

Tax Measures Respecting Tips



Notice

The information in **this brochure** does not constitute a legal interpretation of the laws or regulations of Québec or Canada, and **does not take into account legislative amendments announced after September 30, 2004**. You must therefore ensure that the information you read conforms to the latest fiscal legislation.

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

If you require further information, contact the Revenu Québec office in your area (see the list at the end of the brochure).

Contents

1	Introduction	5
1.1	Is this brochure for you?	5
1.2	Contents	5
1.3	Definitions	5
1.3.1	Fast-food outlets	5
1.3.2	Regulated establishments	5
1.3.3	Tippable sales	5
2	Reporting of tips	6
2.1	Employee's statement	6
2.1.1	Tips to be reported to the employer	6
2.1.2	Tips received in a subsequent pay period	6
2.1.3	Form to be used by the employee to report tips	6
2.2	Employer's statement	6
3	Tip-allocation mechanism	7
3.1	General information	7
3.2	Employees not covered by this measure	7
3.3	When to allocate the amounts	7
3.4	Calculation of the amount to be allocated	7
3.4.1	Special rules respecting tippable sales for a pay period	8
3.4.2	Special rules respecting an amount of tips for a pay period	8
3.5	Reduction in the allocation rate	8
4	Source deductions and contributions	9
4.1	Provincial source deductions and contributions	9
4.2	Federal source deductions and contributions	9
4.3	Order in which amounts are to be deducted at source	9
5	Refundable tax credit	
5.1	Eligible taxpayer	10
5.2	Eligible employee	10
5.3	Amounts giving entitlement to the tax credit	10
5.4	Forms to be used	10
5.4.1	Sole proprietorship	10
5.4.2	Corporation	10
5.4.3	Partnership	11
5.4.4	Filing the form with Revenu Québec	11

Form TP-42.15-V, *Request for a Reduction in the Allocation Rate*

Form TP-1029.8.33.13-V, *Tax Credit with Respect to the Reporting of Tips*

Formulaire TP-1086.R.1-V, *Employer's Statement of Tips and Tippable Sales*

Sample page from booklet TP-1019.4-V, *Register and Statement of Tips*

1 Introduction

1.1 Is this brochure for you?

This brochure is intended for employers in the restaurant and hotel sector whose employees carry out their employment duties in a **regulated establishment**. Since January 1, 1998, employees of regulated establishments who receive tips directly or indirectly in the course of their duties have been required to report the tips to their employer, in writing, at the end of each pay period.

This requirement not only ensures that employees in this sector fulfil their fiscal obligations, but also allows them to obtain employment-related benefits that are based on their total remuneration (regular wages and tips)

1.2 Contents

This brochure provides an overview of the tax measures respecting tips, namely,

- the obligation for employees to report their tips to their employer at the end of each pay period;
- the mechanism for allocating tips to employees at the end of each pay period;
- the obligation for employers to include tips received by and allocated to employees in the calculation of source deductions and employer contributions;
- the refundable tax credit for employers in respect of the additional payroll taxes they are required to pay because of tips.

1.3 Definitions

1.3.1 Fast-food outlets

“Fast-food outlet” means an establishment that provides counter service and, in some cases, table service, and that prepares a limited number of simple dishes for consumption on the premises or take-out (hamburgers, hot dogs, chicken, etc.). A fast-food outlet does not generally serve alcoholic beverages and is ordinarily situated in functional, simply furnished premises designed for this type of food service.

1.3.2 Regulated establishments

Establishments covered by the measures respecting tips are referred to as “regulated establishments.” A regulated establishment is

- a place situated in Québec that is specially laid out to ordinarily provide accommodation or food, or both, in return for payment. Such establishments include hotels, motels, inns, restaurants (including those in sports centres, arenas, health clubs, etc.), sugar shacks where food is provided for consumption on the premises, campgrounds, etc.;
- a place situated in Québec where alcoholic beverages are sold for consumption on the premises. Such establishments include bars and lounges (including those in sports centres, arenas, health clubs, etc.), campgrounds, etc.;
- a railway train or a vessel, operated in connection with a business carried on entirely or almost entirely (90% or more) in Québec, and on which food or beverages are served; or
- a place situated in Québec where meals for consumption elsewhere than on the premises are sold, provided the meals are delivered or served by your staff in connection with the carrying on of your business (a catering business, for example).

The following are not regulated establishments and are therefore not covered by the measures respecting tips:

- a place situated in Québec where mainly accommodation or food, or both, are **provided by the week, month or year in return for payment**. Such establishments include rooming houses and nursing homes;
- a place operated by an educational institution, a hospital institution, a shelter for needy persons or victims of violence, or any similar establishment;
- a place operated by a charity or a similar organization (such as a non-profit organization), where food and beverages are occasionally served;
- a cafeteria;
- a **fast-food outlet** in which the employees do not ordinarily receive tips from the majority of customers.

1.3.3 Tippable sales

Tippable sales are sales in a regulated establishment that, in keeping with the prevailing custom in Québec, are likely to entail tipping by the customer. Such sales, however, do not include sales of food or beverages for consumption elsewhere than on the premises of the **regulated establishment** (for example, sales made at a counter located in a sports centre or shopping centre, or sales of food that is to be delivered).

2 Reporting of tips

2.1 Employee's statement

Under a measure that came into effect on January 1, 1998, employees who work in a **regulated establishment** and who receive tips directly or indirectly in the course of their duties must report the tips to the employer by means of a written statement. As an employer, you need the statement in order to include the tips in the calculation of source deductions. Employees such as waiters, hotel valets, porters, car attendants, doormen, delivery persons and cloakroom attendants are subject to this requirement if they carry out their duties in a **regulated establishment**.

2.1.1 Tips to be reported to the employer

An employee is required to report the following tips to you, in writing, at the end of each pay period:

- tips that he or she receives directly,
- tips that you receive because there is a tip-sharing arrangement administered by you (as the employer),
- tips that he or she receives from other employees because there is a tip-sharing arrangement administered by the employees.

From these tips, the employee must subtract

- any tips he or she remitted to another employee under a tip-sharing arrangement administered by the employees, and
- any credit card costs he or she assumed.

If you administer the tip-sharing arrangement, you must subtract any tips you remitted to other employees.

For the purposes of the tip-allocation mechanism, the employee must also report all tips on **tippable sales**. You need to know the amount of tips on **tippable sales** in order to calculate an amount of tips to be allocated to an employee who reports tips equal to less than 8% (or a lower percentage determined by the Minister of Revenue further to a request for a reduction in the allocation rate) of the amount of his or her sales.

If you administer the tip-sharing arrangement, you have the information necessary to determine whether an amount of tips must be allocated to an employee. The employee, however, is still required to give you a written statement of the amount of tips he or she received.

Exception

The employee is not required to include, in his or her statement of tips received, service charges added to the customer's bill.

2.1.2 Tips received in a subsequent pay period

Where a tip pertaining to a sale is not received by the employee during the pay period in which the sale was made, it is deemed to have been received in the **pay period in which you receive the amount corresponding to the transaction (the amount of the sale and the tip)**. The employee must therefore report this tip for the pay period in which it is received.

2.1.3 Form to be used by the employee to report tips

The employee must report his or her tips on the statements provided in the booklet *Register and Statement of Tips* (TP-1019.4-V) or on an equivalent document. The employee must remit a signed statement of tips to you at the end of each pay period. A sample of the statement is reproduced at the end of this brochure.)

2.2 Employer's statement

Under a measure that came into effect in 1998, employers are required to file form TP-1086.R.1-V, *Employer's Statement of Tips and Tippable Sales*, with respect to employees who work in the restaurant and hotel sector. The form must be completed for each **regulated establishment** and must contain the following information:

- the employee's first and last names;
- the employee's social insurance number;
- the period covered by the statement (number of months);
- the amount of the employee's **tippable sales**;
- the amount of tips reported to you by the employee on the statements provided in the booklet *Register and Statement of Tips* (TP-1019.4.V);
- the amount of tips you controlled and that constitute service charges added to the customer's bill;
- the amount of tips you allocated to the employee.

You must file form TP-1086.R.1-V with Revenu Québec, along with form RLZ-1.S-V, *Summary of Source Deductions and Employer Contributions*, on or before the last day of February of the year following the calendar year concerned. A sample of the statement is reproduced at the end of this brochure.

3 Tip-allocation mechanism

3.1 General information

Under the tip-allocation mechanism, where the amount of tips reported by an employee is less than 8% of the employee's **tippable sales**, you are required to allocate an amount of tips to the employee.

In certain cases, however, the tip-allocation mechanism may not apply, even though the employee's reported tips are less than 8% of his or her **tippable sales**. This may occur, for example, where the employee is required by a tip-sharing arrangement to remit to other employees a portion of the tips received on **tippable sales**. See the example on the following page.

The amount to be allocated to the employee must be calculated for each pay period. Please note that the 8% rate to be used in calculating this amount, as provided for in the *Taxation Act*, may, in some cases, be reduced by Revenu Québec further to a request. Refer to section 3.5 below.

3.2 Employees not covered by this measure

Employees (such as hotel valets, porters, car attendants and doormen) who do not make **tippable sales** in a pay period are not subject to the tip-allocation mechanism. Moreover, the mechanism does not apply to an employee who is in any of the following situations:

- All or substantially all (90% or more) of the employee's tips come from a redistribution of the tips received by the other employees of the establishment. (This may be the case, for example, if the employee is a busboy.)
- The employee works as a cloakroom attendant.
- The employer is a corporation, and the employee (or his or her spouse) holds over 40% of the corporation's voting shares at the end of the pay period.
- The employer is a partnership, and the employee is the spouse of an individual whose share of the partnership's profits would exceed 40% at the end of the pay period if, for the purpose of determining the percentage of the spouse's share, it is **assumed** that the end of the partnership's fiscal period coincides with the end of the pay period and the partnership's income for the fiscal period is equal to \$1 million.
- The employee is the employer's spouse.

- The employee receives all or substantially all (90% or more) of his or her tips directly or indirectly from the customers of the **regulated establishment**, and the following conditions are met:
 - Service charges represent, in all or substantially all cases, at least 10% of the amount of **tippable sales**, and customers are informed of the mandatory nature of the charges.
 - Any tip-sharing arrangement in effect at the establishment is administered by you (as the employer).

3.3 When to allocate the amounts

As a rule, tips are to be allocated at the end of the pay period, when you pay the employee. However, if you are unable to allocate tips at the end of a particular pay period because you do not have the necessary information when doing your payroll and have little time to calculate the amount to be allocated, you may do the allocation during the following pay period instead.

3.4 Calculation of the amount to be allocated

The amount of tips to be allocated to an employee for a given pay period is the result of the following calculation:

- 8% (or the rate determined by Revenu Québec further to a request for a reduction in the allocation rate) of the amount of the **tippable sales** attributable to the employee for the pay period (see section 3.4.1),

minus

- The amount of tips received by the employee in respect of **tippable sales** during the period (before tips are shared with other employees under a tip-sharing arrangement and after any credit card costs assumed by the employee are subtracted – refer to section 3.4.2). Note that tips received by the employee from other employees under a tip-sharing arrangement are not taken into account in this calculation.

If the result of this calculation is negative, no tips are to be allocated to the employee for the pay period in question.

Example	
– Amount of tippable sales	\$1,000
– Tips paid by customers on these sales	\$150
– Tips retained by the employee	\$60
– Tips remitted to other employees	\$90
– Tips received from other employees that are not related to the employee's sales	\$10
– Tips reported to the employer in the calculation of source deductions (\$60 + \$10)	\$70
Amount to be allocated: $(8\% \times \$1,000) - \$150 = \$0$	

In the above example, the tip-allocation mechanism is not applicable for the pay period since, even though the amount of tips reported by the employee (\$70) is less than 8% of the tippable sales attributable to the employee, the amount received as tips on tippable sales by the employee (\$150) exceeds 8% of the employee's sales ($\$1,000 \times 8\% = \80).

3.4.1 Special rules respecting tippable sales for a pay period

When you do not receive the sales amount and the tip immediately (i.e., when payment is made by means of a credit card or debit card), the tippable sale is taken into account **for the pay period in which you actually receive the sales amount and the tip**.

However, where you pay the tip to the employee out of the cash register, before receiving the money corresponding to the transaction (the sale and the related tip), the tippable sale is taken into account **for the pay period in which the sale is actually made**.

When several waiters provide service at the same table, the tippable sale must be attributed to the employee who is primarily responsible for providing the service for which the tip was given. However, Revenu Québec will accept any method of attributing the sale that it considers reasonable under the circumstances.

3.4.2 Special rules respecting an amount of tips for a pay period

Where you do not receive the sales amount and the tip immediately (i.e., when payment is made by means of a credit card or debit card), the tip paid by the customer is taken into account for the **pay period in which you actually receive the sales amount and the tip**.

However, where you pay the tip to the employee out of the cash register, before receiving the money corresponding to the transaction, the tip paid by the customer is taken into account **for the pay period in which the sale is actually made**.

3.5 Reduction in the allocation rate

It is possible to ask Revenu Québec for a reduction in the allocation rate with regard to a **regulated establishment** or a type of sale made at a **regulated establishment**. However, a rate reduction cannot be requested with regard to a single employee, unless he or she is the only employee of the establishment or the only employee who makes a particular type of sale at the establishment. If granted, the reduction applies to at least two pay periods.

As the employer, it is up to you to request a reduction in the allocation rate. If you refuse to do so, the reduction may be requested by a majority of the employees of the **regulated establishment** or a majority of the employees who make a particular type of sale at the regulated establishment. Form TP-42.15-V, *Request for a Reduction in the Allocation Rate*, or an equivalent document, may be used to make the request. A copy of the form is included at the end of this brochure.

You must advise Revenu Québec of any change in the activities of the establishment (or in the category of sales) covered by the request, if the change could have a bearing on the allocation rate.

Revenu Québec establishes the appropriate allocation rate. The rate remains in effect only for the period of the calendar year determined by Revenu Québec.

4 Source deductions and contributions

4.1 Provincial source deductions and contributions

In calculating source deductions of Québec income tax, contributions to the Québec Pension Plan (QPP), the contribution to the health services fund, the contribution to the financing of the Commission des normes du travail (CNT), the contribution to the Fonds national de formation de la main-d'oeuvre (where applicable), and the contribution to the CSST, you must add to the employee's regular wages

- tips resulting from **tippable sales** and reported for the pay period by the employee on the statement provided in the booklet *Register and Statement of Tips* (TP-1019.4-V) or on an equivalent document;
- tips **unrelated to tippable sales** (e.g., those received by hotel valets, porters, doormen and cloakroom attendants) reported by the employee on the statement provided in booklet TP-1019.4-V or on an equivalent document;
- the tips that you allocated to the employee for the pay period;
- the tips distributed to the employee for the pay period and respecting which the employee is not required to submit a statement of tips, because the tips represent service charges added to customers' bills.

However, if you are unable to calculate the amount to withhold at source respecting the tips reported by the employee because you do not have the necessary information when doing your payroll and have little time at your disposal, you may do the calculation in the following pay period.

4.2 Federal source deductions and contributions

In calculating federal source deductions, do not add to the employee's regular wages the tips you allocated to the employee for the pay period.

4.3 Order in which amounts are to be deducted at source

The order in which amounts are to be deducted at source if the employee does not have sufficient regular wages in cash is as follows: employment insurance premiums, federal income tax, QPP contributions, union dues, and Québec income tax.

5 Refundable tax credit

Employers that are **eligible taxpayers** may claim a refundable tax credit with respect to the reporting of tips. This measure is designed to provide compensation to employers that must pay additional payroll taxes because the tips received by or allocated to their **eligible employees** are subject to various contributions. The tax credit can be applied to the instalment payments that the eligible taxpayer is required to make.

5.1 Eligible taxpayer

To claim the refundable tax credit, you must be

- the employer of an individual who works for a **regulated establishment** in the restaurant and hotel sector; or
- a member of a partnership that is the employer of an individual who works for a **regulated establishment** in the restaurant and hotel sector.

You may claim the tax credit in respect of payroll taxes related to

- tips received by your eligible employees or the **eligible employees** of the partnership of which you are a member; and
- tips allocated to such employees.

5.2 Eligible employee

An eligible employee is an employee who receives tips directly or indirectly in the course of his or her duties in a **regulated establishment**.

An employee is also eligible if all or substantially all (90% or more) of the tips he or she receives, directly or indirectly, come from the service charges paid by customers of the **regulated establishment**, and if the following conditions are met:

- Service charges represent at least 10% of the amount of **tip-pable sales**, and customers are informed of the mandatory nature of the charges.
- Any tip-sharing arrangement in effect at the establishment is administered by the employer.

5.3 Amounts giving entitlement to the tax credit

Refer to form TP-1029.8.33.13-V, *Tax Credit with Respect to the Reporting of Tips*, for information on the amounts that give entitlement to the tax credit. You will find a copy of the form at the end of this brochure. The form also shows how to calculate the tax credit.

5.4 Forms to be used

The form to be used to claim the tax credit depends on whether your business is a sole proprietorship, a corporation or a partnership.

5.4.1 Sole proprietorship

If you are an individual who operates a sole proprietorship, complete form TP-1029.8.33.13-V, *Tax Credit with Respect to the Reporting of Tips*, to claim the credit.

Sole proprietorship

Business operated by an individual (a natural person) who is the sole owner of the business.

5.4.2 Corporation

A corporation that wishes to claim the credit must complete form CO-1029.8.33.13, *Crédit d'impôt relatif à la déclaration des pourboires* (not included in this brochure). To obtain the form,

- complete and submit the order form online at www.revenu.gouv.qc.ca;
- print out the online order form and mail it to Revenu Québec; or
- contact a Revenu Québec office.

5.4.3 Partnership

If the business is a partnership, each member must claim the tax credit on the basis of the member's share of the partnership's profits and losses.

Members of a partnership that are **individuals** must use form TP-1029.8.33.13-V, *Tax Credit with Respect to the Reporting of Tips*. A copy of the form is included at the end of this brochure.

Members of a partnership that are **corporations** must use form CO-1029.8.33.13, *Crédit d'impôt relatif à la déclaration des pourboires* (not included in this brochure). To obtain the form,

- complete and submit the order form online at www.revenu.gouv.qc.ca;
- print out the online order form and mail it to Revenu Québec; or
- contact a Revenu Québec office.

5.4.4 Filing the form with Revenu Québec

Forms TP-1029.8.33.13-V and CO-1029.8.33.13 must be filed with the personal income tax return (form TP-1.S-V or TP-1.D-V or, in the case of a trust, form TP-646-V) or the corporation income tax return (form CO-17), as the case may be. If for any reason you are unable to file this form with your income tax return, send it to Revenu Québec no later than 12 months after the deadline for filing the return.

You cannot file your claim in respect of the tax credit until you have **paid** the **payroll taxes** in question, except in the case of the indemnities for paid annual leave and the related employer contributions. However, if these indemnities are not paid within 12 months after the filing deadline for the income tax return with which form TP-1029.8.33.13-V or CO-1029.8.33.13 was to be filed, and you have already obtained a tax credit in this respect, you must pay a special tax. This tax allows Revenu Québec to recover the tax credit already granted. Employers who receive a tax credit with respect to contributions that are refunded to them in a subsequent year are also required to pay a special tax.

Request for a Reduction in the Allocation Rate

The *Taxation Act* provides for a tip-allocation mechanism, which covers employees who carry out their duties in a **regulated establishment** and receive, directly or indirectly for a pay period, tips representing less than 8% of their **tippable sales**.

A reduction in the allocation rate can, however, be requested by an employer who operates a **regulated establishment**. Where the employer does not wish to request a rate reduction, the employees may make the request if they consider that the 8% rate is too high in the circumstances; in this case, a majority of the employees of the regulated establishment or, if applicable, a majority of the employees who make a particular category of sale in the establishment (such as waiters in a bar) must make the request. The request must cover at least two pay periods.

You must inform Revenu Québec of any change, regarding the activities of the establishment (or the particular category of sales) covered by this request, that could affect the allocation rate.

Revenu Québec determines the reduced rate that is appropriate under the circumstances, as well as the period (in the calendar year) for which the reduced rate is to be in effect.

You must return this form, duly completed, to an office of Revenu Québec.

If the request for a rate reduction is made by the employees of the establishment, the employer's NEQ and identification number need not be indicated in the "Identification" section.

Regulated establishment

- A place situated in Québec that is specially laid out to ordinarily provide, in return for payment, accommodation or food, or both. This does not include
 - a place situated in Québec where mainly accommodation or food, or both, are provided by the week, month or year;
 - a place operated by an educational institution, a hospital institution, a shelter for needy persons or victims of violence, or any similar establishment;
 - a place operated by a charity or a similar organization, where food and beverages are occasionally served;
 - a cafeteria;
 - a fast-food outlet where the employees do not ordinarily receive tips from the majority of customers.
- A place situated in Québec where alcoholic beverages are sold for consumption on the premises.
- A railway train or a vessel, operated in connection with a business carried on almost entirely (90% or more) in Québec, on which food or beverages are served.
- A place situated in Québec where meals are sold for consumption elsewhere than on the premises, provided the meals are delivered or served by the employer's personnel in connection with the carrying on of a business.

Tippable sales

Sales in a regulated establishment that, in keeping with the prevailing custom in Québec, are likely to entail tipping by the customer. Such sales, however, do not include sales of food or beverages for consumption elsewhere than on the premises of the regulated establishment.

Identification

Name of employer		Québec enterprise number (NEQ)	
Name of the establishment		Identification number	
Address of the establishment at which the employees carry out their duties		Postal code	
Name of contact person	Area code Telephone	Period covered by the request	
		Y M D to Y M D	

Information

Does this request cover all of the establishment's employees?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Does this request cover only a particular category of sales made in the establishment?	<input type="checkbox"/> Yes <input type="checkbox"/> No
If yes , specify the category:	
Was your establishment operated during the 12 months prior to this request?	<input type="checkbox"/> Yes <input type="checkbox"/> No
If no , indicate the months in which it was operated:	
Type of sales made by the employees covered by this request:	
<input type="checkbox"/> daily specials <input type="checkbox"/> buffet <input type="checkbox"/> meals sold à la carte <input type="checkbox"/> other (specify) :	
Average rate of tips for the establishment or for the particular category of sales covered by the request:	%
Allocation rate requested for the employees identified on the back of this form:	%
Number of employees on the establishment's payroll:	
Number of tip employees of the establishment who are covered by this request:	
Number of tip employees of the establishment who make the particular category of sales covered by this request:	

Explain why you think a lower rate should be granted

Identification of the employees concerned (attach an additional list if space is insufficient)

You must include the names of all employees covered by the request for a lower allocation rate and have each employee sign in the appropriate space.

Last name	First name	Social insurance number
Position		Signature
Last name	First name	Social insurance number
Position		Signature
Last name	First name	Social insurance number
Position		Signature
Last name	First name	Social insurance number
Position		Signature
Last name	First name	Social insurance number
Position		Signature
Last name	First name	Social insurance number
Position		Signature
Last name	First name	Social insurance number
Position		Signature
Last name	First name	Social insurance number
Position		Signature

Signature

This form, duly completed, must be signed by the employer if the employer is making the request. Otherwise the employees need only sign in their identification section above. The form must be dated, regardless of who makes the request.

Signature of employer or authorized person

Date

This form is to be completed by an **individual** who is claiming a refundable tax credit for certain payroll taxes that were paid for 2004 by the individual or by a partnership of which he or she is a member.

The form must be attached to your 2004 income tax return. However, if you are a member of a partnership whose fiscal period that includes December 31, 2004, ends in 2005, you must attach the form to your 2005 income tax return to claim the credit with respect to payroll taxes paid by the partnership in 2004.

If for any reason you are unable to file this form with your income tax return, send it to Revenu Québec no later than 12 months after the deadline for filing the return. Please note that in this case you must also attach a duly completed copy of form TP-1.R-V, *Request for an Adjustment to an Income Tax Return*.

Note: A corporation must use form CO-1029.8.33.13 to claim the credit.

Before completing the present form, read the instructions on pages 3 and 4.

Name of individual	Social insurance number

Name of sole proprietorship									
Québec enterprise number (NEQ)					Identification number				
					R S				
Address of sole proprietorship								Postal code	

Name of partnership	
Québec enterprise number (NEQ)	Partnership identification number
Name of establishment	
Fiscal year-end	Identification number
Address of establishment	Postal code

4 Calculating the credit

Tips of all eligible employees

To complete this part of the form, refer to the *Statement of Tips* (TP-1019.4-V) submitted by your employees at the end of each pay period.

Tips reported to the employer for a pay period ending in 2004				1
Tips controlled by the employer (service charges added to the customer's bill) for a pay period ending in 2004	+			2
Indemnities (other than annual vacation pay) paid in 2004, calculated on tips reported, controlled or allocated for a pay period ending in 2004 (see note below)	+			3
Add lines 1 through 3.	=			4
Tips allocated by the employer for a pay period ending in 2004	+			5
Add lines 4 and 5. Enter the result and carry it to line 8.	=			6

Note: Include indemnities paid for statutory holidays and for family events such as a marriage, birth, adoption or death.

Employer contributions

Amount from line 6				8
Adjustment respecting the maximum pensionable salary or wages under the QPP for 2004 (see page 4)	–			9
Subtract line 9 from line 8.	=			10
Employer contribution rates (provincial) (see table on page 4)	x	%	%	12
Multiply line 10 by line 12. Enter the result and carry it to line 30.	=			13
Amount from line 4				14
Adjustment respecting the maximum insurable earnings in 2004 (see page 4)	–			15
Subtract line 15 from line 14.	=			16
Rate respecting employment insurance premiums	x	2.77%	2.77%	17
Multiply line 16 by line 17. Enter the result and carry it to line 31.	=			18

Contributions to the CSST

Estimated amount of tips included in the amount you entered on line 10 of the <i>Statement of Wages 2003-2004</i> (see explanations on page 4)			20
CSST contribution rate for 2004	x	%	21
Multiply line 20 by line 21. Enter the result and carry it to line 32	=		22

Indemnities paid for annual leave (vacation pay) and related employer contributions

For sole proprietorships: Vacation pay earned in 2004 and calculated on the tips reported, controlled or allocated for a pay period ending in that year		<div style="border: 1px solid black; width: 100px; height: 20px; display: inline-block;"></div> <div style="border: 1px solid black; width: 30px; height: 20px; display: inline-block;"></div> 25	
For partnerships: Vacation pay earned in the fiscal period that included December 31, 2004, and calculated on the tips reported, controlled or allocated for a pay period ending in that fiscal period		<div style="display: flex; align-items: center;"> <div style="margin-right: 10px;">▶▶▶▶▶▶</div> <div style="border: 1px solid black; width: 100px; height: 20px; display: inline-block;"></div> <div style="border: 1px solid black; width: 30px; height: 20px; display: inline-block;"></div> 25 </div>	
For sole proprietorships: Related employer contributions (OPP, health services fund, employment insurance) based on the applicable rates for 2004 (see table on page 4 for rates)		+ <div style="border: 1px solid black; width: 100px; height: 20px; display: inline-block;"></div> <div style="border: 1px solid black; width: 30px; height: 20px; display: inline-block;"></div> 26	
For partnerships: Related employer contributions (OPP, health services fund, employment insurance) based on the applicable rates for 2004 (see table on page 4 for rates)		<div style="display: flex; align-items: center;"> <div style="margin-right: 10px;">▶▶▶▶▶▶</div> <div style="border: 1px solid black; width: 100px; height: 20px; display: inline-block;"></div> <div style="border: 1px solid black; width: 30px; height: 20px; display: inline-block;"></div> 26 </div>	
Add lines 25 and 26. In the case of a sole proprietorship, carry the result to line 33 and continue your calculations on line 30. In the case of a partnership, continue your calculations on line 28.		= <div style="border: 1px solid black; width: 100px; height: 20px; display: inline-block;"></div> <div style="border: 1px solid black; width: 30px; height: 20px; display: inline-block;"></div> 27	
Amount from line 27	Number of days in the fiscal period after June 12, 2003	<div style="border: 1px solid black; width: 100px; height: 20px; display: inline-block;"></div>	
<div style="border: 1px solid black; width: 100px; height: 20px; display: inline-block;"></div>	x	<div style="border: 1px solid black; width: 100px; height: 20px; display: inline-block;"></div>	x 25% =
Total number of days in the fiscal period		<div style="border: 1px solid black; width: 100px; height: 20px; display: inline-block;"></div>	-
Subtract line 28 from line 27. Enter the amount and carry it to line 39.		<div style="border: 1px solid black; width: 100px; height: 20px; display: inline-block;"></div>	=

Tax credit with respect to the reporting of tips

		Sole proprietorship		Partnership	
Amount from line 13					30
Amount from line 18	+				31
Amount from line 22	+				32
Amount from line 27 (for a sole proprietorship)	+				33
Add lines 30 through 33.	=				34
	x	75%			35
Multiply line 34 by line 35. Enter the result and carry it to line 48.	=				36
				x	75%
				=	37
Multiply line 34 by line 37.					38
Amount from line 29.	+				39
Add lines 38 and 39.	=				40
Percentage share of your profits (or losses) in the partnership	x			%	41
Multiply line 40 by line 41. Enter the result and carry it to line 49.	=				42
Amount from line 36 (sole proprietorship)					48
Amount from line 42 (partnership)	+				49
Add lines 48 and 49.					
Carry the result to line 462 of your income tax return.				Tax credit with respect to the reporting of tips	= 50

Information concerning form TP-1029.8.33.13-V

Part 2 Identification of sole proprietorship

Complete this part if the amounts you enter in Part 4 relate to a business you own and operate (sole proprietorship).

Part 3 Identification of partnership

Complete this part if the amounts you enter in Part 4 relate to a partnership of which you are a member.

Part 4 Calculating the credit

General information

If you are an **individual**, you may claim a refundable tax credit for the payroll taxes that were paid **for the 2004 calendar year** by you or by a partnership of which you are a member, where the taxes relate to

- tips received by your eligible employees or the eligible employees of the partnership; or
- tips allocated to such employees.

To claim the tax credit, you must be

- the employer of an individual who, during 2004, works for a regulated establishment in the restaurant and hotel sector, as described in section 1.3.1 of the brochure *Tax Measures Respecting Tips* (IN-250-V); or
- a member of a partnership that, during the fiscal period that includes December 31, 2004, is the employer of an individual who works for a regulated establishment in the restaurant and hotel sector, as described in section 1.3.1 of the brochure *Tax Measures Respecting Tips* (IN-250-V).

If you are a member of a partnership, the tax credit is based on your share of the profits (or losses) of the partnership.

Eligible employee

An "eligible employee" is an employee of a regulated establishment who receives tips directly or indirectly in the course of his or her duties.

An eligible employee may also be an employee respecting whom all or substantially all (90% or more) of the tips received, directly or indirectly, are service charges paid by the customers of the regulated establishment. In this case, the following conditions must be met:

- Service charges represent at least 10% of the amount of tippable sales, and customers are informed of the mandatory nature of the charges.
- Any tip-sharing arrangement in effect at the establishment is administered by the employer.

Amounts giving entitlement to the tax credit

The amounts that give entitlement to the tax credit correspond to the portion of the following contributions that relates to tips received (directly or indirectly) by an eligible employee, or to tips allocated to an eligible employee under the tip-allocation mechanism, for pay periods ending in 2004:

- employer contributions to the Québec Pension Plan, the health services fund and the Commission des normes du travail (CNT); and
- employment insurance premiums (since allocated tips are not subject to employment insurance premiums, a tax credit cannot be claimed in this regard).

You must subtract from the above-mentioned amounts any government assistance you (or the partnership) received or are entitled to receive with regard to the amounts.

Amounts giving entitlement to the tax credit also include

- the portion of your contribution to the CSST for 2004 that relates to the tips that you (or the partnership) estimate will be received by or allocated to eligible employees. These tips are included in the amount on line 10 of the *Statement of Wages 2003-2004* that must be filed with the CSST before March 15, 2004; and
- the indemnities for annual leave (vacation pay) earned in 2004 (or during the fiscal period that includes December 31, 2004, if you are a member of a partnership) under the *Act respecting labour standards* or under an employment contract, with regard to tips received and allocated, and the employer contributions (QPP, health services fund and employment insurance) paid with regard to such indemnities (these amounts must be determined on the basis of the employer contribution rates for 2004).

The payroll taxes respecting which you may claim the tax credit, except indemnities for paid annual leave (vacation pay) and the related employer contributions, must have been **paid** by the time this form is filed. However, if the indemnities have not been paid at the time this form must be filed (that is, no later than 12 months after the deadline for filing your income tax return), and you received a tax credit respecting them, you must pay a special tax so that Revenu Québec can recover the tax credit relating to the indemnities and the related contributions.

Employers that receive a tax credit with respect to contributions must also pay a special tax if the contributions are otherwise refunded to them.

Adjustment respecting the maximum pensionable salary or wages under the QPP for 2004 (line 9)

You must make this adjustment if you included on line 8 the tips received by employees whose total remuneration (basic salary or wages, plus tips) exceeds \$40,500 in 2004. In this case, enter on line 9 the **portion** of tips and indemnities that were received by the employees concerned but on which **you neither withheld nor paid the QPP contribution** because the maximum pensionable salary or wages had been reached.

Employer contribution rates (provincial) (line 12)

Carry the total of the following rates (which appear in the table below) to line 12:

- the QPP contribution rate;
- the rate respecting the contribution to health services fund;
- the rate respecting the contribution to the financing of the CNT.

For example, if the contribution rate for the health services fund is 2.7%, enter 7.73% on line 12 (4.95% + 2.7% + 0.08%).

Adjustment respecting the maximum insurable earnings in 2004 (line 15)

If the amount on line 14 includes tips or indemnities received by an employee whose total remuneration (basic salary or wages, plus tips) exceeds \$39,000 in 2004, enter on line 15 the **portion** of the tips or indemnities on which **you neither withheld nor paid employment insurance premiums** because the maximum insurable earnings had been reached.

Table

Contribution rates for 2004				
Provincial contributions				Federal contribution
Québec Pension Plan	Health services fund (The contribution rate respecting the fund varies according to the total payroll in 2004)		Commission des normes du travail	Employment insurance
4,95 %	Total payroll (TP)	Rate	0.08%	2.77%
	\$1,000,000 or less	2.70%		
	Over \$1,000,000 but under \$5,000,000	$2.31\% + \left[0.39\% \times \frac{\text{TP}}{1,000,000} \right]$		
	\$5,000,000 or more	4.26%		

Employer's Statement of Tips and Tippable Sales

This form is for an employer that is an **eligible taxpayer** and is required to provide the following information each year with respect to each **eligible employee** who works in a **regulated establishment**:

- the employee's last name, first name, and social insurance number;
- the period covered by the statement (number of months);
- the amount of the employee's tippable sales;
- the amount of tips reported in writing to the employer in the *Register and Statement of Tips* (TP-1019.4-V);
- the amount of tips controlled by the employer; and
- the amount of tips allocated to the employee by the employer.

The eligible taxpayer must complete a separate copy of form TP-1086.R.1-V for each regulated establishment at which eligible employees work. If the space provided on the form is insufficient, you may attach a photocopy of the table below. The forms must be filed, along with form RLZ-1.S-V, *Summary of Source Deductions and Employer Contributions*, on or before the last day of February of the year following the calendar year concerned.

An **eligible taxpayer**, for a taxation year, is a taxpayer who is the employer of an individual who works in a regulated establishment.

A regulated establishment is

- a place situated in Québec that is specially laid out to ordinarily provide accommodation or food, or both, in return for payment. Such establishments include hotels, motels, inns, restaurants, and restaurants in campgrounds and sports clubs (arenas, skating rinks, health clubs, etc.*);
- a place situated in Québec where alcoholic beverages are sold for consumption on the premises. Such establishments include bars, lounges, and bars in campgrounds and sports clubs (arenas, skating rinks, health clubs, etc.);
- a railway train or a vessel, operated in connection with a business carried on entirely or almost entirely (90% or more) in Québec, and on which food or beverages are served; or
- a place situated in Québec where meals for consumption elsewhere than on the premises are sold, provided the meals are delivered or served by the employer's personnel in connection with the carrying on of a business (such as a catering business).

An **eligible employee** is an individual who is employed by an eligible taxpayer, who receives tips directly or indirectly in the course of his or her duties, and who performs these duties in a regulated establishment (as described above). The term also designates an employee who receives all or substantially all of his or her tips directly or indirectly from the customers of the regulated establishment, where the following conditions are met:

- Service charges represent, in all or substantially all cases, at least 10% of the amount of tippable sales, and customers are informed of the mandatory nature of the charges.
- Any tip-sharing arrangement in effect at the establishment is administered by the employer.

Tippable sales are sales in a regulated establishment that, in keeping with the prevailing custom in Québec, are likely to entail tipping by the customer. Such sales, however, do not include sales of food or beverages for consumption elsewhere than on the premises of the regulated establishment (for example, sales made at a take-out counter).

Information concerning the table (see below) to be completed by the employer

Column 1

Tippable sales include sales for which a tip in cash was given to the employee; transactions made by credit or debit card for which a tip in cash was paid to the employee out of the cash register; and transactions made by credit or debit card that were billed directly to the customer but recorded only when the employer received the amount corresponding to the transaction. (In the latter case, the tip is considered to have been remitted to the employee at the time the amount of the transaction was received by the employer.) Sales on which a tip was not paid, but on which a tip would ordinarily be expected, must be included in the employee's tippable sales. However, sales made by a delivery person or at a take-out counter are not to be reported in this column.

Column 2

The amount of tips reported to the employer in the *Register and Statement of Tips* (TP-1019.4-V) or an equivalent document must include:

- tips received by the employee on sales included in column 1 (minus credit card costs assumed by the employee);
- plus tips received by the employee that are not related to tippable sales (e.g., tips received by the employee as a hotel valet, doorman or cloakroom attendant);
- plus tips received from other employees, under a tip-sharing arrangement administered by the employees;
- minus tips remitted by the employee to other employees, under a tip-sharing arrangement administered by the employees.

If the tip-sharing arrangement is administered by the employer, the tips remitted by the employer to other employees must be subtracted by the employer from the tips earned by the employee on his or her sales. The employee's net tips must therefore be entered in column 2.

Column 3

The tips controlled by the employer are those that are added as service charges to the customer's bill.

* Cafeterias, and establishments located in Québec that provide food or accommodation (or both) paid for on a weekly, monthly or yearly basis (as, for example, a rooming house or seniors' home), are not considered regulated establishments. For other exceptions, see the brochure *Tax Measures Respecting Tips* (IN-250-V).

The amount of tips allocated to the employee by the employer for the year corresponds to the difference between 8%* of the employee's tippable sales and the tips actually received by the employee on the sales.

- All or substantially all (90% or more) of the employee's tips come from a redistribution of the tips received by the other employees of the establishment. (This may be the case, for example, if the employee is a busboy.)
- The employee works as a cloakroom attendant.
- At the end of the pay period, the employee or the employee's spouse holds more than 40% of the voting shares of the corporation for which the employee works.

- The employee works for a partnership, and is the spouse of an individual whose share of the partnership's income will exceed 40% at the end of the pay period.
- The employee is the employer's spouse.
- The employee receives all or substantially all (90% or more) of his or her tips directly or indirectly from the customers of the regulated establishment, where the following conditions are met:
 - Service charges represent, in all or substantially all cases, at least 10% of the amount of tippable sales, and customers are informed of the mandatory nature of the charges.
 - Any tip-sharing arrangement in effect at the establishment is administered by the employer.

Further information is provided in the brochure *Tax Measures Respecting Tips* (IN-250-V).

Name of employer	Québec enterprise number (NEQ)	Identification number
Name of establishment	Period covered by the statement from <input type="text"/> Y <input type="text"/> M <input type="text"/> D to <input type="text"/> Y <input type="text"/> M <input type="text"/> D	
Adresse of establishment	Postal code	

[illegible]

* 8% or the rate determined by the Revenu Québec further to a rate reduction request.

A REGISTER OF TIPS

Date	Employee's sales		Tips received by the employee for the sales included in column A*		Other tips received by the employee (other than tips covered in column D)		Tip-sharing arrangement				Tips included in the calculation of source deductions (B + C + D – E)	
	A		B		C		D		E			
Amount brought forward**												
TOTAL												

* The tips entered in column B are used to calculate the amount to be allocated, if any.
 ** Enter on this line the data from the previous week, if applicable.

Employee's copy

Statement of tips

Legal last name and first name of employee
Pay period from _____ to _____

EMPLOYEE'S STATEMENT

Tips received by the employee for the sales included in column A (column B)		1
Other tips received by the employee (column C) +		2
Tips received from other employees (column D) +		3
Tips remitted to other employees (column E) –		4
Net tips received by the employee (lines 1 + 2 + 3 – 4) =		5

SIGNATURE

_____ Employee's signature	_____ Principal duty
	_____ Social insurance number

Ministère du revenu

Employer's copy

More offices to serve you better

Gatineau

170, rue de l'Hôtel-de-Ville, 6^e étage
Gatineau (Québec) J8X 4C2
(819) 770-8504 or 1 800 567-4692

Jonquière

2154, rue Deschênes
Jonquière (Québec) G7S 2A9
(418) 548-6392 or 1 800 567-4692

Laval

4, Place-Laval, bureau RC-150
Laval (Québec) H7N 5Y3
(450) 972-3320 or 1 866 540-2500

Longueuil

Place-Longueuil
825, rue Saint-Laurent Ouest
Longueuil (Québec) J4K 5K5
(450) 928-8820 or 1 866 490-2500

Montréal

- Complexe Desjardins
C. P. 3000, succursale Desjardins
Montréal (Québec) H5B 1A4
(514) 873-2600 or 1 866 440-2500
- Village Olympique, pyramide Est
5199, rue Sherbrooke Est, bureau 4000
Montréal (Québec) H1T 4C2
(514) 873-2610 or 1 866 460-2500
- Les Galeries Saint-Laurent
2215, boulevard Marcel-Laurin
Saint-Laurent (Québec) H4R 1K4
(514) 873-6120 or 1 866 570-2500

Québec

200, rue Dorchester
Québec (Québec) G1K 5Z1
(418) 659-4692 or 1 800 567-4692

Rimouski

212, avenue Belzile, bureau 250
Rimouski (Québec) G5L 3C3
(418) 727-3702 or 1 800 567-4692

Rouyn-Noranda

19, rue Perreault Ouest, RC
Rouyn-Noranda (Québec) J9X 6N5
(819) 764-6765 or 1 800 567-4692

Saint-Jean-sur-Richelieu

855, boulevard Industriel
Saint-Jean-sur-Richelieu (Québec) J3B 7Y7
(450) 349-1120 or 1 866 470-2500

Sainte-Foy

3800, rue de Marly
Sainte-Foy (Québec) G1X 4A5
(418) 659-4692 or 1 800 567-4692

Sept-Îles

391, avenue Brochu, bureau 1.04
Sept-Îles (Québec) G4R 4S7
(418) 968-2211 or 1 800 567-4692

Sherbrooke

2665, rue King Ouest, 4^e étage
Sherbrooke (Québec) J1L 2H5
(819) 563-3776 or 1 800 567-4692

Sorel-Tracy

101, rue du Roi
Sorel-Tracy (Québec) J3P 4N1
(450) 928-8820 or 1 866 490-2500

Trois-Rivières

225, rue des Forges, bureau 400
Trois-Rivières (Québec) G9A 2G7
(819) 379-5392 or 1 800 567-4692

Inquiries from outside Canada should be directed to the Sainte-Foy office.
We invite you to visit our Web site at www.revenu.gouv.qc.ca.