

Guide for Employers

Source Deductions and Contributions

2009

Short Version



The information contained in this guide does not constitute a legal interpretation of the laws or regulations of Québec or Canada. **Nor does this guide contain any legislative amendments for the 2009 taxation year that were announced after November 4, 2008.** You should therefore verify that the texts of the guide reflect the latest fiscal legislation.

For more information, contact Revenu Québec or visit our website. You will find contact information at the end of the guide.


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1 Introduction

1.1 Purpose of the guide

This guide is for you if

- you are an employer that has at least one establishment located in Québec;
- you pay any of the following types of remuneration to an employee, from one of your establishments located in Québec:
 - a salary or wages (see section 1.4 for information on the term “salary or wages”),
 - a retiring allowance (see the definition in section 10.8.1),
 - a death benefit (see the definition in section 10.8.2),
 - workers’ compensation – CSST;
- the employee to whom you pay the remuneration is resident in Canada, works **only** in Québec and is an employee of one of your establishments located in Québec.

1.2 Contents

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

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

For comprehensive information, including particular situations, consult the *Guide for Employers* (TP-1015.G-V).

1.3 Abbreviations used in the guide

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

1.4 Information on certain terms used in the guide

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

Employee

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

Employment

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

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

Employment income

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

Individual

An individual is a natural person.

Person

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

Remuneration

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

Remuneration, salary or wages paid

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

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

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

Note

With regard to the QPIP, only remuneration actually paid to an employee is considered salary or wages paid, because benefits in kind generally do not constitute eligible salary or wages under the QPIP.

Salary or wages

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

- taxable benefits (including taxable allowances);
- commissions;
- overtime pay;
- vacation pay;
- retroactive payments of salary or wages, including payments resulting from a collective agreement signed before the death of an employee;
- tips (including allocated tips);
- advances;
- bonuses;
- certain amounts paid further to an industrial accident – CSST (see section 10.4);
- indemnities paid further to a precautionary cessation of work (that is, the amount paid to an employee under the *Act respecting occupational health and safety* for the first five days following the date on which the employee ceased to work);
- directors' fees;
- amounts paid after an employee's death (other than a death benefit), if such payments were foreseeable at the time of the death (see section 11.3);
- fees paid in connection with employment (for example, fees paid to council or committee members).

2 Principal changes

This chapter outlines some of the principal changes to the *Guide for Employers* (TP-1015.G-V) for 2009. Some of the changes came into effect in 2008, further to tax measures announced by the Ministère des Finances, after publication of the *Guide for Employers* (TP-1015.G-V) for 2008.

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

The *Source Deductions Return* (form TP-1015.3-V) has been revised to take into account the following changes:

- the annual indexation of the amount with respect to age;
- an increase in the maximum amount for retirement income.

It is important that your employees receive notification from you of the changes. Employees or beneficiaries who indicated any of those amounts on the last form TP-1015.3-V they submitted to you may complete the 2009-01 version of form TP-1015.3-V.

Annual indexation of the amount with respect to age (line 9)

Beginning in 2009, the amount with respect to age (\$2,200) is to be indexed annually, using the same indexation method as for the personal income tax system. The amount with respect to age for 2009 is \$2,250 ($\$2,200 \times 2.36\%$ (the indexation factor for 2009)).

Increase in the maximum amount for retirement income (line 9)

Beginning in 2009, the maximum amount of eligible retirement income is increased from \$1,500 to \$2,000.

2.2 Changes in the amounts shown on form TP-1015.3-V

The new amounts used to determine deduction codes for 2009 are shown in the table below. The figures for 2008 are provided for information purposes.

	2009	2008
Basic amount	\$10,455	\$10,215
Amount transferred from one spouse to the other	\$10,455	\$10,215
Amount for other dependants who are 18 or over	\$2,805	\$2,740
Amount for a child under 18 enrolled in post-secondary studies	\$1,930	\$1,885
Additional amount for a person living alone (single-parent family)	\$1,520	\$1,485
Amount for a severe and prolonged impairment in mental or physical functions	\$2,380	\$2,325
Amount for a person living alone	\$1,225	\$1,195
Amount with respect to age	\$2,250	\$2,200
Reduction threshold used to calculate the net family income (This income is used to calculate the amount with respect to age, for a person living alone and for retirement income.)	\$30,345	\$29,645
Indexation factor for 2009: 2.36%		

2.3 Higher thresholds for the three income tax brackets

For 2009, 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:

- The 16% rate applies to taxable income of \$38,385 or less. (The threshold was previously \$37,500.)
- The 20% rate applies to taxable income over \$38,385 but not over \$76,770. (The threshold was previously \$75,000.)
- The 24% rate applies to taxable income over \$76,770.

2.4 Bonuses and retroactive pay

The threshold that determines the method to be used to calculate the income tax withholding from bonuses and retroactive pay has been increased from \$12,800 to \$13,050 for 2009.

2.5 Maximum pensionable earnings (QPP)

The maximum pensionable earnings for the purposes of the QPP have been increased from \$44,900 to \$46,300 for 2009. The maximum annual contribution to be withheld for any employee has therefore been increased from \$2,049.30 to \$2,118.60.

2.6 Maximum insurable earnings (QPIP)

The maximum insurable earnings subject to QPIP premiums have been increased from \$60,500 to \$62,000 for 2009. Also, the employee premium rate has been increased from 0.450% to 0.484%, and the employer premium rate has been increased from 0.630% to 0.677%. As a result, the maximum employee premium is \$300.08 (instead of \$272.25) and the maximum employer premium is \$419.74 (instead of \$381.15).

2.7 Annual indexation of the maximum deduction for employment income

Beginning January 1, 2009, the maximum deduction for employment income (\$1,000) that may be claimed by all employees is to be indexed annually, using the same indexation method as for the personal income tax system. The maximum deduction for employment income for 2009 is \$1,025 ($\$1,025 \times 2.36\%$ (the indexation factor for 2009)).

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

Table TP-1015.TI-V now takes into account the increase in the deduction, so you no longer have to do so in calculating the remuneration subject to source deductions of income tax.

If you are using the mathematical formulas

The mathematical formulas have been changed to take into account the increase in the maximum deduction for employment income. See Chapter 12.

2.8 Maximum remuneration subject to the contribution to the financing of the CNT

In 2008, the portion of the remuneration that exceeded \$60,500 was not subject to the contribution to the financing of the CNT. This amount has been increased to \$62,000 for 2009.

2.9 Mathematical formulas

Changes in the mathematical formulas are explained in Chapter 12.

2.10 Other changes

Section on taxable benefits removed

The information about taxable benefits that used to be found in section 4.2.2 of this guide is now available in Chapter 9 of the brochure *Taxable Benefits* (IN-253-V).

Other payments grouped together

This guide has a new Chapter 10, which groups together information about certain types of remuneration you pay as an employer, such as commissions, bonuses and retroactive pay, vacation pay and tips.

3 Obligations as an employer or a payer

3.1 What are your responsibilities to Revenu Québec?

You are required to

- withhold Québec income tax from the remuneration you pay in 2009 as an employer;
- withhold QPP contributions from the salaries or wages (see section 1.4 for information on the term “salary or wages”) that you pay to your employees in 2009;
- withhold QPIP premiums from the remuneration that you pay to your employees in 2009 (see section 7.3);
- remit to Revenu Québec the amounts withheld, as well as
 - your employer QPP contribution;
 - your employer QPIP premium;
 - your employer contribution to the health services fund; and
 - your employer contribution to the financing of the CNT;
- file by February 28, 2010, an RL-1 slip for each employee to whom in 2009 you pay salary or wages or any other remuneration for which you are required to file an RL-1 slip;
- file the *Summary of Source Deductions and Employer Contributions* (form RLZ-1.S-V) for 2009 generally by February 28, 2010, if in 2009 you are required
 - to file an RL-1 slip;
 - to withhold Québec income tax, QPP contributions or QPIP premiums;
 - to pay the employer QPP contribution, the employer QPIP premium or the employer contribution to the health services fund;
 - to pay the employer contribution to the financing of the CNT.

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

Computer software (“WinRAS”), based on the mathematical formulas, is also available on our website at www.revenu.gouv.qc.ca. You can use the software to calculate Québec income tax, QPP contributions, QPIP premiums and your contribution to the health services fund for each pay period. Note that the software does not produce cumulative data for successive pay periods.

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 remit the amount to the government in the prescribed manner and within the prescribed time period. Such amounts constitute a separate fund that is not part of your property.

3.2 Solidary liability

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

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

3.2.1 Directors of a corporation

Source deductions

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

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

QPP contributions and QPIP premiums

If a corporation **fails to withhold or remit** employee and employer QPP contributions and QPIP premiums, the corporation and its directors in office at the time of the omission are solidarily liable for the payment of the amounts not withheld or not remitted, including any related penalties and interest.

Contribution to the health services fund and other employer contributions

If a corporation **fails to remit** its employer contributions, the corporation and its directors in office at the time of the omission are solidarily liable for the payment of the amounts not remitted, including any related penalties and interest.

Exceptions

The solidary liability of directors does not apply where

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

3.2.2 Members of a partnership

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

3.2.3 Businesses that offer payroll management and processing services

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

3.3 Remitting source deductions and employer contributions

3.3.1 General information

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

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

Table

Source deductions and employer contributions for 2009	Due date
<ul style="list-style-type: none"> Source deductions QPP contribution QPIP premium Contribution to the health services fund¹ 	According to the frequency of your remittances for 2009 (see section 3.3.4)
<ul style="list-style-type: none"> Contribution to the financing of the CNT 	February 28, 2010

1. The contribution to the health services fund that you are required to pay periodically is calculated on the basis of an estimated contribution rate, unless you are a public-sector employer. At the end of the year, you must determine your actual contribution rate. Any balance payable resulting from the difference between your actual contribution rate and your estimated contribution rate must be paid by February 28, 2010.

Important

If you stop making remittances of source deductions and employer contributions in 2009 because you stop operating your business or no longer have employees, see section 3.5.

3.3.2 Frequency of your remittances

For 2009, we may authorize you to remit income tax withholdings, QPP contributions, QPIP premiums and the contribution to the health services fund

- annually, if the total of your source deductions and employer contributions for 2008 did not exceed \$2,400 or we estimate that to be the case for 2009;
- quarterly, if your **average monthly remittance** for 2007 or 2008 did not exceed \$3,000 and you have fulfilled your fiscal obligations over the last 12 months.

If you do not meet the aforementioned conditions, you must make your remittances for 2009

- monthly, if your **average monthly remittance** for 2007 was less than \$15,000;
- twice-monthly, if your **average monthly remittance** for 2007 was at least \$15,000 but less than \$50,000;
- weekly, if your **average monthly remittance** for 2007 was \$50,000 or more.

If the frequency of your remittances for 2009 is annual or quarterly, you may be able to change the frequency (see section 3.3.3).

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

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

- equal to the total of your **average monthly remittance** and that of every corporation associated with you, where it is determined on the basis of the 2007 taxation year;
- equal to your **average monthly remittance**, where it is determined on the basis of the 2008 taxation year.

Note

Under fiscal legislation, it is your responsibility to determine the frequency with which you must make remittances of source deductions and employer contributions. To make your task easier, we estimate, at the end of each year, your remittance frequency for the following year. We then notify you if your frequency will not be the same as for the current year. We may choose a remittance frequency that is more advantageous for you, determined on the basis of your average monthly remittance for 2008 (see section 3.3.3).

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

Information regarding quarterly remittances

We may authorize you to file quarterly if, among other things, over the last 12 months you have remitted by the prescribed due dates

- 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.

We do a yearly review to determine which employers may make remittances on a quarterly basis. However, if you wish to make quarterly remittances and believe you meet the applicable conditions, you may contact us any time during the year.

If you cease to meet the applicable conditions during the year, we 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 to us, 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 you owe.

Note

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

3.3.3 Changing your remittance frequency

If your remittance frequency is **annual or quarterly** in 2009, you may request authorization to make remittances

- monthly, in all cases;
- twice-monthly, if your **average monthly remittance** for 2007 was at least \$15,000 but less than \$50,000;
- weekly, if your **average monthly remittance** for 2007 was \$50,000 or more.

If your remittance frequency is annual in 2009, you may also request authorization to make remittances quarterly if your **average monthly remittance** for 2007 or 2008 did not exceed \$3,000 and you have fulfilled your fiscal obligations over the last 12 months.

If you wish to change the frequency of your remittances, you must first contact us. You may make the change requested once you receive form LMU-5-V, *Notice of Change in Filing Frequency of Returns*.

3.3.4 Due dates and remittance terms

Due dates

You must remit the **full amount** of your source deductions, QPP contribution, QPIP premium and contribution to the health services fund for a given period by the due date that applies to your remittance frequency.

To find out the due dates that apply to your remittance frequency, see the following table.

Table of remittance due dates

Remittance frequency in 2009	Remittance due date ¹		Form to be used ²	Notes
Annual ³	The 15th day of the month following the last month of the year in which remuneration was paid (January 15, 2010, in most cases)		TPZ-1015.R.14.1-V	N/A
Quarterly ³	Payment of remuneration	Due date	TPZ-1015.R.14.4-V	
	January, February and March 2009	April 15, 2009		
	April, May and June 2009	July 15, 2009		
	July, August and September 2009	October 15, 2009		
	October, November and December 2009	January 15, 2010		
Monthly ³	The 15th day of the month, for remuneration paid in the previous month		TPZ-1015.R.14.1-V	Every three months, we will send you three copies of form TPZ-1015.R.14.1-V, along with a statement of the amounts remitted to date. In January, for example, you will receive your forms for January, February and March.

- The date of receipt of a remittance is the date on which it is received at one of our offices or at a financial institution. The date of the postmark is not taken into account. For a postdated cheque, the date of receipt is the date on which the cheque can be cashed.
- If you received a remittance form, you must return it to us even if you made no source deductions and are not required to remit employer contributions for the period concerned. If you have no remittance to make, enter "0" in the "Amount payable" box. If you are filing your source deductions and employer contributions return online and you receive a remittance form, **do not return the form to us.**
- If a remittance 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 a remittance falls due on a Saturday.

Online remittance

If you have an account at a financial institution and you are registered for that institution's electronic bill payment service, you may use the institution's online payment service to remit your source deductions and employer contributions online from your bank account. Check with your institution to find out if it offers this service.

If you are registered for Clic Revenu electronic services and you report source deductions and employer contributions online, you may use

- your financial institution's online payment service; or
- preauthorized debit.

Even if you report your source deductions and employer contributions online, you may receive a remittance form (TPZ-1015.R.14.1-V or TPZ-1015.R.14.4-V). In that case, **do not return the form to us.**

For more information on Clic Revenu electronic services, consult our website.

Mail remittance

You must submit a duly completed copy of form TPZ-1015.R.14.1-V or TPZ-1015.R.14.4-V, as applicable, with your remittance. If you do not have the form, please send us, along with your remittance, a letter indicating

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

- your identification number, if you have one;
- your Québec enterprise number (NEQ), if you have one.

Even if you do not have an identification number, you should still send us your remittance and letter. We will open an account in your name and send you the form to use for your next remittance.

Important

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

Please make your cheque or money order payable to the Minister of Revenue of Québec.

ATM remittance

If you use an automatic teller machine (ATM) to make your remittance, you must insert a duly completed copy of remittance form TPZ-1015.R.14.1-V or TPZ-1015.R.14.4-V, as applicable, in the envelope provided by your financial institution.

The effective date of any ATM remittance is the date the transaction is carried out at the ATM.

Balance payable for 2009

If you have a balance owing for 2009 because your remittances were lower than required, the balance may bear interest from the due date for each remittance.

Balance payable resulting from estimates

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

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

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

You must pay the balance of your source deductions, QPP contribution and QPIP premium 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. For more information on calculating the contribution to the health services fund, see sections 8.4 and 8.5.

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

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

If you are registered for Clic Revenu, use the **Change of address** service to provide us with your preparer's address.

If you are not registered for Clic Revenu, contact us.

3.4 Starting a new business

First remittance

If you are a new employer, you must make monthly remittances. If you are remitting source deductions and employer contributions for the first time and you do not have a remittance form, please send us 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 remittance;
- the amount of your income tax withholdings, QPP contributions, QPIP premiums and contribution to the health services fund;
- your identification number, if you have one;
- your Québec enterprise number (NEQ), if you have one.

Even if you do not have an identification number, you should still send us your remittance and letter. We will open an account in your name and send you the form to use for your next remittance.

Note

If, after operating your business for 12 months, you wish to make quarterly remittances and believe that you meet the applicable conditions, you should contact us to request that change.

Registering for our files and obtaining an identification number

If you are a new employer, you must register with us in order to obtain an identification number. To register, you may

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

Consult our website to find out more information regarding new businesses, or to print out or order the form.

Québec enterprise number (NEQ)

The Québec enterprise number (or “NEQ,” for “numéro d’entreprise du Québec”) is a 10-digit number assigned to businesses registered in the enterprise register. Because that number can be used when dealing with any of several government departments and agencies (for example, to register for various government programs and services), it simplifies and streamlines the way businesses deal with the government.

Therefore, when you contact us, you may use your NEQ or the identification numbers currently in use at Revenu Québec. Furthermore, your NEQ appears on all documents (forms, letters, etc.) that we send to you.

The majority of sole proprietorships, corporations and partnerships (including limited partnerships and general partnerships) operating in Québec must be registered in the enterprise register pursuant to the *Act respecting the legal publicity of sole proprietorships, partnerships and legal persons*. Note that undeclared partnerships may also be registered in the enterprise register. To register a business and obtain an NEQ, visit the following website: www.registreentreprises.gouv.qc.ca, or call 418 644-4545 (in the Québec City area), 514 644-4545 (in the Montréal area) or, toll-free, 1 877 644-4545. That service is also available at certain courthouses.

Sole proprietorship

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

Note

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

3.5 You stop making remittances

If you stop remitting source deductions and employer contributions in 2009, you must make your remittance and file the following forms by the deadline applicable to your situation:

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

See the following table to find out when you are required to file each form with us.

Forms to be filed	Filing deadline based on your situation in 2009		
	You continue to operate your business.		You stop operating your business.
	You temporarily stop making remittances (e.g., seasonal business).	You permanently stop making remittances (e.g., you no longer have employees).	
Remittance form (and your remittance)	Same due date as would apply if you continued to make remittances ¹	The 20th day of the month after the month of your last remittance of source deductions and employer contributions	The 7th day after the day on which you stop operating your business
Temporary RL-1 slips (form RL-1.T) and form RLZ-1.ST-V or RL-1 slips and form RLZ-1.S-V	N/A	The 20th day of the month after the month of your last remittance ²	The 30th day after the day on which you stop operating your business ³
	February 28, 2010		

1. To find out the due date, see the table in section 3.3.4.

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

2. By the same date, you must also remit copies 2 and 3 of the RL slips to your former employees and pay your contribution to the financing of the CNT. Use the remittance slip enclosed with form RLZ-1.ST-V (or form RLZ-1.S-V, if the 2009-10 version is available) to make your remittance, **unless you are making it online.**

If your actual contribution rate for the health services fund is different from the rate that you used on your first summary of source deductions and employer contributions, you must file a second summary (form RLZ-1.S-V) by February 28, 2010. Write the word "Amended" at the top of page 1 of this form. On the second summary and the remittance slip, complete only the lines that concern the contribution to the health services fund.

3. By the same date, you must also remit copies 2 and 3 of the RL slips to your former employees and pay your contribution to the financing of the CNT. Use the remittance slip enclosed with form RLZ-1.ST-V (or form RLZ-1.S-V, if the 2009-10 version is available) to make your remittance, **unless you are making it online.**

To calculate 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, 2009, 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, 2009, you must recalculate your total payroll** and include the salaries or wages paid by employers associated with you on December 31, 2009. As a result, your contribution rate may be different from the rate you used on form RLZ-1.ST-V (or form RLZ-1.S-V, if the 2009-10 version is available) to calculate your contribution to the health services fund for 2009.

If the contribution rate is different, you must file, by February 28, 2010, a second summary (form RLZ-1.S-V) for the business you ceased to operate. Write the word "Amended" at the top of page 1 of this form. On the second summary and the remittance slip, complete only the lines that concern the contribution to the health services fund. If the contribution rate is the same, you are not required to file a second summary for the business.

3.6 What should you do if an employee leaves?

If one of your employees leaves his or her employment before the end of 2009, you may prepare the RL-1 slip at that time and give the employee copies 2 and 3. If the 2009 version of the RL-1 slip is not yet available, use the 2008 version; simply cross out "2008" and indicate "2009." File copy 1 of that RL-1 slip at the same time as the RL-1 slips of your other employees and your *Summary of Source Deductions and Employer Contributions* (form RLZ-1.S-V) for 2009.

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

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

Employees may complete form TP-1015.3-V at any time to indicate an increase in the deductions or credits to which they are entitled. Although a copy of that form does not have to be completed each year, **certain employees may complete the 2009-01 version of the form because of the changes made for 2009** (see section 2.1).

If an employee does not complete form TP-1015.3-V, you must take into account only the basic amount of \$10,455 (line 1 of the form) in calculating income tax withholdings. In that case, use "A" as the deduction code.

Important

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

3.7.1 Filing deadline

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

- when they begin to work for you;
- within 15 days after an event that will reduce the amounts indicated on the previous TP-1015.3-V form completed. If the amounts used to determine the deduction code (lines 2 through 9) are reduced but the code does not change, the employee does not have to complete another copy of form TP-1015.3-V;
- when they ask you not to withhold income tax from their employment income (see section 3.7.5).

3.7.2 Annual indexation

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

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

3.7.3 Deduction code "0"

An employee who has already asked another employer to take into account the basic amount of \$10,455 may complete form TP-1015.3-V to request that you use code "0" in withholding income tax. This will ensure that the basic amount of \$10,455 is not taken into account twice.

3.7.4 Line 19 of the form

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

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

Do not withhold Québec income tax from an employee's **employment income** for 2009 if the employee entered "X" on line 20 of the 2009-01 version of form TP-1015.3-V because he or she estimates that his or her total income from all sources for the year will be less than the total of the following amounts:

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

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

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

However, if you pay remuneration referred to in section 5.2.2 (remuneration respecting which source deductions must be made using a fixed rate), you must withhold income tax directly from the amount, without taking into account form TP-1015.3-V (or, if the employee did not provide you with form TP-1015.3-V, without taking into account the basic amount of \$10,455).

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

Note

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

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

We may authorize you to **reduce an employee's remuneration subject to source deductions of income tax** because of the deductions to which the employee is entitled in calculating

net or taxable income. The deductions may be for (among other things)

- contributions to the employee's RRSP or a spousal RRSP (unless, under an agreement with the employee, you deduct the contributions from the employee's remuneration 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;
- legal fees and expenses respecting an objection;
- business investment losses.

We may also authorize you to **reduce 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 or examination fees;
- the tax credit for expenses paid to obtain medical services not available in the area in which the employee lives;
- the tax credit for 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 achieved by reducing 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 authorized reduction must be distributed evenly over the pay periods remaining in the year (see examples 1 and 2 below).

Important

The authorization is valid only for the year for which it is requested.

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

Note

In certain circumstances, we may grant a general exemption from source deductions of income tax. That is the case, for example, where you pay your employees a lump-sum pay-equity settlement and they undertake to deposit all or a portion of the amount received in an RRSP. Contact us to find out more information on how to proceed.

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	– \$100
Remuneration subject to source deductions of income tax for the pay period	=		\$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 for the pay period	=		\$136.25

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

An employee may elect to have an additional amount of income tax withheld from his or her income subject to source deductions of income tax. To make the election, the 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, as applicable.

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

Important

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

3.10 Filing your RL-1 slip and the relevant summary

You are required to file RL-1 slips and the *Summary of Source Deductions and Employer Contributions* (form RLZ-1.S-V) for 2009 by February 28, 2010.

However, if you cease making remittances during 2009 because you stop operating your business or no longer have employees, see section 3.5.

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

Important

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

3.11 Registers and supporting documents

At your establishment, your residence or any other location designated by us, 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 us.

Where you keep a register or supporting documents by means of an electronic device (such as a cash register) or a computer system, you must not use any function to modify, correct, delete, cancel or alter data without preserving the original data and all modifications, corrections, deletions, cancellations or alterations of the original data.

You are presumed to have used such a function if a computer program or an electronic component having the function is found in any premises or place where you

- carry on a business,
- keep property,
- do anything relating to any business, or
- keep or should keep registers pursuant to a fiscal law.

That presumption does not apply where the function is a standard component of software that is inherent in the operation of a computer.

Registers and supporting documents must generally be kept for six years after the last taxation year to which they relate. However, if you file certain documents for a given year late, you must keep the registers and supporting documents relating to that year for **six years after the date on which you submitted the documents**, rather than for six years after the last taxation year to which the registers and supporting documents relate. This applies, for example, if you are late in filing

- form CO-17, *Déclaration de revenus des sociétés*,
- form TP-1-V, the personal income tax return.

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

We may authorize you to destroy documents before the six-year period has expired, if you send us a signed, written request containing the following information:

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

3.12 Sanctions

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

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

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

Moreover, if you fail to file form TPZ-1015.R.14.1-V or TPZ-1015.R.14.4-V by the deadline 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) by the prescribed deadline.

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

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

4.1 Conditions that must be met

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

	Basic conditions	
	A	and B
Québec income tax	The amount paid is subject to source deductions of income tax (see section 4.2).	<p>The amount is paid to an employee who reports for work at one of your establishments¹ in Québec.</p> <p>or</p> <p>The amount is paid to an employee who is not required to report for work at any of your establishments¹ (in Québec or elsewhere), but is paid from one of your establishments¹ in Québec.</p>
QPP (employee and employer contributions)	The amount paid is subject to QPP contributions (see section 4.2).	
QPIP (employee and employer premiums)	The amount paid is subject to QPIP premiums (see section 4.2).	
Health services fund	The amount paid is subject to the contribution to the health services fund (see section 4.2).	
CNT	The amount paid is subject to the contribution to the financing of the CNT (see section 4.2).	
<p>1. The term "establishment" has the meaning assigned by the <i>Taxation Act</i>.</p>		

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

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

4.2.1 General information

Refer to the following table to determine whether certain amounts you pay are subject to source deductions of income tax, employee and employer QPP contributions and QPIP premiums, the employer contribution to the health services fund or to the

financing of the CNT. Where this is the case, you must make the source deductions and pay the employer contributions respecting these amounts **if one of the conditions in column B of the table in section 4.1 is met.**

Important

If the following table directs you to a section of the guide, it is important to read that section for specific information.

Table

	Income tax	QPP	QPIP	Health services fund	CNT
Bonuses and retroactive pay (see section 10.2)	Yes	Yes	Yes	Yes	Yes
Commissions paid to an individual who holds an office or employment (see section 10.1)	Yes	Yes	Yes	Yes	Yes
Death benefits paid by an employer ¹	Yes	No	No	No	No
Death benefits received from the Régie des rentes du Québec	No	No	No	No	No
Directors' fees (see section 10.7)					
Directors' fees paid to a director who does not receive a salary	Yes	Yes	Yes	Yes	No
Directors' fees paid to a director who also receives a regular salary	Yes	Yes	Yes	Yes	No
Indemnities paid where an employer terminates a contract of employment					
Indemnity in lieu of notice (see section 10.5)	Yes	No	Yes	No	Yes
Other indemnities for damages plus interest upon resiliation of a contract of employment	Yes	No	No	No	Yes
Indemnity paid further to a precautionary cessation of work (that is, amounts paid to an employee under the <i>Act respecting occupational health and safety</i> for the first five days following the date on which the employee ceased to work)	Yes	Yes	Yes	Yes	Yes
Overtime pay (see section 10.3)	Yes	Yes	Yes	Yes	Yes
Parental insurance benefits					
Top-up payments made by an employer ²	Yes	Yes	No	Yes	Yes
Patronage dividends	No	No	No	No	No
Retiring allowance (see the definition of this term in section 10.8.1) other than indemnities paid where an employer terminates a contract of employment	Yes	No	No	No	No
Salaries or wages ³ (see section 4.2.2)	Yes	Yes	Yes	Yes	Yes
Taxable benefits in cash (see section 4.2.2)	Yes	Yes	Yes	Yes	Yes
Taxable benefits in kind (see section 4.2.2)	Yes	Yes	No ⁴	Yes	Yes
Tips (including allocated tips) (see section 10.9)	Yes	Yes	Yes/No ⁵	Yes	Yes
Vacation pay (see section 10.6)	Yes	Yes	Yes	Yes	Yes
<p>1. See the definition of this term in section 10.8.2. Do not confuse death benefits paid by an employer with the amounts described in section 11.3, which are paid following the death of an employee. You must also not confuse the death benefits paid by an employer with the death benefits received from the Régie des rentes du Québec.</p> <p>2. Top-up payments are made by an employer to increase maternity or parental leave benefits.</p> <p>3. The term "salary or wages" means the payments listed in section 1.4. However, in respect of the QPIP, refer instead to section 7.3.</p> <p>4. A taxable benefit in kind (other than a benefit consisting of board and lodging received by the employee for a pay period in which he or she receives cash remuneration) is not subject to QPIP premiums.</p> <p>5. Allocated tips are not subject to QPIP premiums.</p>					

4.2.2 Additional information

Taxable benefits

Taxable benefits that you grant to an employee in cash or in kind (that is, in a form other than cash) are considered salary or wages. Therefore, if you grant a taxable benefit to an employee during a pay period, add the value of the benefit to the employee's remuneration in order to calculate the remuneration subject to source deductions and employer contributions. Certain special rules apply concerning the QPP and the QPIP.

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

If you are using the mathematical formulas, include the value of the taxable benefits in variable G for income tax withholding, in variable S_3 to calculate the QPP contribution and in variable S_4 to calculate the QPIP premium.

See the brochure *Taxable Benefits* (IN-253-V) for a detailed explanation of the principal taxable benefits.

Salaries or wages

There are special rules to determine whether certain salaries or wages are subject to source deductions and employer contributions. Such rules apply, for example, to salaries or wages paid to

- Indian employees (see section 11.1);
- employees who are engaged in employment excepted from the QPP or excluded from the QPIP (see sections 6.4 and 7.4);
- domestics (see section 9.4);
- employees under the *Act respecting labour relations, vocational training and workforce management in the construction industry* (see section 9.4);
- employees if you are governed by a decree under the *Act respecting collective agreement decrees* and the remuneration is subject to a levy by a parity committee (see section 9.4).

You should therefore consult Chapters 5 to 11 of the guide before you conclude that a salary or wages are subject to source deductions and employer contributions.

5 Source deductions of Québec income tax

5.1 General information

Chapter 5 explains the source deductions of income tax you must make from the remuneration you pay to employees. To determine the amount of income tax withholdings, you must use, depending on the type of remuneration paid,

- the *Source Deduction Table for Québec Income Tax* (TP-1015.TI-V) or the mathematical formulas in section 12.3; or
- a fixed rate.

Remittances of source deductions

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

5.2 Remuneration subject to source deductions of income tax

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

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

Use table TP-1015.TI-V (or the method set out in section 5.4.4 if the amount of the remuneration or the number of pay periods is not covered by the table) or the mathematical formulas to calculate the source deductions of income tax from salary or wages (see the information regarding this term in section 1.4), **other than**

- vacation pay paid to an employee **who is not taking holidays**, if you are using table TP-1015.TI-V to make source deductions of income tax (see section 10.6);
- bonuses or retroactive pay, if you are using table TP-1015.TI-V to make source deductions of income tax (see section 10.2);
- bonuses or retroactive pay, if you are using the mathematical formulas and the total amount of the employee's estimated annual salary or wages plus the bonus or retroactive pay is not more than \$13,050 (see section 10.2);
- overtime paid in a pay period other than the period in which it was earned (that is, **accumulated overtime**), if you are using table TP-1015.TI-V to make source deductions of income tax (see section 10.3);
- directors' fees paid to a director who does not receive a salary (see section 10.7);

- commissions paid to an employee who does not have to pay expenses or did not complete form TP-1015.R.13.1-V, *Statement of Commissions and Expenses for Source Deduction Purposes*, if the commissions are **not paid to the employee on a regular basis** and you are using table TP-1015.TI-V to make source deductions of income tax (see section 10.1);
- single payments made further to an order or judgment, as salary or wages owed to an employee or a former employee, if a portion of the amount paid relates to a previous year (see section 10.8.3);
- salary or wages referred to in section 5.3.

5.2.2 Remuneration respecting which source deductions of income tax must be made using a fixed rate

Use a fixed rate to calculate source deductions of income tax from the following types of remuneration:

- bonuses or retroactive pay, where the total amount of an employee's estimated annual salary or wages plus the bonus or retroactive pay is not more than \$13,050 (see section 10.2);
- single payments referred to in section 10.8 (for example, a retiring allowance);
- amounts paid as proceeds of disposition of the catch to a fisher who is self-employed, provided the fisher has completed form TP-1015.N-V (see section 3.9).

5.3 Remuneration not subject to source deductions of income tax

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

- certain taxable benefits (see the brochure *Taxable Benefits* (IN-253-V));
- certain amounts paid further to an industrial accident – CSST (see section 10.4);
- patronage dividends;
- amounts that are not taxable;
- employment income paid to an employee who requested an exemption from source deductions by writing "X" on line 20 of the 2009-01 version of form TP-1015.3-V.

In addition, you are not required to withhold income tax from all or part of some types of remuneration that are subject to special rules (see Chapters 10 and 11, which deal with other payments and special cases).

If a type of remuneration you pay is not included in the table in section 4.2.1, in sections 5.2.1 or 5.2.2, or in this section, contact us to find out whether it is subject to source deductions of income tax.

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

Table TP-1015.TI-V has four sections, each corresponding to a number of pay periods per year:

- 52 pay periods (weekly);
- 26 pay periods (every two weeks);
- 24 pay periods (twice-monthly);
- 12 pay periods (monthly).

The amount of income tax you are required to withhold as an employer is based initially on the following factors:

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

Next you must take into account

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

If the amount of remuneration you pay or the number of pay periods you have is not included in table TP-1015.TI-V, see section 5.4.4.

5.4.1 Calculating the remuneration subject to source deductions of income tax

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

Remuneration subject to source deductions of income tax	
Calculation for a pay period	Remarks
◆ Gross remuneration (except commissions)	See Chapters 10 and 11, where applicable, for information on certain types of remuneration that you might pay during a pay period.
plus	
◆ commissions	See section 10.1.
minus the total of the following amounts:	
◆ contribution to an RPP	Subtract, from the employee's gross remuneration for the pay period, the amount that you withheld as such a contribution and that you paid on his or her behalf to <ul style="list-style-type: none"> • a defined contribution RPP; or • a defined benefit RPP. If, in 2009, the employee pays a contribution for service before 1990, the amount you may subtract from the gross remuneration for that contribution is limited (see section 5.4.1.1).
◆ contribution to an RRSP	See section 5.4.1.2.
◆ contribution to a retirement compensation arrangement	Subtract, from the employee's gross remuneration for the pay period, the amount that you withheld and that you paid on his or her behalf to a retirement compensation arrangement.

Remuneration subject to source deductions of income tax

Calculation for a pay period	Remarks
<p>◆ 75% of the amount withheld from the employee's remuneration for the purchase of shares in the Fonds de solidarité des travailleurs du Québec (FTQ) or Fondaction, le Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l'emploi</p>	<p>Subtract, from the employee's gross remuneration for the pay period, 75% of the amount withheld if the following conditions are met:</p> <ul style="list-style-type: none"> • The employee authorized you to withhold the amount. • The shares purchased are class A shares of the Fonds de solidarité des travailleurs du Québec (FTQ), or class A or B shares of Fondaction, le Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l'emploi. • The employee is the first purchaser of the shares. <p>The maximum amount that you may subtract from the gross remuneration is \$3,750 per year.</p>
<p>◆ 125% of the amount withheld from the employee's remuneration for the purchase of preferred shares qualifying under the CIP</p>	<p>The amount to be subtracted for each pay period must not exceed 30% of the result of the following calculation:</p> <ul style="list-style-type: none"> • the employee's gross salary or wages for the pay period; <p>minus</p> <ul style="list-style-type: none"> • the amount that the employee paid to an RPP for the pay period; • the value of the preferred shares that you transferred for the pay period, at the employee's request, to an RRSP of which the employee or his or her spouse is the annuitant. <p>For example, if for a pay period the employee received a gross salary or gross wages of \$3,400 and made a \$150 RPP contribution, and the value of the shares transferred to an RRSP is \$250, the maximum you may subtract for the pay period is \$900 (30% x (\$3,400 – \$150 – \$250)).</p> <p>If the amount you would normally subtract for a pay period exceeds 30%, contact us to find out if you may subtract the entire amount.</p>
<p>◆ travel deduction for residents of designated remote areas</p>	<p>See section 5.4.1.3.</p>
<p>◆ amount entered on line 19 of form TP-1015.3-V, <i>Source Deductions Return</i></p>	<p>You must take into account any amount the employee has indicated on line 19 of form TP-1015.3-V.</p> <p>Divide the amount by the number of pay periods remaining in the year, in order to determine how much to subtract from the employee's gross salary or wages for the pay period.</p> <p>The amount on line 19 of form TP-1015.3-V represents the total of the following amounts:</p> <ul style="list-style-type: none"> • the housing deduction for residents of designated remote areas; • deductible support payments.
<p>◆ amount of the deductions that we authorized, if the employee completed form TP-1016-V for 2009</p>	<p>Divide this amount by the number of pay periods remaining in the year, in order to determine how much to subtract from the employee's gross remuneration for the pay period.</p> <p>Do not take into account any tax credits that we authorized, since they are used to reduce the income tax payable that you determined using table TP-1015.TI-V.</p>
<p>◆ portion of the remuneration paid to an Indian that gives entitlement to the deduction for employment income situated on a reserve or premises</p>	<p>See section 11.1.</p>

Important

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

Example

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

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

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

5.4.1.1 Contribution to an RPP for service before 1990

There is a limit on the amount that an employee may deduct with respect to a contribution made in 2009, for service before 1990. Once you have reached this limit, you must stop reducing the employee's gross remuneration, since the amount that exceeds the limit does not give entitlement to the deduction.

Employee who did not contribute to the RPP to which he or she makes a contribution for service 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 contribution for service before 1990 is paid under an agreement signed before March 28, 1988.	N/A
As a rule, the amount that the employee may deduct is equal to the lowest of the following amounts:		As a rule, the amount that the employee may deduct is equal to the lower of the following amounts:
(a) the total amount of the contributions (other than optional contributions to a defined contribution RPP) made by the employee after 1945, minus the total of the amounts he or she deducted with respect to these contributions for any year prior to 2009; (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 2009 and with respect to optional contributions for any year prior to 1987.		(a) the total amount of the contributions (other than optional contributions to a defined contribution RPP and the contributions covered in the column to the left) made by the employee after 1962, minus the total of the amounts he or she deducted with respect to these contributions for any year prior to 2009; (b) \$5,500 minus the total of the amounts deducted in 2009 with respect to the contributions covered in the column to the left and with respect to contributions for current service and for past service after 1989.

5.4.1.2 Contribution to an RRSP

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

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

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

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

5.4.1.3 Travel deduction for residents of designated remote areas

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**, you must subtract the employee's allowable travel deduction from his or her gross remuneration for the pay period. However, before subtracting the amount, make sure that the employee meets the conditions for claiming the deduction.

Does the value of the benefit included in the employee's remuneration give entitlement to a travel deduction?

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

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

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

Note

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

Calculate the amount of the deduction, where applicable, and subtract it from the gross remuneration.

How to calculate the amount to subtract from the employee's gross remuneration

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

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

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

- the lower of
 - the cost of the trip (see guide TP-350.1.G-V), and
 - the employee's maximum allowable deduction for the trip (see the "Column E: Additional limit" section of guide TP-350.1.G-V);

multiplied by

- 50% or 100%, depending on whether the remote area is located in an intermediate zone or a northern zone.

Once you have calculated the amount of the deduction, subtract it from the gross remuneration.

Restriction

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

For more information, see guide TP-350.1.G-V.

5.4.2 Deduction codes and adjustment columns

This section deals with the deduction codes and adjustment columns used in the *Source Deduction Table for Québec Income Tax* (TP-1015.TI-V).

Deduction codes

Amount (\$)	Code
Nil	O
1 – 10,455	A
10,456 – 12,000	B
12,001 – 14,000	C
14,001 – 16,500	D
16,501 – 17,500	E
17,501 – 18,000	F
18,001 – 19,000	G
19,001 – 21,000	H
21,001 – 23,000	I
23,001 – 26,000	J
26,001 – 27,000	K
27,001 – 28,500	L
28,501 – 30,000	M
30,001 – 32,000	N
32,001 or over	N – column Z (see "Adjustment column Z" below)
Exemption	X

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

Adjustment column Y

Since 2006, employees have, as a rule, been entitled to a deduction for employment income (\$1,025), which is included in table TP-1015.TI-V.

If you are paying remuneration to an employee whose remuneration consists of only the value of taxable benefits relating to a former office or employment, the employee is not entitled to the deduction. Such taxable benefits include, for example,

- contributions paid to a private health services plan;
- benefits relating to the exercise of a security option; and
- loans granted without interest or at an interest rate lower than the prescribed rate.

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

Note

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

Adjustment column Z

If the amount used to determine the deduction code is more than **\$32,001**, subtract, for each increment of \$500 (or portion thereof), the amount in adjustment column Z of table TP-1015.TI-V from the amount in column N.

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

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

- Refer to the section of the table corresponding to the number of pay periods in the year.
- In the left-hand column, locate the pay bracket corresponding to the employee's remuneration subject to source deductions of income tax for the pay period.
- Follow the line across to the right until you reach the column that corresponds to the deduction code indicated by the employee on form TP-1015.3-V to determine the amount of income tax to withhold. If no amount is indicated, do not withhold income tax.
- Where applicable, make the adjustments described in section 5.4.2.
- Where applicable, add to the withholding the additional income tax the employee has asked you to withhold. This amount is shown on the TP-1015.3-V or TP-1017-V form submitted to you by the employee.
- Where applicable, divide the total **tax credits** (for charitable donations, medical expenses, etc.) that we authorized after the employee completed form TP-1016-V, by the number of pay periods remaining in the year. Then subtract the result from the income tax to be withheld.

Note

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

Example

Weekly salary or wages (52 pay periods)		\$700
Value (GST and QST included) of meals and accommodation provided free of charge	+	\$100
	=	\$800
Minus: Contribution to an RPP and deductions 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:

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

The amount of income tax to withhold is \$61.85.

5.5 Using the mathematical formulas to calculate income tax withholdings

Chapter 12 contains the mathematical formulas that you may use to calculate source deductions of income tax.

In Chapter 10, which explains how to calculate income tax withholdings and the remuneration subject to source deductions of income tax in the case of certain payments, you will also find some specific information on the mathematical formulas.

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

6 QPP contributions

6.1 General information

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

QPP contributions are shared equally by the employer and the employee. You and the employee must pay the contributions to the QPP until the pensionable salary or wages paid to the employee for the year reach the maximum pensionable salary or wages for the year.

As the employer, you must withhold the employee's QPP contribution from his or her salary or wages and remit it to us at the same time you remit your QPP contribution. We remit the employee and employer QPP contributions to the Régie des rentes du Québec. The Régie enters the amount of the contributions and the employee's pensionable salary or wages in the Record of Contributors.

This chapter contains the information you need to correctly meet your tax obligations with respect to QPP contributions. To determine the amount of the contributions you must withhold from the remuneration you pay your employees, you may use

- the *Source Deduction Tables for QPP Contributions* (TP-1015.TR-V if there are 52, 26 or 24 pay periods in the year, or TP-1015.TR.12-V if there are 12 pay periods); or
- the mathematical formula in section 12.4.

Payment of the contributions

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

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

Note

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

Important

Every employee who contributes to the QPP must have a social insurance number (SIN). This number ensures that the employee's contributions and pensionable salary or wages are

correctly entered each year in the Record of Contributors kept by the Régie des rentes du Québec. The benefits to which the employee may be entitled are based on the data entered in this record.

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

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

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

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

6.2 Maximum pensionable salary or wages and contribution rate

The QPP data for 2009 are given below. The 2008 data are provided for information purposes.

	2009	2008
Employee's maximum pensionable earnings ¹	\$46,300	\$44,900
Basic exemption	\$3,500	\$3,500
Employee's maximum contributory earnings	\$42,800	\$41,400
Contribution rate	4.95%	4.95%
Employee's maximum contribution	\$2,118.60	\$2,049.30
Employer's maximum contribution (per employee) ²	\$2,118.60	\$2,049.30

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

Once the employee's maximum annual contribution (\$2,118.60) is reached, you must stop withholding QPP contributions from the remuneration paid to the employee. Likewise, you must stop paying your employer QPP contribution with respect to that remuneration since, once the employee's maximum annual contribution is reached, the employer's maximum contribution (\$2,118.60) is also reached.

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

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

Such remuneration constitutes pensionable salary or wages for the purposes of the QPP **if it is paid for work performed in Québec.**

Work performed in Québec

Work is considered to be performed in Québec **if one of the conditions in column B of the table in section 4.1 is met.** In such cases, you must withhold and pay QPP contributions with respect to the types of remuneration listed above.

6.4 Remuneration not subject to QPP contributions

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

- the salary or wages paid to an employee
 - for excepted employment,
 - before or during the month in which the employee reaches age 18,
 - as of the month following the month that includes the date (set by the Régie des rentes du Québec) on which the employee becomes disabled, to the end of the month in which the employee stops receiving the disability pension,
 - after the employee's maximum annual contribution is reached (see section 6.6);
- certain taxable benefits (see the brochure *Taxable Benefits* (IN-253-V));
- certain amounts paid further to an industrial accident – CSST (see section 10.4);
- retiring allowances (see the definition in section 10.8.1);
- death benefits (see the definition in section 10.8.2);
- patronage dividends.

Excepted employment

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

- employment in agriculture or an agricultural enterprise, horticulture, fishing, hunting, trapping, forestry, logging or lumbering, if
 - you pay the employee less than \$250 cash 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 by the Government of Canada, the government of a province, a municipality or a school board in connection with a referendum or election, if the person
 - is not regularly employed by you, **and**
 - is employed by you for fewer than 35 hours in the year, in order to work on the referendum or election;
- casual or short-term employment in a disaster relief or rescue operation, if the employee is not regularly employed by you;
- employment conferring entitlement to a pension plan established by the *Courts of Justice Act* or the *Judges Act* (federal statute);
- employment of an Indian, if the income gives entitlement to the deduction for employment income situated on a reserve or premises and you have not made the irrevocable election to have the *Act respecting the Québec Pension Plan* apply to this employment (see section 11.1).

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

6.5 Basic exemption

For 2009, the first **\$3,500** of an employee's pensionable salary or wages is exempt from QPP contributions.

6.5.1 Continuous employment

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

Regular pay periods

You must divide the basic exemption of \$3,500 by the number of pay periods in the year. For example, if you have 26 pay periods, divide \$3,500 by 26 to determine the amount of the pay period exemption, even if the employee does not work for you for the entire year. If the result is an amount with a fraction of a cent, do not take the fraction into account.

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

1. The number of pay periods corresponds to the number of pays the employee normally receives in the year, or would receive if he or she worked for you for the entire year.

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

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 the pay period exemption into account.

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

- 4.95% of the pensionable salaries or wages (**without taking the exemption into account**);
- the employee’s maximum annual contribution (see section 6.6) minus the amounts already withheld.

Note

The example in section 10.2.2 illustrates the above-mentioned rule.

If you are using the mathematical formula, the same rule applies: you cannot take the pay period exemption (V/P) into account 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 and divided by 365;
- \$67.30.

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

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

6.5.2 Non-continuous employment

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

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

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

Note

If you have an employee whose employment is non-continuous, do not use the mathematical formula in Chapter 12. Instead, do the calculations yourself or use Table B in document TP-1015.TR-V.

Non-continuous employment

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

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

6.6 Maximum annual contribution

The total amounts you withhold for an employee in 2009 must not exceed **\$2,118.60**. Once this limit is reached, do not withhold any more contributions. See the QPP data in section 6.2 to find out how the maximum annual contribution is determined.

The following table lists certain situations in which the employee's maximum annual contribution must be reduced.

Table

Continuous employment		
Employee's situation in 2009	Total amounts withheld for 2009 (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.	\$2,118.60	4.95% x [pensionable salary or wages for 2009 – (pay period exemption x number of pay periods for which you paid a pensionable salary or wages – amount by which the pay period exemption exceeds the pensionable salary or wages for a pay period ¹)]
The employee turned 18.	$\$2,118.60 \times (\text{number of months after the month of the employee's 18th birthday}) \div 12$ (see example 1 below)	
The employee began to receive a disability pension under the QPP or the CPP.	$\$2,118.60 \times (\text{number of months up to and including the month that includes the date—set by the Régie des rentes du Québec—on which the employee becomes disabled}) \div 12$	
The employee stopped receiving a disability pension under the QPP or the CPP.	$\$2,118.60 \times (\text{number of months after the month in which the employee stopped receiving the disability pension}) \div 12$	
The employee died.	$\$2,118.60 \times (\text{number of months in the year up to and including the month of the employee's death}) \div 12$ (see example 2 below)	
The employee was 17 or under throughout the year .	No QPP contributions	
<p>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.</p>		

Example 1

Lisa turned 18 on August 15, 2009. She receives a salary of \$4,000 per month (\$48,000 per year), which exceeds the maximum pensionable salary or wages (\$46,300).

From January to August 2009

No QPP contributions

From September to December 2009

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

Maximum contribution for 2009

$\$2,118.60 \times 4/12 = \706.20

Lisa's QPP contributions for 2009 must not exceed \$706.20.

Example 2

At the time of his death, on March 15, 2009, Benjamin was receiving a weekly salary of \$900, and his pensionable salary was \$9,000.

From January to March 2009

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

Maximum contribution for 2009

$\$2,118.60 \times 3/12 = \529.65

Benjamin's QPP contributions for 2009 must not exceed \$529.65.

6.7 Calculating the employee contribution using the tables and determining the employer contribution

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

When an employee's maximum annual contribution is reached (see section 6.6), **you must stop withholding QPP contributions.**

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

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 an employee, because the tables take the pay period exemption into account.

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 Table A in document TP-1015.TR-V or TP-1015.TR.12-V, according to the number of pay periods you have in the year. The amount to be withheld is shown in the "Deduction" column.

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

Example 1

Mohammed, a 30-year-old employee whose employment is continuous, earns \$900 per week. In accordance with Table A in document TP-1015.TR-V, his employer must withhold a QPP contribution of \$41.47 in each of the first 51 pay periods in the year. The amount to be withheld in the 52nd pay period will be \$3.63, that is, \$2,118.60 (maximum contribution) minus \$2,114.97 (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 in document TP-1015.TR-V).

6.8 Calculating the employee contribution using the mathematical formula and determining the employer contribution

You can use the mathematical formula in section 12.4.1 to calculate the employee contribution only for an employee whose employment is **continuous** (see the explanation in section 6.5.1) and whose pay periods are regular.

There is no mathematical formula to calculate your employer contribution. You simply pay a contribution that is equal to the total amount of the contributions you **withheld** from your employees' pensionable salary or wages (as calculated using the formula in section 12.4.1).

6.9 Successive employers

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

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

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

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

6.10 Employees who are 70 or over in 2009 or who receive a retirement pension

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

6.11 Employees who work for more than one employer

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

6.12 Total contributions paid in the year

You may use the table in section 6.6 to verify whether the total amount of QPP contributions you withheld in 2009 for an employee who held continuous employment is correct.

6.12.1 Excess contributions

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

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

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

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

6.12.2 Insufficient QPP contributions

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

6.12.3 Time limit for making an assessment

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

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

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

6.13 Employee or self-employed?

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

Important

A worker considered to be an employee for the purposes of the QPP is also considered an employee for the purposes of the QPIP, and a person considered to be self-employed for the purposes of the QPP is also considered self-employed for the purposes of the QPIP. The reverse is also true, that is, a decision that determines the status of a worker for the purposes of the QPIP is also valid for the purposes of the QPP.

Self-employed

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

7 QPIP premiums

7.1 General information

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

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

We remit the employee and employer QPIP premiums to the Parental Insurance Fund. The Ministère de l’Emploi et de la Solidarité sociale pays benefits to employees from this fund and issues an RL-6 slip to each beneficiary. **To obtain information for your employees about how to apply for benefits or about the payment of benefits, contact the Ministère de l’Emploi et de la Solidarité sociale or consult the QPIP website at www.rqap.gouv.qc.ca/information-aux-employeurs.**

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

- the *Table for Québec Parental Insurance Plan Premiums* (TP-1015.TA-V); or
- the mathematical formulas in section 14.5.

Payment of the premiums

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

7.2 Maximum insurable earnings and premium rate

The QPIP data for 2009 are given below. The 2008 data are provided for information purposes.

	2009	2008
Maximum insurable earnings	\$62,000	\$60,500
Employee’s premium rate	0.484%	0.450%
Employee’s maximum premium (\$62,000 x 0.00484)	\$300.08	\$272.25
Employer’s premium rate	0.677%	0.630%
Employer’s maximum premium (per employee) (\$62,000 x 0.00677)	\$419.74	\$381.15
Qualifying threshold ¹	\$2,000	\$2,000
<p>1. If an employee’s work income (which includes eligible salary or wages) for the year is less than \$2,000, the employee is not required to pay QPIP premiums. However, regardless of the \$2,000 threshold, you must start withholding and paying QPIP premiums as soon as you pay the employee one dollar of eligible salary or wages (see section 7.8).</p>		

Once the employee’s maximum annual premium has been reached (\$300.08), you must stop withholding amounts from the employee’s remuneration. You must also stop paying your employer premium because once the employee’s maximum annual premium is reached, the employer’s maximum annual premium (\$419.74) is also reached.

7.3 Remuneration subject to QPIP premiums

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

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

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

You must take into account the remuneration actually paid to the employee because, generally speaking, benefits in kind do not constitute eligible salary or wages.

7.4 Remuneration not subject to QPIP premiums

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

- salary or wages paid
 - to an employee for employment that is excluded,
 - to an employee after his or her maximum annual premium has been reached;
- taxable benefits **in kind** (that is, other than in cash), except a taxable benefit for board and lodging granted to the employee for a pay period in which the employee receives cash remuneration;
- certain other taxable benefits (see the brochure *Taxable Benefits* (IN-253-V));
- allocated tips (see section 10.9);
- an amount paid to an employee to increase parental insurance benefits if both of the following conditions are met:
 - the total amount of the supplement and parental insurance benefits does not exceed the employee’s normal weekly earnings,
 - the amount of the supplement does not reduce the retiring allowance, unused sick leave or vacation leave, or any other accumulated credits of the employee;
- certain amounts paid further to an industrial accident – CSST (see section 10.4);
- retiring allowances (see the definition in section 10.8.1), **other than an indemnity in lieu of notice** (see the definition in section 10.5);
- death benefits (see the definition in section 10.8.2);
- patronage dividends.

Employment excluded from the QPIP

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

- the employment of a member of a religious order who has taken a vow of poverty and whose remuneration is paid to the religious order, either directly or by the member;
- employment in Québec of a Canadian resident by another government or by an international governmental organization, unless that government or organization agrees to the employment being included;
- employment that constitutes an exchange of work or services;

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

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

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

Once the employee’s maximum annual premium has been reached (\$300.08), you must stop withholding QPIP premiums from the employee’s remuneration. You must also stop paying your employer premium because once the employee’s maximum annual premium is reached, the employer’s maximum premium (\$419.74) is also reached.

How to use table TP-1015.TA-V

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

The table has two columns:

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

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

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

Note

Unlike documents TP-1015.TI-V, TP-1015.TR-V and TP-1015.TR.12-V, document TP-1015.TA-V is not divided into sections corresponding to pay periods. If you pay an employee \$1,000 in eligible salary or wages for a pay period, you must withhold \$4.84, regardless of the number of pay periods.

Example 1

Charles earns an eligible salary of \$1,650 per week. For each of Charles’ first 37 pay periods, you are required to withhold an employee premium of \$7.99 (based on table TP-1015.TA-V) and pay an employer premium of \$11.18 (based on table TP-1015.TA-V). For the 38th pay period

- you withhold an employee premium of \$4.45, that is, \$300.08 (maximum premium) minus \$295.63 (amount already withheld);
- you pay an employer premium of \$6.08, that is, \$419.74 (maximum premium) minus \$413.66 (amount already paid).

As of the 39th pay period, you must stop withholding and paying QPIP premiums for the year.

Example 2

Nadia is paid an eligible salary of \$1,650 every two weeks. For each of Nadia’s 26 pay periods, you are required to withhold an employee premium of \$7.99 (based on table TP-1015.TA-V) and pay an employer premium of \$11.18 (based on table TP-1015.TA-V).

7.6 Using the mathematical formulas to calculate employee and employer premiums

If you do not use table TP-1015.TA-V to calculate the employee and employer QPIP premiums, use the mathematical formulas in section 12.5.

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

7.7 Successive employers

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

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

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

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

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

An employee is not required to pay QPIP premiums for the year if his or her work income (that is, eligible salary or wages and business income) for the year is less than \$2,000. **You must, however, start withholding and paying QPIP premiums as soon as you pay the employee one dollar of eligible salary or wages.**

Therefore, the \$2,000 threshold is not taken into account in the employee premiums you withhold, nor in your employer premiums.

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

The employer premium is not refunded because the \$2,000 threshold does not apply to the employer premium.

7.9 Employees who work for more than one employer

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

7.10 Employees who die or cease to be resident in Canada

The eligible salary or wages of an employee who dies or ceases to be resident in Canada in 2009 are subject to QPIP premiums for the period of the year prior to death or to the termination of residence in Canada, since the moment that immediately precedes death or the termination of residence is deemed to be the end of the year.

7.11 Total premiums paid during the year

7.11.1 Excess premiums

Employee premiums

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

Employer premiums

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

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

7.11.2 Insufficient QPIP premiums

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

7.11.3 Time limit for Revenu Québec to make an assessment

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

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

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

7.12 Employee or self-employed?

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

Important

A worker considered to be an employee for the purposes of the QPIP is also considered an employee for the purposes of the QPP, and a person considered to be self-employed for the purposes of the QPIP is also considered self-employed for the purposes of the QPP. The reverse is also true, that is, a decision that determines the status of a worker for the purposes of the QPP is also valid for the purposes of the QPIP.

Self-employed

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

8 Contribution to the health services fund

8.1 General information

As a rule, you must pay a contribution to the health services fund based on the total salaries or wages subject to the contribution that you paid to your employees. The contribution rate varies from 2.7% to 4.26%, depending on your **total payroll**. Certain public-sector employers must pay a contribution of 4.26%, regardless of their **total payroll**. As a rule, employees are not required to pay a contribution to the health services fund. However, in certain cases, employees must pay a contribution when they file their income tax return.

To calculate your contribution to the health services fund, you may use the mathematical formula in section 12.6.

Payment of your contribution

The contribution must be remitted periodically. Use form TPZ-1015.R.14.1-V or TPZ-1015.R.14.4-V, according to your remittance frequency (see the table in section 3.3.4). Refer to section 8.4 for information on how to make periodic remittances of the contribution.

Indian employers

Special rules apply to an employer that is an Indian, an Indian band or a band council (see section 11.2).

8.2 Remuneration subject to the contribution

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

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

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

8.3 Temporary exemptions

Certain employers may, under certain conditions, be exempted from the contribution to the health services fund. If you are entitled to an exemption, you must include the exempted salaries or wages in the **total payroll** used to determine your contribution rate.

In this section, the term “salary or wages” refers to the remuneration subject to the contribution described in section 8.2.

8.3.1 New corporations

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

For salaries or wages paid after June 12, 2003, the exemption applies to 75% of the **first** \$700,000 of salaries or wages paid for the taxation year (see example 2 in section 8.4.2).

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

Note 1

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

Note 2

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

Note 3

If the corporation operates a manufacturing business in a remote resource region, see section 8.3.2.

8.3.2 Manufacturing businesses in remote resource regions

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

Note

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

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

If you are eligible for the five-year tax exemption for new corporations (see section 8.3.1), you may elect to claim the temporary exemption for manufacturing businesses in remote resource regions (which, like the five-year tax exemption for new corporations, applies not only to the contribution to the health services fund, but also to income tax and tax on capital). To make the election, complete Part 1 of form CO-737.18.18, *Exonération pour les PME manufacturières des régions ressources éloignées*. This election is irrevocable.

Remote resource regions

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

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

Salaries or wages exempted from the contribution

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

Note

If, after June 26, 2007, you transferred activities from an establishment located outside a remote resource region to an establishment located inside a remote resource region, the rate of 75% that applies to the exemption may be reduced. Contact us for more information.

Paid-up capital (calculated on a consolidated basis) for the preceding taxation year	Salaries or wages exempted for a taxation year that begins or ends in 2009
\$20 million or less	75% of salaries or wages paid
More than \$20 million but less than \$30 million	75% of qualified salaries or wages ¹
\$30 million or more	No exemption ²

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

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

Example

Basic data

Taxation year of the corporation	June 1, 2008, to May 31, 2009
Paid-up capital (calculated on a consolidated basis) for the taxation year ending on May 31, 2008	\$24,000,000
Salaries or wages paid from June 1, 2008, to May 31, 2009	\$260,000
Qualified salaries or wages for the taxation year ¹	$\$260,000 \times \left(\frac{\$30,000,000 - \$24,000,000}{\$10,000,000} \right) = \$156,000$

Salaries or wages exempted for the taxation year

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

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

Paid-up capital calculated on a consolidated basis

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

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

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

Note

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

8.4 Calculating the contribution

Your contribution to the health services fund for 2009 is the result obtained when you subtract the exempted remuneration (section 8.3) from the total remuneration you paid in 2009 that is subject to the contribution (section 8.2), and multiply that amount by a rate based on your **total payroll** for 2009. The rate varies from 2.7% to 4.26%.

The contribution is based on gross remuneration (that is, remuneration before source deductions).

Public-sector employers

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

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

8.4.1 Total payroll

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

Associated employers

Associated employers must be taken into account on a **worldwide basis** (that is, **regardless of where they carry out their activities and regardless of whether they are subject to the *Taxation Act***), and the **total payroll** used to determine the contribution rate must include all remuneration referred to above paid by all the employers that are associated with you at the end of the calendar year. Subject to certain adaptations, the rules set forth in the *Taxation Act* respecting associated corporations must be applied to determine whether two or more employers are considered to be associated.

8.4.2 Estimated contribution rate

At the time you make your remittances in 2009, you will not know your actual contribution rate for the year because the rate depends on your **total payroll**, which cannot be determined until the end of the year. Consequently, in order to calculate your remittances for 2009, you must use an estimated contribution rate. If you are a new employer, you must use a special method to calculate the rate.

Note

If you are a public-sector employer, you must calculate your periodic remittances using the 4.26% rate.

You are a new employer

In this case, the contribution rate for each remittance made during the **first two consecutive calendar years** in which you are subject to the contribution will correspond to the rate that would apply if your **total payroll** for the calendar year were equal to the portion of your **total payroll** paid from the beginning of the year to the end of the period covered by the remittance. The contribution rate must therefore be adjusted for each remittance period on the basis of the **cumulative total payroll** for the preceding periods, as shown in example 1.

Example 1 (monthly remittance)

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 is not more than \$1 million, the contribution rate remains 2.7%.
- Once the **total payroll** is more than \$1 million (but is still less than \$5 million), the contribution rate is determined in accordance with the following formula:

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

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

Contribution rates must be rounded off to the second decimal place. For example, if the result is 2.934%, the contribution rate is 2.93%; if the result is 3.285%, the rate is 3.29%; if the result is 2.899%, the rate is 2.9%.

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

Starting with the third calendar year, you must determine your contribution rate by following the instructions below.

You are not a new employer

In this case, your contribution rate is the rate that would apply if your **total payroll** for 2009 were the same as your **total payroll** for 2008.

This means that your estimated contribution rate for 2009 will be equal to your actual contribution rate for 2008. For example, if your **total payroll** for 2008 was not more than \$1 million and your actual contribution rate for 2008 was therefore 2.7%, your periodic remittances of the contribution for 2009 must be based on a rate of 2.7%.

Example 2

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

Taxation year of the corporation	March 1, 2008, to February 28, 2009
Remittance frequency for 2009	Monthly
Total payroll for the 2008 calendar year	\$800,000
Actual contribution rate for the 2008 calendar year	2.7%
Salaries or wages paid during the month of January 2009	\$15,000
Salaries or wages paid from March 1, 2008, to December 31, 2008	\$690,000

Salaries or wages exempted for the month of January 2009

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

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

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

Contribution to the health services fund payable on filing form TPZ-1015.R.14.1-V for the period from January 1 to January 31, 2009

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

Example 3

Basic data for a manufacturing business in a remote resource region

Taxation year of the corporation	January 1 to December 31, 2009
Paid-up capital (calculated on a consolidated basis) for the taxation year ending on December 31, 2008	\$5,000,000
Remittance frequency for 2009	Monthly
Total payroll for the 2008 calendar year	\$950,000
Actual contribution rate for the 2008 calendar year	2.7%
Salaries or wages paid during the month of January 2009	\$35,000

Salaries or wages exempted for the month of January 2009

$$\$35,000 \times 75\% = \mathbf{\$26,250}$$

Contribution to the health services fund payable on filing form TPZ-1015.R.14.1-V for the period from January 1 to January 31, 2009

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

8.4.3 Rate that is lower than the estimated contribution rate

If you expect that your **total payroll** for 2009 will be lower than your **total payroll** for 2008 and that, as a result, your actual contribution rate for 2009 will be lower than the estimated rate you would normally be required to use, you may use a lower rate to calculate your remittances.

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

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

8.4.4 Actual contribution rate

You will determine your actual contribution rate for 2009 when you file the *Summary of Source Deductions and Employer Contributions* (form RLZ-1.S-V).

The rate will depend on your **total payroll** for 2009, as indicated below:

- If your **total payroll** is \$1 million or less, your contribution rate will be 2.7%.
- If your **total payroll** is more than \$1 million but less than \$5 million, your contribution rate will be determined according to the formula $W (\%) = 2.31 + (0.39 \times S)$. In the formula, "W" represents the contribution rate, and "S" represents the result obtained by dividing your **total payroll** for the calendar year by \$1 million.
- If your **total payroll** is \$5 million or more, your contribution rate will be 4.26%.

8.5 Balance resulting from the difference between the actual contribution rate and the estimated contribution rate

If your actual contribution rate is higher than your estimated contribution rate, you will have a balance payable. This amount must be received at one of our offices or at a financial institution **by the filing due date for form RLZ-1.S-V**.

However, if the contribution rate you use is lower than your estimated contribution rate, see section 8.4.3.

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.

9 Contribution to the financing of the CNT

9.1 General information

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

You must pay your 2009 contribution by February 28, 2010 (see section 9.5).

Employers not subject to the contribution

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

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

Indian employer

Special rules apply for an employer that is an Indian, an Indian band or a band council (see section 11.2).

9.2 Maximum remuneration subject to the contribution and contribution rate

You will find below data respecting the contribution to the financing of the CNT for 2009. The data for 2008 are provided for information purposes.

	2009	2008
Maximum remuneration subject to the contribution	\$62,000	\$60,500
Contribution rate	0.08%	0.08%

9.3 Remuneration subject to the contribution

Refer to the table in section 4.2.1 to determine whether the remuneration you pay is subject to the contribution to the financing of the CNT. As a rule, the contribution is based on employment income, such as:

- salaries or wages (see section 1.4 for information on the term "salary or wages"), **except** those described in section 9.4;
- an indemnity in lieu of notice (see the definition in section 10.5);
- amounts paid as damages upon cancellation of an employment contract.

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

9.4 Remuneration not subject to the contribution

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

- remuneration paid to an employee under the *Act respecting labour relations, vocational training and workforce management in the construction industry*;
- remuneration paid to an employee if you are governed by a decree adopted under the *Act respecting collective agreement decrees* and if the remuneration is subject to a contribution by a parity committee;
- the amount by which 50% of the remuneration earned by an employee using a truck, tractor, loader, skidder or similar heavy equipment that the employee provides at his or her own expense is over \$62,000;
- the amount by which the remuneration subject to the contribution paid for the year to an employee (other than an employee referred to in the previous point) is over \$62,000;

- remuneration paid to a domestic (see the definition opposite);
- remuneration paid to an employee who is totally excluded from the application of the *Act respecting labour standards*, under section 3 of the Act. This category of employees includes, in particular, students who work during the school year in an establishment selected by an educational institution, under a job induction program approved by the Ministère de l'Éducation, du Loisir et du Sport;
- remuneration paid to an employee whose duties consist solely in taking care of or providing care to a child or to a sick, handicapped or elderly person, where the care is provided in the home, and you are not seeking to make a profit from the work;
- directors' fees;
- remuneration paid to an employee by an institution, a regional board or a family-type resource referred to in the *Act respecting health services and social services*, in proportion to the amounts received by such entities under the Act;
- remuneration paid to an employee by an institution, a regional council or a foster family referred to in the *Act respecting health services and social services for Cree Native persons*, in proportion to the amounts received by such entities under the Act;
- certain taxable benefits (see the brochure *Taxable Benefits* (IN-253-V));
- certain amounts paid further to an industrial accident – CSST (see section 10.4);
- retiring allowances (see the definition in section 10.8.1), **other than an indemnity in lieu of notice** (see the definition in section 10.5) or an amount paid as damages upon cancellation of an employment contract (these two amounts are subject to the contribution to the financing of the CNT);
- death benefits (see the definition in section 10.8.2);
- patronage dividends.

Domestic

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

9.5 Payment of the contribution

Your contribution to the financing of the CNT for 2009 must be received at one of our offices or at a financial institution by February 28, 2010. 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 online, do not submit the paper remittance slip.

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 2009 because you stop operating your business or no longer have employees, see section 3.5.

10 Other payments

This chapter explains how to calculate source deductions of income tax and how to calculate the remuneration subject to source deductions of income tax in the case of certain payments. It also provides specific information regarding the mathematical formulas.

10.1 Commissions

Commissions paid to an employee constitute salary or wages, and are added to the employee's basic salary or wages and similar payments made to the employee. Employees who earn commissions and who are required to pay certain employment expenses may elect to have only a percentage of their commissions included in calculating 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 by the filing deadline 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 in the notice.

For 2009 an employee must submit form TP-1015.R.13.1-V to you by the latest of the following dates:

- January 31, 2009;
- 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 calculating the employee's remuneration subject to source deductions of income tax.

Note

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

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

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

If you are using table TP-1015.TI-V and the commissions are **not paid on a regular basis**, you may use the method applicable to bonuses to calculate the remuneration subject to source deductions of income tax (see section 10.2). If you are using the mathematical formula **based on regular payments** or the mathematical formula **based on a cumulative average**, you may use either of the methods applicable to bonuses to calculate the income tax withholding (see sections 12.3.1.2 and 12.3.2).

Employees who pay their expenses and who completed form TP-1015.R.13.1-V by the prescribed deadline

If you are using table TP-1015.TI-V, calculate the employee's remuneration subject to source deductions of income tax by adding to his or her basic salary or wages the result of the following calculation: the amount of the gross commissions paid to the employee for the pay period, multiplied by the percentage of commissions determined on form TP-1015.R.13.1-V. Continue the calculation of the remuneration subject to source deductions of income tax (see section 5.4.1) and determine the income tax withholding in the usual way (see section 5.4.3). If you are using the mathematical formulas, include the commissions in variable G.

10.2 Bonuses and retroactive pay

10.2.1 Source deductions of income tax

Bonuses and retroactive pay are subject to source deductions of income tax. Use the methods shown in following examples to calculate the income tax to be withheld if the total amount of an employee's estimated annual remuneration plus the bonus or retroactive pay is more than \$13,050; otherwise, simply withhold 8% income tax.

Do not withhold income tax if the employee completed the 2009-01 version of form TP-1015.3-V and entered "X" on line 20 of the form.

Example 1

First bonus paid in the year

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

- (a) Divide the bonus by the number of pay periods in the year:
 $\$2,500 \div 52 = \48.08 .
- (b) Add \$48.08 to \$540, for a total of \$588.08 per week.
- (c) To calculate the additional weekly source deduction of income tax resulting from the extra weekly income of \$48.08, consult the section of table TP-1015.TI-V marked "52 pay periods per year."
- | | |
|------------------------------------|-----------------|
| Amount withheld from \$588.08 | \$28.89 |
| Amount withheld from \$540 | – \$22.49 |
| Additional source deduction | = \$6.40 |
- (d) To determine the amount to withhold from the bonus of \$2,500, multiply the additional source deduction of \$6.40 by 52 (that is, the number of pay periods in the year): $\$6.40 \times 52 = \332.80 .
- (e) The amount to be withheld from John's remuneration for the pay period is therefore \$355.29 (i.e., $\$22.49 + \332.80).

Example 2

Other bonuses paid in the year

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

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

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

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

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

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

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

Amount withheld from \$608.08 (\$560 + \$48.08)	\$27.80
Amount withheld from \$588.08 (\$540 + \$48.08)	– \$24.60
Additional source deduction	= \$3.20

- (e) To determine the amount to withhold from the bonus of \$1,040, multiply the additional source deduction of \$3.20 by 52 (that is, the number of pay periods in the year): $\$3.20 \times 52 = \166.40 .

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

Example 3

Retroactive pay

Eric is an employee whose remuneration subject to source deductions of income tax is increased from \$275 to \$300 per 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) To calculate the additional weekly source deduction of income tax resulting from the pay increase, consult the section of table TP-1015.TI-V marked "52 pay periods per year."

Amount withheld from \$300 per week	\$5.28
Amount withheld from \$275 per week	– \$1.52
Additional source deduction	= \$3.76

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

- (c) The amount to be withheld from Eric's remuneration for the pay period is therefore \$42.88 (i.e., $\$5.28 + \37.60).

10.2.2 QPP contributions

If you pay an employee a bonus or retroactive pay during a pay period, and the amount is paid along with the employee's salary or wages for the period, add the amount to the salary or wages and calculate the QPP contribution in the usual way.

However, if you pay the amount separately from the employee's salary or wages, you must withhold the lower of the following amounts:

- 4.95% of the gross amount of the bonus or retroactive pay (without taking the exemption into account, since it is already taken into account in the salary or wages);
- the employee's maximum annual contribution (see section 6.6), minus the amounts already withheld.

Example

Anna earns \$515 for the pay period from May 18 - 26, 2009, and also receives, separately from her wages, a bonus of \$100. To date, a total of \$500 in QPP contributions has been withheld from her wages.¹

In accordance with Table A of document TP-1015.TR-V, a QPP contribution of \$22.16 must be withheld from the wages, and \$4.95 (4.95% x \$100, no exemption) from the bonus of \$100. The total QPP contribution withheld for the pay period is therefore \$27.11.

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

1. The balance to be withheld for the rest of the year is \$1,618.60, that is, the employee's maximum annual QPP contribution (\$2,118.60), minus the amounts already withheld for the year (\$500). Therefore, the amount withheld for the pay period must not exceed \$1,618.60.

10.2.3 QPIP premiums and other employer contributions

If, during a pay period, you pay an employee bonuses or retroactive pay, the amount is subject to employee and employer QPIP premiums and the employer contributions to the health services fund and to the financing of the CNT **if one of the conditions in column B of the table in section 4.1 is met.**

Similarly, the amount is included in your total payroll used to calculate your rate of contribution to the health services fund.

10.3 Overtime pay

10.3.1 Source deductions of income tax

If you pay an employee for overtime done during a pay period, and the amount is paid **along with the employee's salary or wages** for the period, add the amount to the salary or wages and calculate the income tax withholding in the usual way (see section 5.4.3).

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 (see section 10.2.1). If you are using the mathematical formula based on regular payments or the mathematical formula **based on a cumulative average**, you may use either of the methods applicable to bonuses to calculate the income tax withholding (see sections 12.3.1.2 and 12.3.2).

10.3.2 QPP contributions

If you pay an employee for overtime done during a pay period, and the amount is paid **along with the employee's salary or wages** for the period, add the amount to the salary or wages and calculate the QPP contribution in the usual way.

However, if you pay the amount **separately from the employee's salary or wages**, use the method applicable to bonuses to calculate the contribution (see section 10.2.2).

10.3.3 QPIP premiums and other employer contributions

If you pay an employee for overtime done during a pay period, the amount is subject to employee and employer QPIP premiums and the employer contributions to the health services fund and to the financing of the CNT **if one of the conditions in column B of the table in section 4.1 is met**.

Similarly, the amount is included in your **total payroll** used to calculate your rate of contribution to the health services fund.

10.4 Indemnities further to industrial accidents - CSST

10.4.1 General information

If an employee is a victim of an industrial accident, you may be required to pay certain amounts to compensate the employee for lost salary or wages.

Beginning in 2008, you are asked to treat differently certain amounts that you continue to pay to an employee who is absent from work following an industrial accident. The new policy applies to all employers, for accidents before or after 2008. Special rules apply with respect to amounts paid before 2008 (see section 10.4.3).

Basically, you will no longer be able to modify the treatment of amounts paid before the decision of the CSST, or modify your payroll records for the current year, to designate the amounts paid as income replacement indemnities. As a result, you **will not be able** to modify retroactively the treatment of the remuneration paid in the current year (or in a previous year), or modify previous-year RL-1 slips.

Are the amounts paid subject to source deductions and employer contributions?

The table in section 10.4.6 provides a summary of how the amounts paid following an industrial accident are to be treated. It indicates if the amounts are subject to source deductions and employer contributions, and also if you are required to include the amounts in your **total payroll** used to calculate your rate of contribution to the health services fund and in your total payroll used to calculate your contribution to the WSDRF.

Note

In section 10.4, the term "net salary or wages" means net salary or wages as defined in the *Act respecting industrial accidents and occupational diseases*.

10.4.2 What happens before the CSST makes its decision?

Amount paid on the day of the accident

Under the *Act respecting industrial accidents and occupational diseases*, you must pay an employee who is a victim of an industrial accident an amount equal to 100% of his or her **net salary or wages** for the portion of the day that the employee was unable to work because of his or her incapacity. This amount constitutes employment income and must therefore be reported on the employee's RL-1 slip.

Note

This amount is not reimbursed by the CSST.

Amounts paid in the first 14 days following the day of the accident

Under the *Act respecting industrial accidents and occupational diseases*, you must pay the employee 90% of his or her **net salary or wages** for the first 14 days following the day of the accident. These amounts are considered to be an income replacement indemnity. As a result, you are not required to report them on the employee's RL-1 slip as they will be reported on the RL-5 slip that the employee receives from the CSST.

Note

You may ask the CSST to reimburse you for this amount.

Excess amount

If you pay the employee more than the income replacement indemnity provided for under the Act, the **excess amount** constitutes employment income and must therefore be reported on the employee's RL-1 slip. For example, if the CSST indemnity is \$500 and you pay the employee \$600, you must report \$100 (\$600 - \$500) on the RL-1 slip.

Amounts paid from the 15th day following the day of the accident to the day of the CSST's decision

Under the *Act respecting industrial accidents and occupational diseases*, you are not required to continue paying the amounts to the employee for the period beginning on the 15th day following the day of the accident to the day the CSST renders its decision, unless you are an employer referred to in section 10.4.5. If you continue paying, the way the amounts are treated will depend on the circumstances under which you pay them.

Advances of indemnities or loans

An advance of indemnities or a loan you make to the employee during this period, and also any **interest accumulated** on the advance or the loan during the period, is not considered to be a taxable benefit. You are therefore not required to report these amounts on the employee's RL-1 slip.

Note

You must be able to set up an advance of indemnities or a loan system. However, because pay cheques are prepared in advance in many cases, it is not always possible to indicate in the payroll records that an employee is on such a system as soon as he or she files a claim with the CSST. If this happens, we allow you a reasonable period (normally one pay period) to adjust your payroll records to indicate that the employee has received an advance or a loan.

Salary or wages, or wage loss replacement benefits

If you continue paying the employee a salary or wages (including sick leave accumulated but not used), the amounts constitute employment income and must be reported on the employee's RL-1 slip.

If you are an employer and you pay an employee wage loss replacement benefits under a wage loss replacement plan, the amounts constitute employment income and must be reported on the employee's RL-1 slip.

If you are an insurer and you pay wage loss replacement benefits directly to the employee, special rules apply in respect of the QPIP. For more information, see section 12.13 of the *Guide for Employers* (TP-1015.G-V).

10.4.3 What happens when the CSST makes its decision?

Top-up amount

If, after the decision of the CSST, you pay an employee an amount **in addition to** the indemnity he or she is paid by the CSST, the amount (referred to as a **top-up amount**) is treated as employment income and must therefore be reported on the employee's RL-1 slip.

Note that the **top-up amount** is not subject to QPIP premiums.

Amounts paid before 2008

Where an accident occurred before 2008 and, in accordance with the instructions in a previous version of the *Guide for Employers*, you treated certain amounts paid in the period before the CSST made its decision as deemed indemnities, you must consider the **amounts paid before 2008** as advances of indemnities or loans. Instructions on how to proceed, depending on whether the amounts were repaid to you by the employee, are given below.

Repayment of amounts paid before the CSST's decision

Where the CSST recognizes an employee's entitlement to an indemnity, you will generally be repaid by the employee or (where applicable) reimbursed by the CSST any amounts you paid the employee in the period before the decision. How the amounts are treated will depend on the circumstances under which you initially paid them.

Advances of indemnities or loans

You are not required to make any adjustments with respect to an advance of indemnities or a loan you made to an employee that the employee **repays** in full or the CSST **reimburses** in full because the amount does not have to be included as part of the employee's income. You are therefore not required to file an RL-1 slip for the repayment or reimbursement. If you are repaid a portion of the amount by the employee, see the paragraph headed "Advances of indemnities or loans" below.

Salary or wages, or wage loss replacement benefits

If you paid an employee a salary or wages (including sick leave accumulated but not used) or wage loss replacement benefits, you must file an RL-1 slip. You must also file an RL-1 slip if the employee repays an **excess amount** you paid.

Important

For a detailed explanation of how to report the amounts referred to above, see section 5.2 of the *Guide to Filing the RL-1 Slip: Short Version* (RLF-1.GS-V).

Amounts not repaid in the year

If you are not repaid, before the end of the year, the amounts you paid the employee in the period before the CSST made its decision, the way those amounts are treated will depend on the circumstances under which you initially paid them.

Advances of indemnities or loans

If you made an advance of indemnities or a loan that the employee has not repaid or has repaid in part before December 31 of the year in which the CSST made its decision, we consider that you have forgiven the debt and that the employee received a **taxable benefit** equal to the amount not reimbursed over the course of the year. You are required to report this amount on the employee's RL-1 slip.

If you allow the employee to use **sick leave** to repay an advance of indemnities or a loan, the remuneration that corresponds to the gross salary or wages the employee would have received for the sick leave at the time you allow the employee to use the sick leave to repay you constitutes employment income. You must report this amount on the employee's RL-1 slip.

Example

Alex owes you \$1,200 for an advance of indemnities that corresponds to a pay period of 10 days, for gross remuneration of \$120 per day. On his return to work, his gross remuneration increases to \$150 per day. At that time, you allow Alex to use his sick leave to repay the amount of the advance.

- (a) Number of days of sick leave used by Alex to repay the amount of the advance of indemnities: **8 days** ($\$1,200 \div \150)
- (b) Alex's gross remuneration on which you are required to calculate your source deductions, employer contributions and compensation tax: **\$1,200** (8 days x \$150 per day)

Salary or wages, or wage loss replacement benefits

You are not required to make any adjustments with respect to a salary or wages, or wage loss replacement benefits, you paid that the employee **does not repay** because the amounts must be included as part of the employee's income.

Important

For a detailed explanation of how to report the amounts referred to above, see section 5.2 of the *Guide to Filing the RL-1 Slip: Short Version* (RLF-1.GS-V).

10.4.4 Amounts paid for the employee's care or rehabilitation

In addition to the amounts referred to in sections 10.4.2 and 10.4.3, certain other amounts paid further to an industrial accident are considered to be income replacement indemnities. As a result, they do not need to be reported on the employee's RL-1 slip as

they will be reported on the RL-5 slip that the employee receives from the CSST. The following amounts are considered to be income replacement indemnities:

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

Note

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

If you pay **more** than 100% of the employee's **net salary or wages**, the **excess amount** constitutes employment income and must be reported on the employee's RL-1 slip.

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

If your employee is obliged to miss work for a day or part of a day to undergo a medical test at your request, you must, under the *Act respecting industrial accidents and occupational diseases*, pay 100% of the employee's **net salary or wages**. As the amount paid constitutes employment income, it must be reported on the employee's RL-1 slip.

Note

This amount will not be reimbursed by the CSST.

Important

For a detailed explanation of how to report the amounts referred to above, see section 5.2 of the *Guide to Filing the RL-1 Slip: Short Version* (RLF-1.GS-V).

10.4.5 Employers operating a transport enterprise

Interprovincial or international railway transport or shipping enterprises are **the only businesses** that may be recognized as self-insurers within the meaning of the *Act respecting industrial accidents and occupational diseases*. If you are recognized as a self-insurer, you are personally liable for the payment of income replacement indemnities to an employee who is absent from work following an industrial accident; this applies both before and after the CSST makes a decision.

As a rule, the amounts you pay the employee both before and after the decision of the CSST that correspond to the income replacement indemnity provided for under the Act constitute an income replacement indemnity. As a result, you do not have to report them on the employee's RL-1 slip as they will be reported on the RL-5 slip that the employee receives from the CSST.

However, the amounts you pay the employee to compensate for the salary or wages lost as a result of the employee's absence on the day of the accident, or the employee's absence to undergo a medical test at your request, constitute employment income. They must therefore be reported on the employee's RL-1 slip.

Similarly, if you pay the employee **more** than the income replacement indemnity provided for under the *Act respecting industrial accidents and occupational diseases*, the excess amount constitutes employment income and must be reported on the employee's RL-1 slip. For example, if the CSST indemnity is \$500, and you pay the employee \$600, you must report \$100 (\$600 - \$500) on the employee's RL-1 slip.

If the employee repays the amounts referred to in the previous paragraph over the course of one year, you are required to file an RL-1 slip. In this way, the employee will be able to claim a

deduction of the amounts repaid over the course of the year on his or her income tax return for the year.

However, if the employee repays the income replacement indemnity referred to in the second paragraph of this section, you are not required to make any adjustments as the repayment will be reported on the RL-5 slip the employee receives from the CSST.

10.4.6 How to treat the amounts paid by an employer that is not a self-insurer following an industrial accident

Important

For a detailed explanation of how to report the amounts referred to below, see section 5.2 of the *Guide to Filing the RL-1 Slip: Short Version* (RLF-1.GS-V).

Before the CSST's decision

	How to treat the amounts paid	RL slip concerned	Income tax	QPP	QPIP	Health services fund	CNT
Day of the accident (100% of net salary or wages)	Employment income	RL-1 slip	Yes	Yes	Yes	Yes	Yes
First 14 days following the day of the accident	Income replacement indemnity	RL-5 slip	No	No	No	No	No
• Excess amount	Employment income	RL-1 slip	Yes	Yes	Yes	Yes	Yes
Beginning on the 15th day following the day of the accident to the day of the CSST's decision							
• Advance of indemnities or loan (including interest accumulated)	No adjustment	N/A	No	No	No	No	No
• Salary or wages	Employment income	RL-1 slip	Yes	Yes	Yes	Yes	Yes
• Wage loss replacement benefits ¹							
– paid by the employer	Employment income	RL-1 slip	Yes	Yes	Yes	Yes	Yes
– paid by an insurer or a trustee	Wage loss replacement benefits ²	RL-1 slip	Yes	No ³	Yes/No ⁴	No	No

After the CSST's decision

	How to treat the amounts paid	RL slip concerned	Income tax	QPP	QPIP	Health services fund	CNT
If you pay a top-up amount	Employment income	RL-1 slip	Yes	Yes	No ⁵	Yes	Yes
If you receive a repayment or reimbursement							
• Advance of indemnities or loan	No adjustment	N/A	No	No	No	No	No
• Salary or wages, or wage loss replacement benefits	Repayment of salary or wages, or wage loss replacement benefits	RL-1 slip	N/A	N/A	N/A	N/A	N/A
• Excess amount	Repayment of salary or wages	RL-1 slip	N/A	N/A	N/A	N/A	N/A
If you are not repaid or reimbursed							
• Advance of indemnities or loan – not repaid in full by the employee	Taxable advantage equal to the amount not repaid	RL-1 slip	Yes	Yes	Yes	Yes	Yes
– repayment using sick leave	Employment income	RL-1 slip	Yes	Yes	Yes	Yes	Yes
• Salary or wages, or wage loss replacement benefits	No adjustment	N/A	N/A	N/A	N/A	N/A	N/A
Amounts paid for the employee's care or rehabilitation							
• 100% of net salary or wages	Income replacement indemnity	RL-5 slip	No	No	No	No	No
• Excess amount	Employment income	RL-1 slip	Yes	Yes	Yes	Yes	Yes
Amount paid in order for an employee to undergo a medical test at your request (100% of net salary or wages)	Employment income	RL-1 slip	Yes	Yes	Yes	Yes	Yes
<ol style="list-style-type: none"> 1. If you are not an insurer and you pay amounts directly to the employee to compensate for the loss of all or part of his or her employment income, the amounts may be considered to be wage loss replacement benefits. Contact us for more information. 2. Wage loss replacement benefits paid by an insurer under a wage loss replacement plan to which the employer contributed (the employer must not control the plan or determine eligibility for the benefits). 3. The employee's contribution with respect to this amount is optional. 4. Special rules apply in respect of the QPIP. See section 12.13 of the <i>Guide for Employers</i> (TP-1015.G-V). 5. This amount is not subject to QPIP premiums when it is paid following a favourable decision by the CSST. 							

10.5 Indemnity in lieu of notice

Under the *Act respecting labour standards*, you must give written notice to an employee before terminating his or her contract of employment, taking into account the period of notice determined on the basis of the employee's number of years of uninterrupted service. If you do not give the employee notice in writing, or if you do not give notice within the time limit prescribed by the Act, you must pay the employee an indemnity in lieu of notice.

If the employee works during the period of notice, the amount paid for this period constitutes salary or wages. The amount is subject to source deductions of income tax, employee and employer QPP contributions, employee and employer QPIP premiums and the employer contributions to the health services fund and to the financing of the CNT.

Similarly, the amount is included in your **total payroll** used to calculate your rate of contribution to the health services fund.

The indemnity in lieu of notice you pay an employee is considered a retiring allowance. The amount is subject to source deductions of income tax, employee and employer QPIP premiums and the employer contribution to the financing of the CNT only.

Indemnity in lieu of notice

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

10.6 Vacation pay

Employees who take vacations

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

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

Employees who do not take vacations

If you give vacation pay to an employee who is not taking holidays, use the method applicable to bonuses to calculate the remuneration subject to source deductions of income tax (see section 10.2). If you are using the mathematical formula based on regular payments or the mathematical formula **based on a cumulative average**, you may use either of the methods applicable to bonuses to calculate the income tax withholding (see sections 12.3.1.2 and 12.3.2).

Payments made to a trust as credits for vacation time accumulated

Payments that you make to a trust, as credits for vacation time accumulated by an employee, must be included in the employee’s income for the year in which the payments are made. The payments are subject to source deductions of income tax, employee and employer QPP contributions, employee and employer QPIP premiums and the employer contributions to the health services fund and to the financing of the CNT.

Similarly, the payments are included in your **total payroll** used to calculate your rate of contribution to the health services fund.

10.7 Directors’ fees

10.7.1 Source deductions of income tax

If, for a pay period, you pay directors’ fees to a director **who also receives a regular salary**, add the amount of the fees to the salary and make the income tax withholding in the usual way (see section 5.4.3). If you are using the mathematical formulas, include the fees in variable G.

You are not required to withhold income tax if you pay **only** directors’ fees to a director who is resident in Canada and you estimate that the value of the fees for the year will not exceed the total of the amounts indicated by the director on lines 10 and 19 of form TP-1015.3-V (or \$10,455 if he or she did not complete the form). Otherwise, you must withhold income tax using the method explained in the following paragraph. You must also use

this method if the director entered the deduction code “0” on form TP-1015.3-V.

Determine the amount of income tax to withhold as follows:

- (a) To obtain the monthly amount of directors’ fees, divide the value of the fees by the number of months that have elapsed since the later of the following dates: the date of the last payment and January 1, 2009.
- (b) In the section of table TP-1015.TI-V marked “12 pay periods per year,” locate the monthly income tax withholding for the amount determined in (a), and multiply it by the number of months that have elapsed since the later of the following dates: the date of the last payment and January 1, 2009. The result is the amount of income tax to withhold from the directors’ fees.

Note

You cannot use the mathematical formulas in Chapter 12 with the method explained in the previous paragraph. You must therefore do the calculation yourself.

If you pay **only** directors’ fees to a **director who is not resident in Canada**, for services performed for you in Québec, you must withhold 9% income tax from the payment.

10.7.2 QPP contributions

If, for a pay period, you pay directors’ fees to a director **who also receives a regular salary**, add the amount of the fees to the salary and determine the QPP contribution in the usual way.

If you pay **only** directors’ fees to the person, divide the annual QPP exemption of \$3,500 by the number of fee payments made during the year.

Example

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

If you pay **only** directors’ fees to a **director who is not resident in Canada**, you are not required to withhold or pay QPP contributions if the director holds office partly or entirely outside Canada.

10.7.3 QPIP premiums and other employer contributions

If, for a pay period, you pay directors’ fees to a director **who also receives a regular salary**, or if you pay **only** directors’ fees to a director, the payment is subject to employee and employer QPIP premiums and the employer contribution to the health services fund **if one of the conditions in column B of the table in section 4.1 is met**.

Similarly, the amount is included in your **total payroll** used to calculate your rate of contribution to the health services fund.

The amount is not subject to the employer contribution to the financing of the CNT.

10.8 Single payments

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

- 16% (if the payment does not exceed \$5,000); or
- 20% (if the payment is over \$5,000).

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

- a retiring allowance (see section 10.8.1);
- a death benefit (see section 10.8.2);
- a payment made further to an order or judgment, as salary or wages owed to an employee or a former employee, if a portion of the amount paid relates to a previous year (see section 10.8.3).

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

Single payment

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

Note

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

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

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

10.8.1 Retiring allowances

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

Retiring allowance

Amount paid to an employee upon

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

Note

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

10.8.2 Death benefits

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

For other amounts paid after an employee's death, see section 11.3.

Death benefit

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

Note

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

10.8.3 Payment made further to an order or judgment

You must withhold income tax of 16% or 20% (see section 10.8) 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**.

10.9 Tips

Source deductions of income tax and QPP contributions

In calculating an employee's remuneration subject to source deductions of income tax and his or her pensionable salary or wages for the purposes of the QPP, you must add the amounts of the following tips to the employee's basic salary or wages:

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

If you are using the mathematical formulas, include the tips in variable G to calculate the source deductions of income tax and in variable S_3 to calculate the QPP contribution.

QPIP premiums

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

- tips that result from tippable sales and that are reported to you by the employee 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) and that are reported to you by the employee on the *Register and Statement of Tips* or an equivalent document;
- tips that, because they constitute service charges added to a customer's bill, are distributed to the employee for the pay period and do not have to be reported on the *Register and Statement of Tips* or an equivalent document.

Note

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

If you are using the mathematical formulas, include the tips in variable S_4 to calculate the QPIP premium.

Important

When you cannot make all the source deductions because an employee's basic salary or wages (in cash) are insufficient, deduct amounts in the following order: employment insurance premium, federal income tax, QPP contribution, QPIP premium, 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 about the reporting of tips, the tip-allocation mechanism and the refundable tax credit you may claim.

11 Special cases

11.1 Indian employees

This section is for all employers (regardless of whether they are Indians) that have an employee who is an Indian.

11.1.1 Salary or wages derived from employment duties performed partly or entirely on a reserve or premises

Source deductions of income tax and QPP contributions

If an Indian performs his or her employment duties partly or entirely on a reserve or premises, you are not required to withhold income tax from the employment income (or portion thereof) that gives entitlement to the deduction for employment income situated on a reserve or premises.

Moreover, you are not required to withhold or pay QPP contributions with respect to the employment income that gives entitlement to the deduction, unless you have made an irrevocable election on form RR-2-V, *Election to Participate in the Québec Pension Plan: Indian Employees Whose Employment Is Excepted by Reason of a Tax Exemption*.

If the conditions given in the following table are met, **all** of the employment income earned by an Indian gives entitlement to the deduction. If the conditions are not met, only the **portion** of the income attributable to the employment duties performed on the reserve or premises gives entitlement to the deduction.

Description of employment	Conditions that must be met for all the income from the employment to give entitlement to the deduction
At least 90% of the employment duties are performed on a reserve or premises.	None
More than 50% (but less than 90%) of the employment duties are performed on a reserve or premises.	<ul style="list-style-type: none"> The Indian lives on a reserve. or <ul style="list-style-type: none"> The employer manages and administers the business on a reserve or premises.
More than 50% of the employment duties are performed outside a reserve or premises.	<ul style="list-style-type: none"> The Indian lives on a reserve. and <ul style="list-style-type: none"> The employer manages and administers the business on a reserve or premises.

A special rule applies if the employer is an Indian band, a band council or an Indian organization that pays a salary or wages to an Indian whose employment duties are part of the employer's non-commercial activities that are intended for the well-being of Indians who live on a reserve. See section 11.2 (2nd and 3rd paragraphs under the heading "Source deductions of income tax and QPP contributions").

Example

An employer that manages and administers a business on a reserve pays an Indian employee a gross salary of \$500 per week. 40% of the employee's duties are performed on the reserve and 60% are performed outside the reserve. The employee does not live on a reserve.

In this case, the conditions for all the employment income to give entitlement to the deduction have not been met. If more than 50% of the employment duties are performed outside a reserve or premises, the Indian must live on a reserve for the full amount of employment income to be deducted in the calculation of his or her taxable income. Consequently, only the portion of the income attributable to the duties performed on the reserve (\$200, that is, 40% of \$500) is considered to be employment income situated on a reserve or premises and therefore gives entitlement to the deduction.

Consequently, the employer must withhold income tax only from the portion of the income attributable to the duties performed outside the reserve, that is, \$300 (60% of \$500).

If the same employee had lived on a reserve, the employer would not have been required to deduct income tax at source, because the conditions would have been met and the full amount of the income (\$500) would have given entitlement to the deduction.

QPIP premiums

All of the salary or wages paid to an Indian are subject to employee and employer QPIP premiums, even if the salary or wages are employment income that gives entitlement to the deduction for employment income situated on a reserve or premises.

This is the case for all employers, regardless of whether the employer is an Indian, an Indian band, a band council or an Indian organization.

Other employer contributions

Indian employer

Special rules apply to an employer that is an Indian, an Indian band, a band council or an Indian organization. See section 11.2.

Other employers

All of the salary or wages paid to an Indian are subject to the employer contribution to the health services fund and the contribution to the financing of the CNT, even if the salary or wages are employment income that gives entitlement to the deduction for employment income situated on a reserve or premises.

Similarly, all of the salary or wages paid to an Indian are included in your **total payroll** used to calculate your rate of contribution to the health services fund.

11.1.2 Other income attributable to employment duties performed partly or entirely on a reserve or premises

As a rule, you are not required to withhold income tax from amounts you pay to an Indian if the amounts are from employment income that gives entitlement to the deduction for employment income situated on a reserve or premises. Such an amount may be

- a benefit paid under the *Employment Insurance Act* (federal statute) or the *Act respecting parental insurance*;
- a benefit paid under the *Act respecting the Québec Pension Plan* or under an equivalent plan, within the meaning of the Act;
- a retiring allowance;
- a benefit paid under an RPP;
- a benefit paid under a wage loss replacement plan to which the beneficiary's employer contributed.

Where only a portion of the employment income gives entitlement to the deduction (as in the example in section 11.1.1), only an equivalent portion of the amounts referred to in the preceding paragraph also gives entitlement to the deduction in the calculation of the taxable income of the Indian. Consequently, you are not required to withhold income tax from the portion of the amount that gives entitlement to the deduction.

11.1.3 Definitions¹

Dwelling

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

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

Indian

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

Indian employer

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

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

Indian who lives on a reserve

An Indian who lives in a dwelling situated on a reserve, if the dwelling is his or her principal place of residence and the centre of his or her daily routine.

Premises

A place in Québec used exclusively for negotiations between the Québec government and an agency representing Indians of Québec and so designated by the government.

Reserve

A territory reserved for Indians that is

- a reserve within the meaning of subsection 2(1) of the *Indian Act* (federal statute);
- category IA or IA-N lands within the meaning of the *Cree Naskapi (of Quebec) Act* (federal statute);
- the Indian settlements of Hunter's Point, Kitcisakik (Grand-Lac-Victoria) and Pakuashipi (Saint-Augustin);
- an Indian settlement;² or
- Sechelt lands within the meaning of the *Sechelt Indian Band Self-Government Act* (federal statute).

1. Contact us for definitions of the terms "Indian band" and "band council."
2. Within the meaning of section 2 of the *Indians and Bands on Certain Indian Settlements Remission Order*, made by Order in Council P.C. 1992-1052 of May 14, 1992, as amended by Order in Council P.C. 1994-2096 dated December 14, 1994, under the *Financial Administration Act*, or of section 1 of the *Indians and Bands on Certain Indian Settlements Remission Order (1997)*, made by Order in Council P.C. 1997-1529 dated October 23, 1997, under that Act.

11.2 Indian employer

This section provides information if you are an Indian employer. If you have one or more employees who are Indians, see section 11.1.

Note

Section 11.1.3 contains definitions of the key terms relating to Indian employers and employees who are Indians.

Source deductions of income tax and QPP contributions

The rules concerning source deductions of income tax and QPP contributions apply to all employers, including Indian employers. Therefore, if you have an employee who is an Indian, the rules given in sections 11.1.1 and 11.1.2 apply to you.

However, a special rule applies where the employer is

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

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

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

QPIP premiums

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

Employer contribution to the health services fund

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

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

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

Contribution to the financing of the CNT

All employers, including Indian employers, are subject to the contribution to the financing of the CNT.

However, if you are an employer that is an Indian band or a band council, you are not subject to the contribution to the financing of the CNT with respect to activities of the Indian band or band council that relate to their "Indianness," within the scope of the powers conferred on the bands and band councils by Canadian legislation, under the *Indian Act* and the *Cree-Naskapi (of Quebec) Act*, with respect to the administration of the bands.

11.3 Amounts paid following the death of an employee

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

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

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

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

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

Note

An amount paid for accumulated sick leave is considered a **death benefit** and is therefore subject only to income tax withholdings. Income tax is withheld at a rate of 16% or 20%, as applicable (see section 10.8.2).

12 Mathematical formulas to calculate Québec income tax withholdings, QPP contributions, QPIP premiums and the contribution to the health services fund

12.1 General information

You may use the mathematical formulas in this chapter to calculate Québec income tax withholdings. One formula is used to calculate withholdings for regular payments of remuneration made to employees or beneficiaries. The other formula, used to calculate withholdings for employees whose remuneration varies, is based on a cumulative-averaging method. You will also find formulas for calculating

- employee QPP contributions,
- employee and employer QPIP premiums, and
- the employer contribution to the health services fund.

Note

You cannot use the mathematical formulas to calculate source deductions of income tax if the source deduction is calculated using a fixed rate that must be applied to the gross remuneration. For example, you cannot use the formulas for single payments (see section 10.8).

12.2 Principal changes

Variable E – Total personal tax credits

The indexation factor used to calculate the value of personal tax credits for 2009 is 2.36%. Thus, for 2009, variable E corresponds to the total of

- the value of variable E_1 , **multiplied**
 - by 1, for employees who began employment in 2009 and employees who completed the 2009-01 version of form TP-1015.3-V,
 - or
 - by $(1 + 0.0236)$ (the indexation factor for 2009)), for employees who did not complete the 2009-01 version of form TP-1015.3-V, unless the individual is an employee who began employment in 2009,

plus

- the value of variable E_2 .

Variable H – Deduction for employment income

Beginning January 1, 2009, the maximum deduction for employment income (\$1,000) that may be claimed by all employees is to be indexed annually, using the same indexation method as for the personal income tax system. The maximum deduction for employment income for 2009 is \$1,025 ($\$1,000 \times 2.36\%$ (the indexation factor for 2009)).

The following changes have been made to the mathematical formulas to take into account the indexation of this deduction.

	Variables	Existing variables
Formula for section 12.3.1.1	<p>D = Gross salary or wages subject to source deductions of income tax for the pay period. Do not include bonuses, retroactive pay or similar lump-sum payments.</p> <p>H = Deduction for employment income = $0.06 (D)$, maximum of \$1,025/P</p>	$I = [P (G - F - H)] - J - J_1$
Formula for section 12.3.1.2	<p>$D_1 = B_1 + B_2 + G_1 + D$</p> <p>$H_1$ = Total of the amounts included in variable H, accrued to the date the bonus, retroactive pay or similar lump-sum payment was paid</p> <p>$H_2 = 0.06 (D_1)$, maximum of $(\\$1,025 - H_1)/P$</p>	$I_1 = (G_1 - F_1 - H_1) + [Pr (G - F - H_2) - J - J_1]$
Formula for section 12.3.2.1	<p>D = Gross salary or wages subject to source deductions of income tax for the pay period, plus the total gross salary or wages since the beginning of the year (including variable B)</p> <p>H = Deduction for employment income = $0.06 (D)$, maximum of \$1,025</p>	$I = S_1 (G - F - H) + B - J - J_1$
Formula for section 12.3.2.2	<p>D_1 = Total gross salary or wages since the beginning of the year, excluding variables B_3 and B_4</p> <p>$H_1 = 0.06 (D_1 + B_3)$, maximum of \$1,025</p> <p>$H_2 = 0.06 (D_1 + B_4)$, maximum of \$1,025</p>	<p>$I_3 = S_1 (G - F - H_1) + B_3 - J - J_1$</p> <p>$I_4 = S_1 (G - F - H_2) + B_4 - J - J_1$</p>

Variable K – Adjustment of the income tax rates

For 2009, 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:

- The 16% rate applies to taxable income of \$38,385 or less. (The threshold was previously \$37,500.)
- The 20% rate applies to taxable income over \$38,385 but not over \$76,770. (The threshold was previously \$75,000.)
- The 24% rate applies to taxable income over \$76,770.

The values of variable K have therefore been increased from \$1,500 to \$1,535 and from \$4,500 to \$4,606.

Variable M – QPP

The maximum pensionable earnings for the purposes of the QPP have been increased from \$44,900 to \$46,300. Variable M has therefore been increased from \$2,049.30 to \$2,118.60.

Variables N and N₁ – QPIP

The maximum insurable earnings subject to QPIP premiums have been increased from \$60,500 to \$62,000. Also, the employee premium rate has been increased from 0.450% to 0.484%, and the employer premium rate has been increased from 0.630% to 0.677%. As a result, variable N is \$300.08 (instead of \$272.25) and variable N₁ is \$419.74 (instead of \$381.15).

12.3 Source deductions of Québec income tax

12.3.1 Calculating income tax withholdings for regular payments

You must use the formula in section 12.3.1.1 for remuneration that you pay at regular intervals to an employee.

If the payment you make to an employee covers not only the employee's salary or wages, but also a bonus, retroactive pay or similar lump-sum payment (for example, a payment covering **accumulated overtime or unused vacation time**), use one of the methods described in section 12.3.1.2.

Note

If the remuneration you pay varies in amount from one pay period to another (this may be the case if, for example, you pay commissions to an employee), use instead one of the methods described in section 12.3.2.

12.3.1.1 Regular payments

Definition of variables

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

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

▼
If the result is negative, enter 0.

D = Gross salary or wages (see section 1.4 for information on the term "salary or wages") subject to source deductions of income tax for the pay period. **Do not include** bonuses, retroactive pay or similar lump-sum payments.

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

$$= E_1 \times (1 + 0.0236) + E_2$$

▼

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

Important

If variable E₁ corresponds to one of the first two amounts mentioned in the definition of that variable, multiply variable E₁ by 1 rather than by 1.0236. Variable E₁ is to be indexed only if it corresponds to the third amount mentioned in the definition.

E₁ = One of the following amounts:

- the amount from line 7 of form TP-1015.3-V, for employees who completed the 2009-01 version of the form;
- \$10,455 (the basic amount for 2009), for employees who began employment in 2009 and who did not complete form TP-1015.3-V;
- the indexed value of variable E₁ for 2008.

Note

The indexed value of variable E₁ for 2008 is equal to the value of variable E₁ for 2007, multiplied by the indexation factor for 2008. **After the variable has been indexed for 2008**, add to that amount \$345 (\$690 if the employee claimed an amount transferred from one spouse to the other) to take into account the new basic amount of \$10,215 for 2008. For example, if the indexed value of variable E₁ for 2007 is \$20,000, the value of variable E₁ for 2008 is calculated as follows:

$$\$20,000 \times (1 + 0.0121) + \$345$$

The indexed value of variable E₁ for 2008 may also be obtained by doing the following calculation: value of variable E for 2008, **minus** the value of variable E₂ for 2008.

E_2 = One of the following amounts:

- the amount from line 9 of form TP-1015.3-V, for employees who completed the 2009-01 version of the form;
- the value of variable E_2 for 2008.

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

- amounts withheld as contributions to an RPP (see section 5.4.1.1);
- amounts withheld as contributions to an RRSP (see section 5.4.1.2);
- amounts withheld as contributions paid under a retirement compensation arrangement;
- the deduction respecting the CIP, that is, 125% of the amount withheld from the employee's remuneration for the purchase of preferred shares qualifying under the CIP (see section 5.4.1);
- the travel deduction for residents of designated remote areas (see section 5.4.1.3);
- the deduction for employment income situated on a reserve or premises (see sections 11.1.1 and 11.1.2).

G = Gross remuneration (see section 1.4 for information on the term "remuneration") subject to source deductions of income tax for the pay period. **Do not include** bonuses, retroactive pay or similar lump-sum payments.

H = Deduction for employment income
 = 0.06 (D), maximum of \$1,025/P

I = Annual taxable income
 = $[P (G - F - H)] - J - J_1$

J = Deductions indicated on line 19 of form TP-1015.3-V. If the value of J is determined after the first pay period in the year, it is instead equal to the result of the following calculation:

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

J_1 = Annual deductions that we authorized after the employee completed form TP-1016-V, *Application for a Reduction in Source Deductions of Income Tax*. If the value of J_1 is determined after the first pay period in the year, it is instead equal to the result of the following calculation:

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

J_2 = Deductions that we authorized 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 opposite)

K_1 = Non-refundable tax credits that we authorized for the year after the employee completed form TP-1016-V, *Application for a Reduction in Source Deductions of Income Tax* (for example, the tax credit for charitable donations). If the value of K_1 is determined after the first pay period in the year, it is instead equal to the result of the following calculation:

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

K_2 = Non-refundable tax credits that we authorized after the first pay period in the year

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

P = Number of pay periods in the year

Pr = Number of pay periods remaining in the year

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

Note

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

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

Y = Québec income tax for the year
 = $T (I) - K - K_1 - 0.20 (E) - 0.15 [P (Q)]$
 If the result is negative, enter 0.

Income tax table

Annual taxable income (variable I)		T	K
Over	But not over		
\$0	\$38,385	16%	\$0
\$38,385	\$76,770	20%	\$1,535
\$76,770		24%	\$4,606

12.3.1.2 Bonuses, retroactive pay or similar lump-sum payments

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

Note

If you estimate that the total of the employee's annual salary or wages and the amount of the lump-sum payment will not be more than \$13,050, do not use these formulas. Simply withhold 8% income tax from the lump-sum payment. Do not withhold income tax if the employee completed the 2009-01 version of form TP-1015.3-V and entered "X" on line 20 of the form (see section 3.7.5).

Method 1

Certain variables are not defined below because they have the same value as the variables already defined for regular payments in section 12.3.1.1.

A_1 = Québec income tax to be withheld at source from a bonus, retroactive pay or similar lump-sum payment paid during the pay period
 $= Y_2 - Y_1$

B_1 = Bonuses, retroactive pay or similar lump-sum payments paid since the beginning of the year (excluding variable B_2) (see note 1 below)

B_2 = Bonuses, retroactive pay or similar lump-sum payments paid during the pay period (see note 1 below)

$D_1 = B_1 + B_2 + G_1 + D$

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

G_1 = Gross salary or wages (see section 1.4 for information on the term "salary or wages"), **accrued** to the date the bonus, retroactive pay or similar lump-sum payment was paid

H_1 = Total of the amounts included in variable H (see section 14.3.1.1), **accrued** to the date the bonus, retroactive pay or similar lump-sum payment was paid

$H_2 = 0.06 (D_1)$, maximum of (\$1,025 - H_1)/P

I_1 = Annual taxable income to the date the bonus, retroactive pay or similar lump-sum payment was paid
 $= (G_1 - F_1 - H_1) + [Pr (G - F - H_2)] - J - J_1$

Pr = Number of pay periods remaining in the year

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

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

Note 1

If you took into account an amount included in variable F in calculating the income tax to be withheld from bonuses, retroactive pay or similar lump-sum payments you have paid since the beginning of the year (variable B_1), including those 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 , you must 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 \$35,000 and variable B_1 equals \$5,000, the income tax rate (variable T) will be the rate applicable to taxable income of \$40,000 (\$35,000 + \$5,000), that is, 20%.

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

Method 2

- Determine the taxable income for the **regular payments (variable I)**. Please note that when you determine variable I, you **must not include** in variable F the portion of the amounts (listed for variable F) that pertains to bonuses, retroactive pay or similar lump-sum payments that you have paid since the beginning of the year, including those paid during the pay period.
- Determine the amount of the bonuses, retroactive pay or similar lump-sum payments you have paid since the beginning of the year (variable B_1), without taking into account the amount paid during the pay period.
- Determine the amount of the bonuses, retroactive pay or similar lump-sum payments paid during the pay period (variable B_2).
- Add the amounts determined in (a) through (c) to obtain the taxable income.
- Determine the tax rate that applies to the annual taxable income calculated in (d) (see the income tax table at the end of section 12.3.1.1).
- Multiply variable B_2 , calculated in (c), by the tax rate determined in (e).

Example

Tom, an employee whose gross salary is \$700 per week, contributes \$25 per week to an RPP. His employer withholds \$73.21 in income tax from the salary paid each pay period.

During one pay period, Tom receives retroactive pay of \$4,000 in addition to his salary. During that pay period, Tom's RPP contribution is increased to \$165, of which \$140 relates to the retroactive pay.

Variable I $(\$700 - \$25) \times 52$ pay periods	\$35,100.00
Variable B ₁	+ \$0.00
Variable B ₂ $(\$4,000 - \$140)$	+ \$3,860.00
Annual taxable income	= \$38,960.00
According to the income tax table, the tax rate applicable to this income is 20%.	
Retroactive pay	\$4,000.00
Contribution to an RPP	- \$140.00
Variable B ₂	= \$3,860.00
	x 0.20
Income tax withholding from his retroactive pay	= \$772.00
Income tax withholding from his salary	+ \$73.21
Total income tax withholding for the pay period	= \$845.21

12.3.2 Calculating income tax withholdings on a cumulative-averaging basis

You must use one of the following methods to calculate source deductions of Québec income tax for employees whose remuneration varies (for example, employees who earn commissions).

Either of the following methods may be used to calculate income tax on bonuses, retroactive pay or similar lump-sum payments (for example, a payment covering accumulated overtime or unused vacation time).

Under Method 1, the Québec income tax to be withheld from these amounts is spread out over the pay periods remaining in the year. Under Method 2, the total amount of Québec income tax applicable to the bonus or retroactive pay is withheld for the pay period concerned.

Note

If you estimate that the total of the employee's annual salary or wages and the lump-sum payment will not be more than \$13,050, do not use these formulas. Simply withhold 8% income tax from the lump-sum payment. Do not withhold income tax if the employee completed the 2009-01 version of form TP-1015.3-V and entered "X" on line 20 of the form (see section 3.7.5).

12.3.2.1 Method 1

Definition of variables

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

$$= \frac{(Y/S_1) - M}{5} + L$$

▼
If the result is negative, enter 0.

B = Bonuses, retroactive pay or similar lump-sum payments paid during the pay period, **plus** those paid since the beginning of the year

D = Gross salary or wages (see section 1.4 for information on the term "salary or wages") subject to source deductions of income tax for the pay period, **plus** the total gross salary or wages since the beginning of the year (including variable B)

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

$$= E_1 \times (1 + 0.0236) + E_2$$

▼

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

Important

If variable E₁ corresponds to one of the first two amounts mentioned in the definition of that variable, multiply variable E₁ by 1 rather than by 1.0236. Variable E₁ is to be indexed only if it corresponds to the third amount mentioned in the definition.

E₁ = One of the following amounts:

- the amount from line 7 of form TP-1015.3-V, for individuals who completed the 2009-01 version of the form;
- \$10,455 (the basic amount for 2009), for employees who began employment in 2009 and who did not complete form TP-1015.3-V;
- the indexed value of variable E₁ for 2008.

Note

The indexed value of variable E₁ for 2008 is equal to the value of variable E₁ for 2007, multiplied by the indexation factor for 2008. **After the variable has been indexed for 2008**, add to that amount \$345 (\$690 if the employee claimed an amount transferred from one spouse to the other) to take into account the new basic amount of \$10,215 for 2008. For example, if the indexed value of variable E₁ for 2007 is \$20,000, the value of variable E₁ for 2008 is calculated as follows:

$$\$20,000 \times (1 + 0.0121) + \$345$$

The indexed value of variable E_1 for 2008 may also be obtained by doing the following calculation: value of variable E for 2008, **minus** the value of variable E_2 for 2008.

E_2 = One of the following amounts:

- the amount from line 9 of form TP-1015.3-V, for employees who completed the 2009-01 version of the form;
- the value of variable E_2 for 2008.

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

- amounts withheld as contributions to an RPP (see section 5.4.1.1);
- amounts withheld as contributions to an RRSP (see section 5.4.1.2);
- amounts withheld as contributions paid under a retirement compensation arrangement;
- the deduction respecting the CIP, that is, 125% of the amount withheld from the employee's remuneration for the purchase of preferred shares qualifying under the CIP (see section 5.4.1);
- the travel deduction for residents of designated remote areas (see section 5.4.1.3);
- the deduction for employment income situated on a reserve or premises (see sections 11.1.1 and 11.1.2).

G = Gross remuneration (see section 1.4 for information on the term "remuneration") subject to source deductions of income tax for the pay period, **plus** the total gross remuneration since the beginning of the year (**excluding variable B**)

H = Deduction for employment income
= 0.06 (D), maximum of \$1,025

I = Estimated annual taxable income
= $S_1 (G - F - H) + B - J - J_1$
If the result is negative, enter 0.

J = Deductions indicated on line 19 of form TP-1015.3-V

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

K = Constant applicable for the adjustment of the income tax rate (see the income tax table at the end of section 12.3.1.1)

K_1 = Non-refundable tax credits that we authorized for the year 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 (excluding variable L)

P = Number of pay periods in the year

Q = Amount withheld for the pay period for the purchase of class A shares in the Fonds de solidarité des travailleurs du Québec (FTQ) or class A or class B shares in Fondation, le Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l'emploi, **plus** the amount withheld for this purpose since the beginning of the year

Note

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

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

Examples of factor S_1

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

T = Income tax rate applicable to the bracket of annual taxable income (variable I) (see the income tax table at the end of section 12.3.1.1)

Y = Québec income tax for the year
= $T (I) - K - K_1 - 0.20 (E) - 0.15 [S_1 (Q)]$

12.3.2.2 Method 2

Certain variables used in Method 2 are not defined below because they are the same as those used in Method 1.

If you use Method 2, **you must first determine** the Québec income tax to be withheld from a bonus, retroactive pay or similar lump-sum payment that you paid during the pay period (variable A_3), and **then determine** the Québec income tax to be withheld from the other 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 remuneration included in variable A_3)

$$= \frac{(Y - M_1)}{S_1} - M + L$$

If the result is negative, enter 0.

A_3 = Québec income tax to be withheld at source from a bonus, retroactive pay or similar lump-sum payment paid during the pay period

$$= Y_3 - Y_4$$

A_4 = Québec income tax to be withheld at source for the pay period

$$= A + A_3$$

B_3 = Variable B_4 , **plus** the bonuses, retroactive pay or similar lump-sum payments paid during the pay period

B_4 = Bonuses, retroactive pay or similar lump-sum payments paid since the beginning of the year (other than those paid during the pay period)

D_1 = Total gross salary or wages (see section 1.4 for information on the term "salary or wages") since the beginning of the year, excluding variables B_3 and B_4

$$H_1 = 0.06 (D_1 + B_3), \text{ maximum of } \$1,025$$

$$H_2 = 0.06 (D_1 + B_4), \text{ maximum of } \$1,025$$

$$I_3 = S_1 (G - F - H_1) + B_3 - J - J_1$$

$$I_4 = S_1 (G - F - H_2) + B_4 - J - J_1$$

M = Cumulative income tax withheld to the last pay period (excluding variables L and M_1)

M_1 = Cumulative income tax withheld from bonuses, retroactive pay or similar lump-sum payments paid since the beginning of the year, including variable A_3

Y_3 = Québec income tax for the year withheld from the remuneration in variable B_3

$$= T(I_3) - K - K_1 - 0.20 (E) - 0.15 [S_1 (Q)]$$

Y_4 = Québec income tax for the year withheld from the remuneration in variable B_4

$$= T(I_4) - K - K_1 - 0.20 (E) - 0.15 [S_1 (Q)]$$

12.4 QPP contributions

12.4.1 Calculating the employee contribution

The following formula is used to calculate the employee's contribution to the QPP:

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

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

To calculate the pay period exemption (V/P), refer to section 6.5.

If variable C is an amount containing a fraction of a cent, do not take into account a fraction of less than \$0.005 (one-half cent). A fraction of \$0.005 or more is considered \$0.01 (one cent).

If variable C is greater than 0 but less than \$0.01, you must withhold \$0.01 as a contribution even if the fraction is less than \$0.005. For example, if variable C is equal to \$0.001 (one-tenth of a cent), you must withhold \$0.01.

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

$$\text{Example: } V/P = \$3,500/52 = \$67.3077 = \$67.30$$

Definition of variables

A_5 = QPP contributions withheld since the beginning of the year

C = Employee QPP contribution for the pay period

M = Maximum employee QPP contribution for the year (\$2,118.60)

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)

Note

Where overtime pay, a bonus or retroactive pay is paid **separately** from the employee's basic salary or wages, and the pay period exemption (V/P) has already been taken into account, the withholding is 4.95% of the amount paid, to a maximum of $M - A_5$.

12.4.2 Determining the employer contribution

There is no mathematical formula to calculate your employer contribution. You simply pay a contribution that is equal to the total amount of the contributions you **withheld** from your employees' pensionable salary or wages (as calculated using the formula in section 12.4.1).

12.5 QPIP premiums

The following two formulas are used to calculate the premiums for each pay period and for **each employee** (rather than for all employees). Therefore, you must apply both formulas with respect to each employee for each pay period.

12.5.1 Calculating the employee premium

$A_p = 0.00484 (S_4)$, to a maximum of $N - A_6$

If variable A_p is an amount containing a fraction of a cent, do not take into account a fraction of less than \$0.005 (one-half cent). A fraction of \$0.005 or more is considered \$0.01 (one cent).

If variable A_p is greater than 0 but less than \$0.01, you must withhold \$0.01 as a premium even if the fraction is less than \$0.005. For example, if variable A_p is equal to \$0.001 (one-tenth of a cent), you must withhold \$0.01.

Definition of variables

- A_p = Employee QPIP premium for the pay period
- A_6 = Employee QPIP premiums withheld since the beginning of the year
- N = Maximum employee QPIP premium for the year (\$300.08)
- S_4 = Employee's gross eligible salary or wages for the purposes of the QPIP for the pay period

12.5.2 Calculating the employer premium (with respect to an employee)

$A_{p_1} = 0.00677 (S_4)$, to a maximum of $N_1 - A_7$

If variable A_{p_1} is an amount containing a fraction of a cent, do not take into account a fraction of less than \$0.005 (one-half cent). A fraction of \$0.005 or more is considered \$0.01 (one cent).

Definition of variables

- A_{p_1} = Employer QPIP premium for the pay period with respect to the employee
- A_7 = Employer QPIP premium calculated for previous pay periods with respect to the employee
- N_1 = Maximum employer QPIP premium for the year with respect to each employee (\$419.74)
- S_4 = Employee's gross eligible salary or wages for the purposes of the QPIP for the pay period

12.6 Contribution to the health services fund

$D_2 = W (S_2)$

Definition of variables

D_2 = Contribution to the health services fund for the pay period

S_2 = Total salaries or wages paid for the pay period respecting which you are required to pay a contribution to the health services fund (see Chapter 8)

W = Contribution rate based on **total payroll**, to be determined using the following formula:

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

where

- $S = 1$, if the **total payroll** is \leq \$1 million;
- $S = 5$, if the **total payroll** is \geq \$5 million;
- $S = \frac{\text{Total payroll}}{\$1 \text{ million}}$ [If the **total payroll** is over \$1 million but under \$5 million]

The contribution rate must be rounded off to the second decimal place. Where the number in the third decimal place is 5 or more, round off the number in the second decimal place to the next highest number.

If you are a new employer, your **total payroll** for the first two consecutive calendar years corresponds to the salaries or wages you paid from the beginning of the calendar year to the end of the period covered by the remittance of the contribution to the health services fund. The rate must therefore be adjusted for each remittance period, on the basis of the cumulative **total payroll** for the preceding periods. For more information, see section 8.4.2.

If you are not a new employer, your **total payroll** for the purposes of calculating the contribution to the health services fund is generally equal to your **total payroll** for the preceding year. For more information, see section 8.4.2.

12.7 Example: Calculating income tax withholdings for regular payments

Basic data

Pierre is an employee who earns a gross annual salary of \$52,000 and is paid weekly (\$1,000 per week). He contributes \$70 per week, or \$3,640 for the year, to an RPP. The amount indicated on line 10 of Pierre's TP-1015.3-V form (that is, the total of lines 7 and 9) is \$21,830. On January 3, Pierre purchases \$2,000 in shares of the Fonds de solidarité des travailleurs du Québec (FTQ), payable over the first 20 pay periods in the year.

For the first 20 pay periods of the year, the income tax withholdings are calculated as follows:

Step 1

Determine variable I using the following formula:

$$\begin{aligned}
 I &= \text{Annual taxable income} \\
 &= [P(G - F - H)] - J - J_1 \\
 &= [52(\$1,000 - \$70 - \$19.71)] - \$0.00 - \$0.00 \\
 &= [52(\$910.29)] - \$0.00 - \$0.00 \\
 &= \$47,335.08 - \$0.00 - \$0.00 \\
 &= \$47,335.08
 \end{aligned}$$

Step 2

Determine variable Y using the following formula:

$$\begin{aligned}
 Y &= \text{Income tax for the year} \\
 &= T(I) - K - K_1 - 0.20(E) - 0.15[P(Q)] \\
 &= 0.20(\$47,335.08) - \$1,535 - \$0.00 - 0.20(\$21,830) - 0.15[52(100)] \\
 &= \$9,467 - \$1,535 - \$0.00 - \$4,366 - 0.15(\$5,200) \\
 &= \$9,467 - \$1,535 - \$0.00 - \$4,366 - \$780 \\
 &= \$7,932 - \$4,366 - \$780 \\
 &= \$2,786
 \end{aligned}$$

Step 3

Determine variable A using the following formula:

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

$$\begin{aligned}
 &= \boxed{(Y/P)} + L \\
 &\quad \downarrow \\
 &\quad \text{If the result is negative, enter 0.} \\
 &= (\$2,786/52) + \$0.00 \\
 &= \$53.58
 \end{aligned}$$

For the 32 pay periods remaining in the year, the income tax withholdings are calculated as follows:

Step 1

Determine variable I using the following formula:

$$\begin{aligned}
 I &= \text{Annual taxable income} \\
 &= [P(G - F - H)] - J - J_1 \\
 &= [52(\$1,000 - \$70 - \$19.71)] - \$0.00 - \$0.00 \\
 &= [52(\$910.29)] - \$0.00 - \$0.00 \\
 &= \$47,335.08 - \$0.00 - \$0.00 \\
 &= \$47,335.08
 \end{aligned}$$

Step 2

Determine variable Y using the following formula:

$$\begin{aligned}
 Y &= \text{Québec income tax for the year} \\
 &= T(I) - K - K_1 - 0.20(E) - 0.15[P(Q)] \\
 &= 0.20(\$47,335.08) - \$1,535 - \$0.00 - 0.20(\$21,830) - 0.15[52(\$0.00)] \\
 &= \$9,467 - \$1,535 - \$0.00 - \$4,366 - \$0.00 \\
 &= \$7,932 - \$4,366 \\
 &= \$3,566
 \end{aligned}$$

Step 3

Determine variable A using the following formula:

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

$$\begin{aligned}
 &= \boxed{(Y/P)} + L \\
 &\quad \downarrow \\
 &\quad \text{If the result is negative, enter 0.} \\
 &= (\$3,566/52) + \$0.00 \\
 &= \$68.58
 \end{aligned}$$

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