *Register and Statement of Tips* or an equivalent document;
- tips that, because they constitute service charges added to the customer's bill, are distributed to the employee 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 further to a request for a reduction in the allocation rate).

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

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

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

42.8 to 42.15, 1019.4 to 1019.7, AQPP 59.1

K. Commissions

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

For 2004, the employee must submit form TP-1015.R.13.1-V to you by the latest of the following dates:

- January 31, 2004;
- 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.

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

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

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 on a regular basis** to the employee, add them to the salary or wages when you calculate the remuneration subject to source deductions of income tax. Then determine the income tax withholding in the usual way (see "How to use table TP-1015.TI-V" on page 25). If you are using the mathematical formulas, include the commissions in variable G.

For commissions that **are not paid on a regular basis**, you may use the method applicable to bonuses to calculate the income tax withholding (this method is described in section H on page 26). If you are using the mathematical formula based on regular payments, you may use either of the methods applicable to bonuses to calculate the income tax withholding. If you are using the mathematical formula based on a cumulative average, include the commissions in variable G.

Employees who earn commissions and who pay their expenses and completed form TP-1015.R.13.1-V within the prescribed time

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

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

Continue the calculation of the remuneration subject to source deductions of income tax, referring to the table on page 23. Then determine the income tax withholding in the usual way (see "How to use table TP-1015.TI-V" on page 25).

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

L. Single payments

Retiring allowances

If, in 2004, you pay a **retiring allowance** to an employee upon or after retirement in recognition of long service, or as compensation for loss of employment, you must withhold income tax of **16%** if the payment does not exceed \$5,000 or income tax of **20%** if the payment exceeds \$5,000.

A retiring allowance may include an amount reimbursed for sick leave accumulated but not used before the employee's retirement or resignation, an amount paid for damages, or compensation in lieu of notice. A retiring allowance may be transferred in whole or in part to an RPP or an RRSP, either by the employer at the time of payment, or by the employee or former employee during the taxation year or during the 60-day period following the end of the year. You are not required to withhold income tax from the portion of the retiring allowance that is transferred directly to an RPP or an RRSP and that may be deducted from the employee's or former employee's income. The deductible amount is the amount determined under the *Income Tax Act* (Statutes of Canada).

Death benefits

If you pay a **death benefit** to a beneficiary in recognition of the service of a deceased employee, you must withhold from the taxable portion of the payment (that is, the amount of the benefit minus, if applicable, a \$10,000 exemption) income tax of **16%** if the taxable portion does not exceed \$5,000, or income tax of **20%** if the taxable portion exceeds \$5,000. A death benefit may be, for example, an amount repaid for accumulated sick leave.

NOTE: You must withhold income tax of 16% or 20% only if the death benefit is paid in the year of death or the following year.

Payment made further to an order or judgment

You must withhold income tax from a payment made in compliance with an order or judgment respecting salary or wages owing to an employee or former employee, provided a portion of the amount owing relates to a previous year.

The income tax to be withheld is **16%** for a payment that does not exceed \$5,000 and **20%** for a payment exceeding \$5,000.

1015, 1015R9, 1015R11

4 QPP contributions

A. General information

The Québec Pension Plan (QPP) provides pension income to employees who have retired or who become disabled. If an employee dies, the QPP provides benefits to the employee's spouse or dependants.

QPP contributions are shared equally by the employer and the employee. As the employer, you are responsible for calculating the employee's QPP contribution and deducting it from the employee's salary or wages. You must remit the employee's QPP contribution to the Ministère du Revenu at the same time as you remit your QPP contribution on behalf of the employee.

The Ministère remits the employee and employer QPP contributions to the Régie des rentes du Québec. The Régie enters the amount of the contributions and the employee's pensionable earnings in a Record of Contributors.

This chapter provides explanations that will help you calculate source deductions of QPP contributions. You may use

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

A computer application ("WinRAS"), based on this mathematical formula, is also available on the Web site of the Ministère. You can use the application to calculate (among other things) the employee's QPP contributions for each pay period. A version of WinRAS can be obtained at the following address:

www.revenu.gouv.qc.ca/fr/entreprise/services/generaux/winras

You must remit employee and employer QPP contributions periodically. Use 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, according to your remittance frequency. Refer to the table on page 14 or, if you make remittances twice-monthly or weekly, the table on page 11 of the *Supplementary Guide for Employers* (TP-1015.GC-V).

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

B. Data

The QPP data for 2004 are given below. The 2003 data are provided for information purposes.

| | 2004 | 2003 |
|--|------------|------------|
| Maximum pensionable earnings ¹ | \$40,500 | \$39,900 |
| Basic exemption | \$3,500 | \$3,500 |
| Maximum contributory earnings | \$37,000 | \$36,400 |
| Contribution rate | 4.95% | 4.95% |
| Maximum employee contribution | \$1,831.50 | \$1,801.80 |
| Maximum employer contribution (per employee) | \$1,831.50 | \$1,801.80 |

1. The term "pensionable earnings" is replaced by "pensionable salary or wages" in certain texts in this chapter.

IMPORTANT: Your QPP contribution is equal to the total of the QPP contributions withheld from the pensionable salary or wages of your employees.

AQPP 40 to 52, AQPP (r. 2) 6 to 8, 13 to 17

Social insurance number

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

Individuals may obtain their SIN (and their social insurance card) from any Human Resources Centre of Canada. They may also contact a Human Resources Centre of Canada to have a correction made to the name on the card.

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

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

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

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

C. Income subject to QPP contributions

QPP contributions must be withheld from the following types of remuneration:

- salaries or wages (see page 9 for information on the term “salary or wages”), **except those described in section D below**;
- worker’s compensation that the CSST does not reimburse or (in the case of self-insurer) does not recognize (see section A on page 46).

Such remuneration constitutes pensionable salary or wages under the QPP **if it is paid for work performed in Québec**. In this case, you must withhold QPP contributions from the remuneration until the total amount withheld since the beginning of the year equals the employee’s maximum annual contribution.

Work is considered to be performed in Québec **if the remuneration is paid to an employee who meets one of the conditions given in column B of Table 1 on page 21**.

IMPORTANT: The value of a taxable benefit in kind (that is, other than in money) constitutes pensionable salary or wages under the QPP. However, you are not required to withhold QPP contributions from 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 provided.

AQPP 7, 45, Bulletin RRQ. 45-2/R2

D. Income not subject to QPP contributions

QPP contributions must not be withheld from the following types of income:

- the salary or wages paid to an employee
 - for work excluded from the QPP (see “Excepted employment” below),
 - before or during the month in which the employee reaches age 18,
 - as of the month following the month that includes the date (determined by the Régie des rentes du Québec) on which the employee becomes disabled;
- 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 may, under the *Taxation Act*, deduct the value of this benefit in calculating his or her income;
- death benefits (such as accumulated sick leave);
- retiring allowances paid to an employee (upon 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, a shareholder (other than an employee), or a person related to a partner or shareholder;
- worker’s compensation (certain amounts paid further to a work-related accident are, however, subject to QPP contributions: see section A on page 46);
- patronage dividends.

AQPP 45

Excepted employment

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

- employment in agriculture or an agricultural enterprise, horticulture, fishing, hunting, trapping, forestry, logging or lumbering, if
 - you pay the employee less than \$250 cash remuneration during the year, or
 - you hire the employee, in return for cash remuneration, for fewer than 25 working days during the year;
- work performed by your child or dependant, for which no cash remuneration is paid;
- work performed by a member of a religious order who has taken a vow of poverty and whose remuneration is paid to the religious order either directly or by the member, provided an application was submitted in the prescribed manner before January 1, 1998;
- casual or short-term employment (excluding employment as an entertainer or performer) in a circus, show, exhibition or similar activity, where the employee
 - is not regularly employed by you, **and**
 - is employed by you for fewer than seven days in the year;
- casual or short-term employment 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
 - is not regularly employed by you, **and**
 - is employed by you for **fewer than 35 hours** in the year, in order to work on the referendum or election;
- casual or short-term employment respecting disaster relief or rescue operations, if the employee is not regularly employed by you.

AQPP 3, AQPP (r. 8) 1

E. Basic exemption

For 2004, the first \$3,500 of an employee's pensionable salary or wages is exempt from QPP contributions.

Continuous employment

Employment is considered **continuous** if it does not meet the definition of the term "non-continuous employment" given below.

Regular pay periods

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

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

If you are paying pensionable salary or wages to the same employee more than once in the same pay period, you may use the tables for **only one** such payment. For subsequent payments of pensionable salary or wages in the pay period, simply withhold 4.95% of the amount without taking the exemption into account. Stop withholding QPP contributions when you reach the employee's maximum annual contribution. See the example in the section "Overtime pay, bonuses and retroactive pay" on the following page.

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

Irregular pay periods

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

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

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

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

Non-continuous employment

The term "non-continuous employment" is used to refer to 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 pay period exemption 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).

If you are using the QPP tables in document TP-1015.TR-V or TP-1015.TR.12-V, do not subtract the pay period exemption from the pensionable salary or wages paid to the employee, because the tables already take the exemption into account.

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 his employer at the end of the two-day period. The exemption is \$14.58 per day. The QPP contribution is therefore \$4, that is, 4.95% of \$80.84 ($\$110 - \$29.16 = \$80.84$). The same result may be obtained by referring to Table B in document TP-1015.TR-V; in this case the QPP contribution of \$2 per day is multiplied by 2.

AQPP 42, 43, AQPP (r. 2) 1 to 5

F. Using the tables to calculate withholdings of employee contributions

For each pay period, you must withhold QPP contributions from the employee's **gross** pensionable salary or wages, that is, from the salary or wages calculated before the following withholdings are taken into account:

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

When the employee's maximum annual contribution is reached (see "Maximum annual contribution" on the following page), **you must stop withholding QPP contributions.**

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

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

How to use the tables

For **continuous employment**, locate the pay bracket that includes the employee's gross pensionable salary or wages in the "Remuneration" column of the section of Table A 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.

Example 1

Mohammed, a 30-year-old employee, earns \$785 per week. In accordance with Table A of document TP-1015.TR-V, his employer must withhold a QPP contribution of \$35.53 in each of the first 51 pay periods in the year. The amount to be withheld in the 52nd pay period will be \$19.47, that is, \$1,831.50 (maximum contribution) minus \$1,812.03 (amount already withheld).

Example 2

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

53 pay periods

If you have 53 pay periods per year, calculate the QPP contribution for each pay period by using the section in Table A of document TP-1015.TR-V that corresponds to 52 pay periods.

However, **if the employee works for you for the entire year** and has not paid his or her maximum annual QPP contribution for

the year before the 53rd pay for the year, withhold 4.95% of the employee's gross salary or wages (without taking the exemption into account) for the 53rd pay period. The QPP contribution for that period may not exceed the employee's maximum annual contribution minus the contributions already withheld for the year.

27 pay periods

If you have 27 pay periods per year, you may calculate the QPP contribution for each pay period by using the section in Table A of document TP-1015.TR-V that corresponds to 26 pay periods. You may also calculate the QPP contribution yourself; instructions are given on page 19 (section H) of the *Supplementary Guide for Employers* (TP-1015.GC-V).

If you are using the section of Table A that corresponds to 26 pay periods, and if the employee works for you for the entire year and has not paid his or her maximum annual QPP contribution for the year before the 27th pay for the year, withhold 4.95% of the employee's gross salary or wages (without taking the exemption into account) for the 27th pay period. The QPP contribution for that period may not exceed the employee's maximum annual contribution minus the contributions already withheld for the year.

Overtime pay, bonuses and retroactive pay

If, during a pay period, you pay an employee for overtime, and the amount is paid **separately from the employee's regular salary or wages** for the period, you must withhold 4.95% of the gross amount of overtime pay. Do not take the pay period exemption into account, since you have already done so when calculating the QPP contribution on the regular salary or wages for the period. You must also make sure that the total QPP contributions withheld to date do not exceed the employee's maximum annual contribution.

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

Proceed in the same way for bonuses or retroactive pay.

Example

Anna earns \$515 for the pay period from May 21 to 28, 2004, and also receives, **separately from her regular wages**, a bonus of \$100. To date, a total of \$500 in QPP contributions has been withheld from her wages. In accordance with Table A of document TP-1015.TR-V, a QPP contribution of \$22.16 must be withheld from the regular wages, and \$4.95 (4.95% x \$100, no exemption) from the bonus of \$100. The total QPP contribution withheld for the pay period is therefore \$27.11. However, the amount withheld cannot exceed the balance to be withheld for the rest of the year (\$1,331.50), that is, Anna's maximum annual QPP contribution (\$1,831.50) minus the QPP contributions already withheld for the year (\$500).

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

AQPP (r.2) 6 to 8

Maximum annual contribution

The total QPP contributions you withhold for an employee in 2004 must not exceed **\$1,831.50**. Once this limit is reached, do not withhold any more contributions. See the QPP data on page 30 to find out how the maximum annual contribution is determined.

Special cases

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

- If an employee reaches age 18 in 2004, multiply \$1,831.50 by the number of months in the year that follow the month of the employee's 18th birthday, and divide the result by 12 (see example 1 on the following page).
- If an employee dies in 2004, multiply \$1,831.50 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 2004, multiply \$1,831.50 by the number of months that precede the first month excluded from the employee's contributory period (in the event of a disability), and divide the result by 12. If a QPP or CPP disability pension ceases to be payable to the employee in 2004, multiply \$1,831.50 by the number of months that follow the month in which the pension ceases to be payable, and divide the result by 12.

Example 1

Lisa turned 18 on August 15, 2004. She receives a salary of \$3,800 per month (\$45,600 per year), which exceeds the maximum pensionable earnings (\$40,500).

From January to August 2004, Lisa has no QPP contribution payable.

From September to December 2004,

- the basic monthly exemption is
 $\$3,500 \div 12 = \291.66
- the monthly QPP contribution withheld from Lisa's salary is calculated as follows:
 $(\$3,800 - \$291.66) \times 4.95\% = \173.66

Maximum contribution for 2004:

$$\$1,831.50 \times 4 \div 12 = \$610.50$$

Lisa's QPP contributions for 2004 must not exceed \$610.50.

Example 2

At the time of his death, on June 15, 2004, Benjamin was receiving a weekly salary of \$900. His pensionable salary for 2004 was \$9,000. This amount is less than the maximum pensionable earnings of \$40,500.

From January to June 2004, Benjamin paid QPP contributions.

- The basic weekly exemption is
 $\$3,500 \div 52 = \67.30
- The weekly QPP contribution withheld from Benjamin's salary is calculated as follows:
 $(\$900 - \$67.30) \times 4.95\% = \$41.22$

Maximum contribution for 2004:

$$\$1,831.50 \times 6 \div 12 = \$915.75$$

Benjamin's QPP contributions for 2004 must not exceed \$915.75.

AQPP 9, 41, 43, 44, 50

G. Using the mathematical formula to calculate withholdings of employee contributions

If you use the mathematical formula in section C of Chapter 9 (page 52) to calculate the employee QPP contribution, you should read the following paragraphs.

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

AQPP (r. 2) 6 to 8

Pay period exemption (V/P)

To calculate the pay period exemption for an employee **whose employment is continuous** (see the explanation of "continuous employment" on page 32) and **whose pay periods are regular**, divide the basic exemption of \$3,500 by the **number of pay periods** in the year.

IMPORTANT: For an employee who has not worked for you for the entire year, variable P corresponds to the number of pay periods for which you would have paid remuneration to the employee had he or she worked for you for the entire year. For example, if an employee worked for **two months** in the year and is **paid on a monthly basis**, variable V/P is \$291.66 (\$3,500/12) for each of the employee's gross pays. The exemption you will take into consideration will be \$583.33, that is, 2/12 of the annual exemption of \$3,500, rather than the full annual exemption.

AQPP 42, 43, AQPP (r. 2) 1 to 3, 5

H. Employer contribution

You must pay a QPP contribution equal to the total of the QPP contributions withheld from the pensionable salaries or wages of your employees. For example, if you make monthly remittances using form TPZ-1015.R.14.1-V, calculate the total QPP contributions withheld from the remuneration paid to your employees during the month. Your monthly contribution is equal to this amount.

AQPP 52, 63

I. 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 the employees' service, you must take into account the amounts that the previous employer deducted from the pensionable salaries or wages paid to the employees from the beginning of the year.

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

AQPP 50.0.1

J. Employees who reach 18 in 2004 or who receive a disability pension

As stated in section D on page 31, QPP contributions must not be withheld from the salary or wages paid to an employee

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

AQPP 9, 45, 101

K. Employees who are 70 or older in 2004 or who receive a retirement pension

You must withhold QPP contributions from the remuneration 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. Employees who work for more than one employer

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

AQPP 51

M. Was the correct amount of contributions withheld during the year?

You may use the table below to verify whether the total amount of QPP contributions you withheld in 2004 for an employee was correct. The table may be used only for continuous employment.

Table

| Continuous employment | | |
|---|--|---|
| Employee's situation in 2004 | Total employee QPP contributions for 2004 (choose the amount in column A or B, whichever is lower) | |
| | A | B |
| The employee was 18 or over throughout the year and did not receive a disability pension under the QPP or the CPP. | \$1,831.50 | 4.95% x [pensionable salary or wages for 2004 – (pay period exemption x number of pay periods for which you paid a pensionable salary or wages – amount by which the pay period exemption ¹ exceeds the pensionable salary or wages for a pay period)] |
| The employee turned 18. | \$1,831.50 x (number of months after the month of the employee's 18th birthday) ÷ 12 | |
| The employee began to receive a disability pension under the QPP or the CPP. | \$1,831.50 x (number of months up to and including the month that includes the date (set by the Régie des rentes du Québec) on which the employee becomes disabled) ÷ 12 | |
| The employee stopped receiving a disability pension under the QPP or the CPP. | \$1,831.50 x (number of months after the month in which the employee stopped receiving the disability pension) ÷ 12 | |
| The employee died. | \$1,831.50 x (number of months in the year up to and including the month of the employee's death) ÷ 12 | |
| The employee was 17 or under throughout the year . | No QPP contributions | |

1. The pay period exemption must not exceed the pensionable salary or wages for the period. For example, if the pay period exemption is \$67.30 and you paid a pensionable salary or wages of \$60 for a pay period, multiply the pay period exemption (\$67.30) by the number of pay periods for which you paid a pensionable salary or wages to the employee, and subtract \$7.30 from the result.

AQPP 59, AQPP (r.2) 6

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.

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

AQPP 51, 52.1, 78, 78.1

Insufficient QPP contributions

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

AQPP 60

Time limit in which the Ministère may make an assessment

The Ministère may recalculate the amount you are required to pay and make a reassessment or an additional assessment. Once you are notified of the amount assessed, you must pay it immediately. If you are not satisfied with the decision, you may request an explanation or take one of the measures described 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

N. Employee or self-employed?

You may ask the Ministère du Revenu to determine a worker's employment status if you and the worker do not agree. Such a request must be transmitted to the Ministère by April 30 of the year following the calendar year to which the request applies. You must submit the following forms: *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). The Ministère must take into account the information provided by both parties, and make known its decision with dispatch and in the manner it considers suitable.

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

Self-employed persons

Persons who are self-employed must base their QPP contributions on the income of the business they carry on (either directly or as an active member of a partnership), not on their withdrawals. As a rule, self-employed persons must pay their QPP contributions in instalments, separately from the QPP contributions of their employees. The amount of the instalments is generally indicated on form TPZ-1026.A-V, *Instalment Payments Made by an Individual*. For more information, consult the folder *Instalment Payments of Income Tax* (IN-105-V).

AQPP 53

5 Contribution to the health services fund

A. General information

As a rule, you must pay a contribution to the health services fund based on the total amount of the salaries or wages paid to your employees. The contribution rate varies from 2.7% to 4.26%, according to your total payroll.

To calculate the contribution, you may use the mathematical formula in Chapter 9. A computer application ("WinRAS"), based on this mathematical formula, is also available on the Web site of the Ministère. You can use the application to calculate (among other things) the contribution to the health services fund for each pay period. A version of WinRAS can be obtained at the following address:

www.revenu.gouv.qc.ca/fr/entreprise/services/generaux/winras

You must remit your contribution to the health services fund periodically. Use 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, according to your remittance frequency. Refer to the table on page 14 or, if you make remittances twice-monthly or weekly, the table on page 11 of the *Supplementary Guide for Employers* (TP-1015.GC-V).

NOTE: Employees are not required to pay a contribution to the health services fund except (in certain cases) when they file their income tax return.

ARAMQ 34, 34.0.0.0.1

B. Income subject to the contribution

The employer contribution to the health services fund must be paid on the following types of remuneration:

- salaries or wages (see page 9 for information on the term "salary or wages");
- worker's compensation that the CSST does not reimburse or (in the case of self-insurer) does not recognize (see section A on page 46).

You are required to pay a contribution on these types of remuneration **if the amount is paid to an employee who meets one of the conditions given in column B of Table 1 on page 21.**

ARAMQ 33

C. Exempted salaries or wages

Five-year exemption

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

For a taxation year beginning after June 12, 2003, the exemption applies to 75% of the first \$700,000 of salaries or wages paid for the taxation year.

For a taxation year beginning before June 13, 2003, the exemption applies to the first \$700,000 of salaries or wages paid for the taxation year. However, only 75% of the portion of the first \$700,000 paid after June 12, 2003, is exempted. For example, if the taxation year began on March 1, 2003, and ended on February 29, 2004, and the corporation paid \$720,000 in salaries or wages during the taxation year (including \$220,000 paid before June 13, 2003), you would calculate the exempted salaries or wages for the taxation year as follows:

| | | |
|---|-------------|-------------|
| Salaries or wages paid before June 13, 2003 | | \$220,000 |
| Portion of the first \$700,000 paid after June 12, 2003 (\$700,000 – \$220,000) | \$480,000 | |
| Exemption rate for salaries or wages paid after June 12, 2003 | x 75% | |
| | = \$360,000 | + \$360,000 |
| Salaries or wages exempted for the taxation year ending on February 29, 2004 | | = \$580,000 |

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

NOTE 1: If the taxation year is shorter than 51 weeks, you must reduce the \$700,000 ceiling in proportion to the number of days in the taxation year. For example, if your taxation year is 200 days long, the ceiling will be \$383,562 (\$700,000 x 200/365). Similarly, if the end of the last taxation year for which the exemption may be claimed does not coincide with the end of the five-year exemption period, you must reduce the \$700,000 ceiling in proportion to the number of days in the taxation year that are included in the exemption period.

NOTE 2: If, at any time during your first taxation year or before the end of your exemption period, you no longer meet the conditions to be considered a new corporation, you may still, under certain circumstances, be entitled to an exemption from the contribution to the health services fund. For more information, contact the Ministère.

ARAMQ 33 ("eligible employer," "employer exemption," "exemption period"), 34

Temporary exemption for manufacturing businesses in remote resource regions

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

NOTE: Even if you have one or more establishments that are not located in a remote resource region, you may be exempted from the contribution 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 located in remote resource regions.

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

If you are eligible for the five-year tax exemption for new corporations, you may elect to claim instead the temporary exemption for manufacturing businesses (which applies not only to the 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.

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*

Salaries or wages exempted from the contribution

To determine the amount of salaries or wages exempted from the contribution to the health services fund for a taxation year included in your exemption period, you must do a calculation. The calculation will vary according to your paid-up capital (calculated on a consolidated basis) for the preceding taxation year and the date on which the salaries or wages are paid.

| Paid-up capital for the preceding taxation year | Salaries or wages exempted for a taxation year | |
|---|---|--|
| | Salaries or wages paid before June 13, 2003 | Salaries or wages paid after June 12, 2003 |
| \$20 million or under | 100% of salaries or wages paid | 75% of salaries or wages paid |
| Over \$20 million but under \$30 million | 100% of qualified salaries or wages ¹ | 75% of qualified salaries or wages ¹ |
| \$30 million or over | No exemption ² | |

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

$$\text{Salaries or wages paid} \times \frac{[\$30 \text{ million} - \text{paid-up capital calculated on a consolidated basis}]}{\$10 \text{ million}}$$

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

Example

Basic data

| | |
|---|-------------------------------|
| Taxation year of the corporation | June 1, 2003, to May 31, 2004 |
| Paid-up capital (calculated on a consolidated basis) for the taxation year ending on May 31, 2003 | \$24,000,000 |
| Salaries or wages paid from June 1 to June 12, 2003 | \$10,000 |
| Salaries or wages paid after June 12, 2003 | \$250,000 |

Salaries or wages exempted for the taxation year

| | | | |
|--|---|--|-----------|
| Qualified salaries or wages for the period from June 1 to June 12, 2003: | | | |
| \$10,000 | x | $\frac{\$30,000,000 - \$24,000,000}{\$10,000,000}$ | = \$6,000 |

| | | | |
|---|---|--|-------------|
| Qualified salaries or wages for the period from June 13, 2003, to May 31, 2004: | | | |
| \$250,000 | x | $\frac{\$30,000,000 - \$24,000,000}{\$10,000,000}$ | = \$150,000 |

Total salaries or wages exempted for the taxation year

\$6,000 + (75% of \$150,000) = **\$118,500**

Paid-up capital calculated on a consolidated basis

The paid-up capital calculated on a consolidated basis (that is, on a worldwide basis) takes into account the paid-up capital of all the corporations with which you are associated, regardless of the location in which they carry out their activities and regardless of whether they are subject to the *Taxation Act*.

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

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

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

D. Calculating the contribution

Your contribution to the health services fund for 2004 is the result obtained when you subtract the exempted salaries or wages from the total salaries or wages you paid in 2004, and multiply that amount by a rate based on your total payroll for 2004. The rate varies from 2.7% to 4.26%.

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

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 total of all salaries or wages paid during 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 out their activities)**, and the total payroll used to determine the contribution rate must include all the salaries or wages paid by all employers that are associated at the end of the calendar year. Subject to certain adaptations, the rules set forth in the *Taxation Act* must be applied to determine whether two or more employers are considered to be associated.

In determining your total payroll, you must include the salaries or wages that are exempted from the contribution (refer to section C above).

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

E. Using an estimated rate to calculate periodic remittances of the contribution

You must make periodic remittances of your contribution to the health services fund. Use 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, according to your remittance frequency. Refer to the table on page 14 or, if you make remittances twice-monthly or weekly, the table on page 11 of the *Supplementary Guide for Employers* (TP-1015.GC-V).

At the time you make your remittances in 2004, 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 remittances for 2004.

Estimated contribution rate

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

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 |

- As long as the **total payroll** since the beginning of the year does not exceed \$1 million, the contribution rate remains 2.7%.
- Once the total payroll exceeds \$1 million (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 is 2.93%; if the result is 3.285%, the rate is 3.29%; if the result is 2.899%, the rate is 2.9%.

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

If you are not a new employer, your contribution rate is the rate that would apply if your **total payroll** for 2004 were the same as your total payroll for 2003.

This means that your estimated contribution rate for 2004 will be equal to your actual contribution rate for 2003. For example, if your total payroll for 2003 **did not exceed \$1 million and your actual contribution rate for 2003 was therefore 2.7%**, your periodic remittances of the contribution to the health services fund for 2004 must be based on a rate of 2.7%.

Example 1

Basic data for a corporation entitled to the five-year exemption that is in its third year of operation

| | |
|---|-------------------------------------|
| Taxation year of the corporation | March 1, 2003, to February 29, 2004 |
| Remittance frequency for 2004 | Monthly |
| Total payroll for the 2003 calendar year | \$800,000 |
| Actual contribution rate for the 2003 calendar year | 2.7% |
| Salaries or wages paid during the month of January 2004 | \$15,000 |
| Salaries or wages paid from March 1, 2003, to December 31, 2003 | \$690,000 |

Salaries or wages exempted for the month of January 2004

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

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

$$\$10,000 \times 75\% = \$7,500$$

Contribution to the health services fund payable on filing form TPZ-1015.R.14.1-V for the period from January 1 to 31, 2004

$$2.7\% (\$15,000 - \$7,500) = \$202.25$$

Example 2

Basic data for a manufacturing business in a remote resource region

| | |
|--|--------------------------------|
| Taxation year of the corporation | January 1 to December 31, 2004 |
| Paid-up capital (calculated on a consolidated basis) for the taxation year ending on December 31, 2003 | \$5,000,000 |
| Remittance frequency for 2004 | Monthly |
| Total payroll for the 2003 calendar year | \$950,000 |
| Actual contribution rate for the 2003 calendar year | 2.7% |
| Salaries or wages paid during the month of January 2004 | \$35,000 |

Salaries or wages exempted for the month of January 2004

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

Contribution to the health services fund payable on filing form TPZ-1015.R.14.1-V for the period from January 1 to 31, 2004

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

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

If you expect that your total payroll for 2004 will be lower than your total payroll for 2003 and that, as a result, your actual contribution rate for 2004 will be lower than the estimated rate you would normally be required to use, you may use a lower rate to calculate your remittances.

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

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

ARAMQ 34, 34.0.0.0.1

F. Determining the actual contribution rate

You will determine your actual contribution rate for 2004 when you file the *Summary of Source Deductions and Employer Contributions* (form RLZ-1.S-V).

This rate will depend on your total payroll for 2004, as indicated below:

- If your total payroll for 2004 is \$1 million or under, your contribution rate will be 2.7%.
- If your total payroll for 2004 is over \$1 million but under \$5 million, your contribution rate will be determined according to the formula given on page 41, except that the letter "S" will represent the result obtained by dividing your **total payroll for the calendar year** by \$1 million.
- If your total payroll for 2004 is \$5 million or over, your contribution rate will be 4.26%.

ARAMQ 34.0.0.0.1, ARAMQ (r. 1) 3

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 due date for form RLZ-1.S-V.**

Deficient payments

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

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

AMR 59.2, ARAMQ 34.0.0.0.2, 34.0.0.0.3

6 Contribution to the financing of the CNT

A. General information

As a rule, you are required to pay a contribution to the financing of the Commission des normes du travail (CNT) equal to 0.08% of the total salaries or wages paid to your employees. If you are an employer in the clothing industry, you may have to pay an additional contribution of 0.12%.

You must pay your 2004 contribution to the financing of the CNT by February 28, 2005.

ALS 39.0.1 to 39.0.6

Employers not required to pay the contribution

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

- religious institutions;
- day-care centres;
- parity committees constituted under the *Act respecting collective agreement decrees*;
- *fabriques*;
- corporations of trustees for the erection of churches;
- institutions or charities whose object is to assist, directly and free of charge, persons in need;
- businesses whose labour relations are governed by the *Canada Labour Code* (such as banks, airports and radio stations);
- the Comité de gestion de la taxe scolaire de l'île de Montréal;
- public transport authorities mentioned in section 1 of the *Act respecting public transport authorities*;
- certain other employers in the public sector (see guide TP-1015.GC-V, *Supplementary Guide for Employers*).

ALS 39.0.1 ("employer subject to contribution"), Bulletin LNT. 39.0.1-1

B. Income subject to the contribution

The employer contribution to the financing of the CNT must be paid on the following types of remuneration:

- salaries or wages (see page 9 for information on the term "salary or wages");
- worker's compensation that the CSST does not reimburse or (in the case of self-insurer) does not recognize (see section A on page 46);
- compensation in lieu of notice, that is, compensation paid to an employee where an employer terminates the employment contract without giving the employee notice in writing as required by law, or where the employer has not given notice in time (this amount is referred to as a "compensatory indemnity" in the *Act respecting labour standards*);
- amounts paid as damages upon cancellation of an employment contract.

You are required to pay a contribution to the financing of the CNT on these types of remuneration **if the amount is paid to an employee who meets one of the conditions given in column B of Table 1 on page 21.**

ALS 39.0.1

C. Income not subject to the contribution

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

- remuneration paid to an employee under the *Act respecting labour relations, vocational training and manpower management in the construction industry*;
- remuneration paid to an employee if you are governed by a decree adopted under the *Act respecting collective agreement decrees* and if the remuneration is subject to a contribution by a parity committee;
- 50% of the remuneration earned by an employee using a truck, tractor, loader, skidder or similar heavy equipment that the employee provides at his or her own expense;
- the amount by which the remuneration paid to the employee for the year exceeds \$55,000;
- remuneration paid to a domestic (see the definition below);
- remuneration paid to an employee whom section 3 of the *Act respecting labour standards* excludes from the application of the Act. This category of employees includes, in particular, students who work during the school year in an establishment selected by an educational institution, under a job induction program approved by the Ministère de l'Éducation;
- remuneration paid to an employee whose duties consist solely in taking care of or providing care to a child or to a sick, handicapped or aged person, where the care is provided in the home, and you are not seeking to make a profit from the work.

The term "domestic" means an employee who works for an individual and whose main function is the performance of domestic duties in the individual's dwelling. This includes an employee whose main function is to take care of or provide care to a child or to a sick, handicapped or aged 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

D. Additional contribution

You must pay an additional contribution to the financing of the CNT if you are an employer that would have been governed by one of the following decrees had they continued to apply (they expired on July 1, 2000):

- 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*.

This additional contribution is equal to 0.12% of the remuneration that would have been subject to a levy by a parity committee.

ALS 39.0.2, ALS (r. 5. 3) 2

E. Payment of the contribution

Your contribution (including the additional contribution) to the financing of the CNT for 2004 **must be received** at an office of the Ministère or at a financial institution by February 28, 2005. When you pay the contribution, you must submit the remittance slip included with the *Summary of Source Deductions and Employer Contributions* (form RLZ-1.S-V). **If you are making a remittance via the Internet, do not return the remittance slip to the Ministère.**

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

If you stop making remittances of source deductions and employer contributions in 2004 because you stop operating your business or no longer have employees, see section E on page 17.

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

7 Contribution to the FNFMO

A. General information

If your total payroll for 2004 exceeds \$1 million, you are required to participate in the development of worker training for the year by allotting an amount representing at least 1% of your total payroll to eligible training expenditures. If you fail to do so, you must pay to the Fonds national de formation de la main-d'œuvre (FNFMO) a contribution equal to the difference between 1% of your total payroll and the amount of your eligible training expenditures.

You must pay your contribution to the FNFMO for 2004 by February 28, 2005. By the same date, you must also declare the amount of your total payroll and your eligible training expenditures on form RLZ-1.S-V, *Summary of Source Deductions and Employer Contributions*.

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

Exempted employers

You may be exempted from paying the contribution to the FNFMO for three consecutive calendar years if you request an exemption from Emploi-Québec and meet the following conditions:

- In the three calendar years preceding your application, you made eligible training expenditures representing, on average, at least 2% of your total payroll.
- Your training service has been accredited by the Ministère de l'Emploi, de la Solidarité sociale et de la Famille.
- 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 more information, contact the Ministère du Revenu or Emploi-Québec.

ADMT (r. 2.1) 1 to 6

B. Total payroll

The following types of remuneration must be included in the calculation of your total payroll **if the amount is paid to an employee who meets one of the conditions given in column B of Table 1 on page 21**:

- salaries or wages (see page 9 for information on the term "salary or wages");
- worker's compensation that the CSST does not reimburse or (in the case of self-insurer) does not recognize (see section A on page 46).

The amount of your total payroll determines whether you are required to participate in the development of worker training and, if so, the minimum amount of your eligible training expenditures (1% of total payroll).

For example, you must participate in the development of worker training if your total payroll is \$1,300,000 because this amount exceeds the threshold of \$1 million. Your eligible training expenditures must be at least \$13,000 (that is, 1% of \$1,300,000). If your eligible training expenditures are only \$12,000, you are required to pay a contribution to the FNFMO of \$1,000 (\$13,000 – \$12,000).

C. Eligible training expenditures

If, in 2004, you are required to participate in the development of worker training, but you were not required to do so in 2003, you may carry forward to 2004 the training expenditures made in 2003 that would have been considered eligible expenditures had you been required to participate. These expenditures become eligible training expenditures for 2004.

Similarly, if your total eligible training expenditures for 2004 exceed 1% of your total payroll, you may carry over the excess amount to 2005. The excess amount becomes an eligible training expenditure for 2005.

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

For more information on eligible training expenditures, refer to the brochure *The Ministère du Revenu du Québec and the Application of the Act to Foster the Development of Manpower Training* (IN-234-V).

ADMT 5 to 11, ADMT (r. 1) 6

D. Payment of the contribution

Your contribution to the FNFMO for 2004 **must be received** at an office of the Ministère or at a financial institution by February 28, 2005. When you pay the contribution, you must submit the remittance slip included with the *Summary of Source Deductions and Employer Contributions* (form RLZ-1.S-V). **If you are making a remittance via the Internet, do not return the remittance slip to the Ministère.**

To calculate your contribution, use form RLZ-1.S-V. Also indicate on this form your total payroll and your eligible training expenditures.

If you stop making remittances of source deductions and employer contributions in 2004 because you stop operating your business or no longer have employees, see section E on page 17.

ADMT 14 to 16

8 Special cases

A. Worker's compensation from the CSST

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

The term "self-insurer" means an employer that does not contribute to the CSST but guarantees employees the payment of indemnities recognized by the CSST. The indemnities are paid out of the employer's own funds.

The term "deemed indemnities" is used to describe the following payments made to an employee under the *Act respecting industrial accidents and occupational diseases*:

- 90% of the **net salary or wages** paid to the employee during a period of not more than 14 days following the date on which the employee became unable to work;
- the amount paid to the employee after that period, up to the amount of his or her regular remuneration.

Deemed indemnities are not subject to source deductions of income tax, even though they may not be reimbursed in full (or recognized in full, in the case of a self-insurer) by the CSST. Moreover, deemed indemnities are not subject to QPP contributions, the contribution to the health services fund or the contribution to the financing of the CNT if the CSST has not rendered its decision as to whether an indemnity will be granted. If only a portion of the deemed indemnities is reimbursed to you (or is recognized, if you are a self-insurer), the portion that the CSST does not reimburse is subject to QPP contributions, the contribution to the health services fund and the contribution to the financing of the CNT, for the year in which you made the payments. You must also include the non-reimbursed portion of the deemed indemnities in your total payroll used to calculate your rate of contribution to the health services fund and your contribution to the FNFMO.

The following payments are also **deemed indemnities**:

- the **net salary or wages** (100%) paid to an employee for each day or part of the day on which the employee was obliged to miss work in order to receive care or undergo medical tests, unless the amounts were paid in respect of an employee who was absent from work in order to undergo a medical test at your request (in which case, the amount paid constitutes a salary or wages and is therefore subject to source deductions of income tax, employer contributions and compensation tax);
- the **net salary or wages** (100%) paid to an employee for each day or part of a day on which the employee was obliged to miss work in order to carry out activities as part of a personalized rehabilitation program.

The above payments are not subject to source deductions of income tax, contributions to the QPP or the health services fund or the contribution to the financing of the CNT, and should not be included in the total payroll used to calculate your rate of contribution to the health services fund and your contribution to the FNFMO.

The **net salary or wages** (100%) paid to an employee for the part of the day during which, because of an accident, the employee became incapable of carrying out his or her employment duties, and any amount paid as worker's compensation that is not a **deemed indemnity**, are subject to

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

You must also include these amounts in your total payroll used to calculate your rate of contribution to the health services fund and your contribution to the FNFMO.

NOTE: For income tax purposes, worker's compensation that is not reimbursed (or not recognized) by the CSST is considered salary or wages.

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

B. Amounts paid following the death of an employee

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

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

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

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

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

NOTE: An amount paid for accumulated sick leave is considered a death benefit and is therefore subject only to income tax withholdings. Income tax is withheld at a rate of 16% or 20%, as applicable (see section L on page 29).

428, *Bulletin RRQ. 45-3*

C. Employment at a special work site or remote location

A benefit granted with respect to employment at a special work site or remote location, whether in cash or in kind (that is, other than in money), is not subject to source deductions or employer contributions if the conditions outlined below are met and if, as a result, the benefit is not taxable.

Moreover, if the benefit is not taxable, you must not include its value in your total payroll used to calculate your rate of contribution to the health services fund and your contribution to the FNFMO.

A benefit for employment at a special work site or remote location is not taxable if it covers the expenses incurred for

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

- a **special work site** at which the employee performs duties of a temporary nature (see note 1 below), and the **dwelling** (see note 2 below) that is the employee's principal place of residence is
 - 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 cannot reasonably be expected to travel daily to and from the work site (see note 3 below), or
- a **location** at which, by virtue of its **remoteness** from any established community, the employee cannot 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 location** and a location in Canada or in the country in which the individual is employed,

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

NOTE 1: The expression "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: The term "dwelling" refers to a house, an apartment or a 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 considers that an employee cannot reasonably be expected to travel daily to and from his or her principal place of residence if the distance between the principal place of residence and the place of work, by the most direct route ordinarily travelled, is over 80 kilometres. However, where the distance is under 80 kilometres, the Ministère will also consider factors such 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 period at which the travel takes place.

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

However, the Ministère may also consider such factors as

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

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

42, *Bulletin IMP*. 42-1/R1

D. Employees who receive tips

The tips received by an employee are considered salary or wages (see page 9 for information on the term "salary or wages") and are therefore subject to

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

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

Order in which you must make source deductions

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

AQPP 59.1

9 Computerized calculation of Québec income tax withholdings, QPP contributions and the contribution to the health services fund

You may use the mathematical formulas in this chapter to calculate source deductions of Québec income tax. One formula is used to calculate withholdings for employees who receive a regular salary or wages. The other formula, used to calculate withholdings for employees whose remuneration varies, is based on a cumulative-averaging method.

Formulas for calculating employee QPP contributions and the employer contribution to the health services fund are also included in this chapter.

Any changes you wish to make to the formulas must be submitted to the Ministère du Revenu for approval. For information, contact

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NOTE: Follow the instructions in section L on page 29 if you are withholding amounts from single payments.

A. Principal changes

Variable E – Total personal tax credits

For 2004, variable E corresponds to the total of

- variable E_1 multiplied
 - by $[1 + 2\%$ (indexation factor for 2004)], for employees who began working for you in or before 2003 **and** did not complete the 2004-01 version of form TP-1015.3-V, or
 - by 1, for employees who began working for you in 2004 and employees who completed the 2004-01 version of form TP-1015.3-V;

plus

- variable E_2 .

Variable F – Deductions

The travel deduction for residents of a designated remote area is added to variable F and, consequently, to variable F_1 .

Variable K – Adjustment of the income tax rates

For 2004, 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 \$27,635 (the threshold was previously \$27,095).
- The 20% rate applies to taxable income over \$27,635 but not over \$55,280 (the threshold was previously \$54,195).
- The 24% rate applies to taxable income over \$55,280.

The values of variable K have therefore been increased from \$1,083 to \$1,105 and from \$3,251 to \$3,316.

Variable M – QPP

The maximum pensionable earnings under the QPP have been raised from \$39,900 to \$40,500. As a result, variable M, which was equal to \$1,801.80, is now equal to \$1,831.50.

B. Source deductions of Québec income tax

1. Calculating income tax withholdings on regular payments

You must use this formula for employees who receive a regular salary or wages.

If the payment you make to an employee covers not only the employee's regular salary or wages but also a bonus or retroactive pay, do the calculation under Part 1.2 on the following page.

1.1 Regular payments

Definition of variables

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

$$= \frac{(Y / P)}{5} + L$$

If the result is negative, enter 0.

E = Indexed value of the personal tax credits indicated on form TP-1015.3-V

$$= E_1 \times (1 + 0.02) + E_2$$

If the result obtained is not a multiple of 5, round it off to the nearest multiple of 5. If the result is halfway between two multiples of 5, round it off to the higher multiple.

IMPORTANT: For an employee who began working for you in 2004, or who began working for you before 2004 but completed the 2004-01 version of form TP-1015.3-V, multiply variable E_1 by 1 rather than 1.02.

E_1 = Amount from line 5 of form TP-1015.3-V, or \$9,150 if the employee began working for you in 2004 and did not complete form TP-1015.3-V

E_2 = Amount from line 9 of form TP-1015.3-V

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

- amounts withheld as contributions to an RPP
- amounts withheld as contributions to an RRSP
- the travel deduction for residents of a designated remote area

G = Gross salary or wages for the pay period (see page 9 for information on the term "salary or wages"). 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. If the value of J is determined after the first pay period in the year, make an adjustment using the following formula:

$$\frac{P(J_3)}{Pr}$$

J_1 = Annual deductions authorized by the Ministère after the employee completed form TP-1016-V, *Application for a Reduction in Source Deductions of Income Tax*. If the value of J_1 is determined after the first pay period in the year, make an adjustment using the following formula:

$$\frac{P(J_2)}{Pr}$$

J_2 = Deductions authorized by the Ministère after the first pay period in the year

J_3 = Deductions indicated on line 19 of form TP-1015.3-V after the first pay period in the year

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

K_1 = Non-refundable tax credits for the year authorized by the Ministère after the employee completed form TP-1016-V, *Application for a Reduction in Source Deductions of Income Tax* (for example, the tax credit for charitable donations). If the value of K_1 is determined after the first pay period in the year, make an adjustment using the following formula:

$$\frac{P(K_2)}{Pr}$$

K_2 = Non-refundable tax credits authorized by the Ministère after the first pay period in the year

L = Additional source deduction of income tax requested by the employee on form TP-1017-V, source deduction of income tax requested by a fisher on form TP-1015.N-V, or amount indicated on line 11 of form TP-1015.3-V for the pay period

P = Number of pay periods in the year

Pr = Number of pay periods remaining in the year

Q = Amount withheld for the pay period for the purchase of class A shares in the Fonds de solidarité des travailleurs du Québec (FTQ) or class A or class B shares in the Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l'emploi (called "Fondation")

The total of the amounts withheld for the year must not exceed \$5,000. For the pay period in which the annual maximum is reached, the value of variable Q must be zero.

T = Income tax rate applicable to the bracket of annual taxable income (variable I) (see the income tax table below)

Y = 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 | \$27,635 | 16% | \$0 |
| \$27,635 | \$55,280 | 20% | \$1,105 |
| \$55,280 | | 24% | \$3,316 |

1.2 Bonuses and retroactive pay

You may use either of the following methods 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.

NOTE: If you estimate that the total of the employee's annual salary or wages and the bonus or retroactive pay will not exceed \$11,300, do not use these formulas. Simply withhold 8% income tax from the bonus or retroactive payment.

1.2.1 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 variable B_2) (see note 1 on the following page)

B_2 = Bonuses or retroactive pay paid during the pay period (see note 1 on the following page)

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

G_1 = Gross salary or wages for the pay period (see page 9 for information on the term “salary or wages”), **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 an amount 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 .

1.2.2 Method 2

- Determine the taxable income (variable I) for the regular payments.
- Determine the amount of the bonuses or retroactive pay paid since the beginning of the year (variable B_1), without taking into account the amount paid during the pay period (variable B_2).
- Determine the amount of the bonuses or retroactive pay paid during the pay period (variable B_2).
- Add the amounts determined in (a) through (c) to obtain the taxable income.
- 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 to an RRSP.
 - 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. Calculating income tax withholdings on a cumulative-averaging basis

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

Either of the following methods may be used to calculate income tax on bonuses or retroactive pay. Under Method 1, the Québec income tax to be deducted from the bonus or retroactive pay is spread out over the pay periods remaining in the year. Under Method 2, the total amount of Québec income tax applicable to the bonus or retroactive pay is withheld for the pay period concerned.

NOTE: If you estimate that the total of the employee’s annual salary or wages and the bonus or retroactive pay will not exceed \$11,300, do not use these formulas. Simply withhold 8% income tax from the bonus or retroactive payment.

2.1 Method 1

Definition of variables

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

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

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 = Indexed value of the personal tax credits indicated on form TP-1015.3-V

$$= E_1 \times (1 + 0.02) + E_2$$

If the result obtained is not a multiple of 5, round it off to the nearest multiple of 5. If the result is halfway between two multiples of 5, round it off to the higher multiple.

IMPORTANT: For an employee who began working for you in 2004, or who began working for you before 2004 but completed the 2004-01 version of form TP-1015.3-V, multiply variable E_1 by 1 rather than 1.02.

E_1 = Amount from line 5 of form TP-1015.3-V, or \$9,150 if the employee began working for you in 2004 and did not complete form TP-1015.3-V

E_2 = Amount from line 9 of form TP-1015.3-V

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
- amounts withheld as contributions to an RRSP
- the travel deduction for residents of a designated remote area

G = Gross salary or wages for the pay period (see page 9 for information on the term "salary or wages"), 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

J_1 = Annual deductions authorized by the Ministère after the employee completed form TP-1016-V, *Application for a Reduction in Source Deductions of Income Tax*

K = Constant applicable for the adjustment of the income tax rate (see the income tax table on page 49)

K_1 = Non-refundable tax credits authorized by the Ministère after the employee completed form TP-1016-V, *Application for a Reduction in Source Deductions of Income Tax* (for example, the tax credit for charitable donations)

L = Additional source deduction of income tax requested by the employee on form TP-1017-V, source deduction of income tax requested by a fisher on form TP-1015.N-V, or amount indicated on line 11 of form TP-1015.3-V, for the pay period

M = Cumulative income tax withheld to the last pay period (do not take into account variable L)

P = Number of pay periods in the year

Q = Amount withheld for the pay period for the purchase of class A shares in the Fonds de solidarité des travailleurs du Québec (FTQ) or class A or class B shares in 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 total of the amounts withheld for the year must not exceed \$5,000. For the pay period in which the annual maximum is reached, the value of variable Q must be zero.

S_1 = Annualization factor (that is, number of pay periods in the year, divided by the number corresponding to the current pay period)

Examples of factor S_1

| | | 52 pp | 26 pp | 24 pp |
|-------------------|-------|-------|-------|-------|
| First pay period | S_1 | 52/1 | 26/1 | 24/1 |
| Second pay period | S_1 | 52/2 | 26/2 | 24/2 |
| Last pay period | S_1 | 52/52 | 26/26 | 24/24 |

T = Income tax rate applicable to the bracket of annual taxable income (variable I) (see the income tax table on page 49)

Y = Income tax for the year

$$= T(I) - K - K_1 - 0,20(E) - 0,15[S_1(Q)]$$

2.2 Method 2

Except for the variables defined below, the variables are the same as those used in Method 1 (Part 2.1). 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 = Income tax for the year
 $= T(I_3) - K - K_1 - 0.20(E) - 0.15[S_1(Q)]$

Y_4 = Income tax for the year
 $= T(I_4) - K - K_1 - 0.20(E) - 0.15[S_1(Q)]$

C. Source deductions of QPP contributions

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

If the result obtained in calculating the pay period exemption (V/P) contains three or more decimal places, keep only the first two decimal places and **do not round off**.

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 (\$1,831.50)

P = Number of pay periods in the year

S_3 = Gross pensionable salary or wages 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 basic salary or wages, 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 salaries or wages paid for the pay period (see Chapter 5)

W = Contribution rate based on total payroll, to be determined as shown below

Contribution rate for 2004

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

where

$S = 1$, if the total payroll \leq \$1 million

$S = 5$, if the total payroll \geq \$5 million

$S = \frac{\text{total payroll}}{\$1,000,000} \left[\begin{array}{l} \text{if the total payroll} \\ > \$1 \text{ million but } < \$5 \text{ million} \end{array} \right]$

The contribution rate must be rounded off to the second decimal place. Where the third decimal place is equal to or greater than five, round off the second decimal place to the next highest number.

If you are a new employer, your total payroll for **the first two consecutive calendar years** corresponds to the salaries or wages you paid from the beginning of the calendar year to the end of the period covered by the remittance of the contribution to the health services fund. The rate must therefore be adjusted for each remittance period, on the basis of the cumulative payroll for the preceding periods. For more information, see Chapter 5.

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

E. Example: Source deductions of income tax based 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 an RPP. The amount indicated on line 10 of Pierre's TP-1015.3-V form (that is, the total of lines 5 and 9) is \$21,830. On January 3, Pierre purchases \$2,000 in shares of the Fonds de solidarité des travailleurs du Québec (FTQ), payable over the first 20 pay periods in the year.

For the first 20 pay periods of the year, calculate the source deduction of income tax as follows:

Step 1

Determine variable I using the following formula:

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

Step 2

Determine variable Y using the following formula:

$$\begin{aligned} Y &= \text{Québec income tax for the year} \\ &= T(I) - K - K_1 - 0.20 (E) - 0.15 [P(Q)] \\ &= 0.20 (\$48,360) - \$1,105 - \$0.00 - 0.20 (\$21,830) - 0.15 [52(\$0.00)] \\ &= \$9,672 - \$1,105 - \$0.00 - \$4,366 - 0.15 (\$5,200) \\ &= \$9,672 - \$1,105 - \$0.00 - \$4,366 - \$780 \\ &= \$8,567 - \$4,366 - \$780 \\ &= \$3,421 \end{aligned}$$

Step 3

Determine variable A using the following formula:

$$\begin{aligned} A &= \text{Québec income tax to be withheld at source for the pay period} \\ &= \frac{(Y / P)}{\text{If the result is negative, enter 0.}} + L \\ &= (\$3,421 / 52) + \$0.00 \\ &= \$65.78 \end{aligned}$$

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

Step 1

Determine variable I using the following formula:

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

Step 2

Determine variable Y using the following formula:

$$\begin{aligned} Y &= \text{Québec income tax for the year} \\ &= T(I) - K - K_1 - 0.20 (E) - 0.15 [P(Q)] \\ &= 0.20 (\$48,360) - \$1,105 - \$0.00 - 0.20 (\$21,830) - 0.15 [52(\$0.00)] \\ &= \$9,672 - \$1,105 - \$0.00 - \$4,366 - \$0.00 \\ &= \$8,567 - \$4,366 \\ &= \$4,201 \end{aligned}$$

Step 3

Determine variable A using the following formula:

$$\begin{aligned} A &= \text{Québec income tax to be withheld at source for the pay period} \\ &= \frac{(Y / P)}{\text{If the result is negative, enter 0.}} + L \\ &= (\$4,201 / 52) + \$0.00 \\ &= \$80.78 \end{aligned}$$

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