

Guide for Employers

Source Deductions and Contributions

2009



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.

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1 Introduction

1.1 Purpose of the guide

This guide is for you if you pay remuneration as an employer or a payer.

1.1.1 Employers

You pay remuneration as an employer if, for example, you pay an employee or a former employee

- salary or wages (see section 1.4 for information on the term “salary or wages”);
- a retiring allowance; or
- a death benefit (benefit that is paid to the heirs of a deceased employee).

1.1.2 Payers

You pay remuneration as a payer if, for example, you pay

- a retirement benefit (for example, from an RPP);
- an annuity (for example, from an RRSP, a RRIF or a DPSP);
- an amount under a profit-sharing plan, an employee benefit plan or an employee trust;
- an amount under a retirement compensation arrangement;
- a single payment from an RRSP or an RPP;
- wage loss replacement benefits paid under a wage loss replacement plan to which the employer contributed.

If you are paying remuneration as a payer, the beneficiary is generally not your employee. However, even in cases where the beneficiary is your employee, you are considered to have acted as a payer (and not as an employer) because the individual received the amount as a beneficiary, not as an employee.

1.2 Contents

This guide is designed to advise you of your obligations as an employer and, where applicable, as a payer. It also contains information regarding

- the source deductions of Québec income tax that you must make respecting remuneration you pay as an employer and, where applicable, as a payer;
- the employee QPP contributions and QPIP premiums that you are required to withhold from remuneration you pay as an employer;
- the QPP contribution, QPIP premium and contributions to the health services fund, to the WSDRF and to the financing of the CNT that you are required to pay as an employer;
- the compensation tax that must be paid by a specified financial institution **other than a corporation**. The information provided in Chapter 4 and in sections 11.2 and 11.3 regarding compensation tax also applies to a specified financial institution that is a corporation.

The guide explains your obligations regarding the types of remuneration listed in the table in section 4.2.1. Contact us if the amount you pay is not listed in this table.

The guide also contains information on the calculation of source deductions and employer contributions using mathematical formulas.

1.3 Abbreviations used in the guide

BDC	Biotechnology development centre
CCPC	Canadian-controlled private corporation
CIP	Cooperative investment plan
CNNTQ	Centre national des nouvelles technologies de Québec
CNT	Commission des normes du travail
CPP	Canada Pension Plan
CSST	Commission de la santé et de la sécurité du travail
CT	Compensation tax
DPSP	Deferred profit-sharing plan
FTQ	Fédération des travailleurs et travailleuses du Québec
GST	Goods and services tax
HBP	Home Buyers' Plan
IFC	International financial centre
ITDC	Information technology development centre
LLP	Lifelong Learning Plan
MITZM	Montréal International Trade Zone at Mirabel
NEC	New economy centre
NEQ	Numéro d'entreprise du Québec (Québec enterprise number)
QPIP	Québec parental insurance plan
QPP	Québec Pension Plan
QST	Québec sales tax
R&D	Scientific research and experimental development
RCM	Regional county municipality
RESP	Registered education savings plan
RPP	Registered pension plan
RRIF	Registered retirement income fund
RRSP	Registered retirement savings plan
SIN	Social insurance number
SODEC	Société de développement des entreprises culturelles
WSDRF	Workforce Skills Development and Recognition Fund

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. For the purposes of this guide, an “individual” refers both to an employee and to a beneficiary of an amount you pay as a payer.

Person

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

Place of residence

For the purposes of this guide, the term “place of residence” means the place of residence within the meaning of the *Taxation Act*.

See the latest version of interpretation bulletin IMP. 22-3 for information concerning the factors taken into consideration by the Ministère du Revenu du Québec in determining the residency status of an individual who leaves Québec and Canada.

Remuneration

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

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 12.6);
- 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);
- the part of the salary or wages earned in the year that is to be paid in another year, under a salary deferral arrangement (see section 12.3);
- amounts paid to an employee during a self-funded leave of absence (see section 12.2);
- out-of-Canada living allowances;
- location incentives paid to a physician;
- 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 13.12);

- fees paid in connection with employment (for example, fees paid to council or committee members);
- earnings loss benefits, supplementary retirement benefits and permanent impairment allowances paid under the *Canadian Forces Members and Veterans Re-establishment and Compensation Act* (federal statute).

Please note that, contrary to the definition provided in tax legislation, for the purposes of this guide the term “salary or wages” does not include the following:

- wage loss replacement benefits paid under a wage loss replacement plan to which the employer contributed;
- amounts paid by a trustee under an employee trust or a profit-sharing plan;
- amounts paid by a custodian under an employee benefit plan.

2 Principal changes

This chapter outlines 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 and all beneficiaries of amounts that you pay as a payer 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 ($\$1,000 \times 2.36\%$ (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 14.

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 Contribution to the WSDRF

Exempt employer

Under the new *Regulation respecting the exemption applicable to a holder of a training initiative quality certificate*, in force since January 1, 2008, an exemption from paying the WSDRF contribution is not granted on the basis of training expenditures representing, on average, at least 2% of your total payroll in the three calendar years preceding your application for the exemption. From now on, you are granted the exemption if you are the holder of a training initiative quality certificate. See section 10.1 to find out the requirements for obtaining such a certificate.

Eligible training expenditures

If your total eligible training expenditures for 2008 (that is, your current expenditures plus those carried forward from another year) exceed 1% of your total payroll for the year, you can carry the excess amount forward to 2009, or claim the tax credit for francization or the tax credit for training in the manufacturing sector (see form CO-1029.8.36.FM, *Crédit d'impôt pour formation dans le secteur manufacturier*). For more information, see section 6.8.2 of the *Guide to Filing the RL-1 Slip* (RL-1.G-V).

2.10 Mathematical formulas

Changes in the mathematical formulas are explained in Chapter 14.

2.11 Other changes

Section on taxable benefits removed

The information about taxable benefits that used to be found in section 4.2.2.2 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 12, which groups together information about certain types of remuneration you pay as an employer or as a payer, 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 and as a payer;
- 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;
 - your employer contribution to the financing of the CNT;
 - your employer contribution to the WSDRF; and
 - compensation tax, if applicable;
- file the following RL slips 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;
 - an RL-1 slip for each beneficiary to whom in 2009 you pay remuneration for which you are required to file an RL-1 slip (for example, wage loss replacement benefits, an amount paid under an RESP or an employee benefit plan, or a payment made under a supplementary unemployment benefit plan);
 - an RL-2 slip for each beneficiary to whom you pay retirement or annuity income in 2009;
 - an RL-25 slip for each beneficiary to whom a payment is made under a profit-sharing plan in 2009;
- 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 file an RL-2 or RL-25 slip with regard to remuneration from which you made source deductions of income tax;
 - 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;
 - to participate in workforce skills development and, consequently, to inform us of your total payroll and the total amount of your eligible training expenditures;

- to pay the employer contribution to the WSDRF; or
- to pay 1% compensation tax (compensation tax that must be paid by a specified financial institution **other than a corporation**);
- file the following summaries for 2009 by February 28, 2010:
 - the RL-2 summary (RL-2.S-V), if you are required to file RL-2 slips for 2009;
 - the RL-25 summary (RL-25.S-V), if you are required to file RL-25 slips for 2009.

If you do not prepare and file your own RL-1, RL-2 or RL-25 slips, make sure the person that files the slips also files form RLZ-1.S-V and, if applicable, the RL-2 summary and the RL-25 summary. 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 or a payer 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, the corporation and its directors are not liable for the amounts, unless the source deductions that should have been made relate to remuneration paid to a person not resident in Canada. 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 or a payer, 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, employer contributions and compensation tax

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. The same is true with regard to compensation tax that must be paid by a specified financial institution other than a corporation. 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 contributions to the WSDRF and to the financing of the CNT must be remitted **once a year**.

Table

Source deductions, employer contributions and compensation tax for 2009	Due date
• Source deductions • QPP contribution • QPIP premium • Contribution to the health services fund¹ • Compensation tax payable by a specified financial institution other than a corporation²	According to the frequency of your remittances for 2009 (see section 3.3.4)
• Contribution to the financing of the CNT • Contribution to the WSDRF	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. 2. Financial institutions that are corporations must remit their compensation tax monthly using form COZ-1027.R, <i>Acomptes provisionnels d'une société</i>.	
Important If you stop making remittances of source deductions, employer contributions and compensation tax 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, the contribution to the health services fund and compensation tax (compensation tax that must be paid by a specified financial institution other than a corporation)

- 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, quarterly, twice-monthly or weekly, 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 (from remuneration paid as an employer and, where applicable, as a payer¹), 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.

1. Income tax withheld from an income-averaging annuity for artists is not included in the calculation of the **average monthly remittance**.

Note

Under fiscal legislation, it is your responsibility to determine the frequency with which you must make remittances of source deductions, employer contributions and, where applicable, compensation tax. 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, your employer contributions and compensation tax;
- 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.

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 your remittance frequency is **twice-monthly or weekly** in 2009, you may request authorization to make remittances

- quarterly, if your **average monthly remittance** for 2008 did not exceed \$3,000 and you have fulfilled your fiscal obligations over the last 12 months. Otherwise, you may request authorization to make your remittances monthly;
- monthly, if your **average monthly remittance** for 2008 was more than \$3,000 but less than \$15,000.

If your remittance frequency is weekly in 2009, you may also request authorization to make remittances twice-monthly, if your **average monthly remittance** for 2008 was at least \$15,000 but less than \$50,000.

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, contribution to the health services fund and compensation tax (compensation tax that must be paid by a specified financial institution other than a corporation) 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. The example that follows the table illustrates the case of an employer that makes weekly remittances.

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.

Remittance frequency in 2009	Remittance due date ¹		Form to be used ²	Notes
Twice-monthly ³	Payment of remuneration	Due date	TPZ-1015.R.14.2-V	Each month, we will send you two copies of form TPZ-1015.R.14.2-V, along with a statement of the amounts remitted to date.
	From the 1st to the 15th day of the month	The 25th day of the month		
	From the 16th to the last day of the month	The 10th day of the following month		
Weekly ⁴	From the 1st to the 7th day of the month	The 3rd working day after the 7th day of the month	TPZ-1015.R.14.3-V	Each month, we will send you four copies of form TPZ-1015.R.14.3-V, along with a statement of the amounts remitted to date. ⁵
	From the 8th to the 14th day of the month	The 3rd working day after the 14th day of the month		
	From the 15th to the 21st day of the month	The 3rd working day after the 21st day of the month		
	From the 22nd to the last day of the month	The 3rd working day after the last day of the month		

1. 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.
2. 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.**
3. 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.
4. If a remittance falls due on a Saturday, a Sunday or a statutory holiday, the due date is extended to the next day that is not a Saturday, a Sunday or a statutory holiday.
5. If your employees are paid every two weeks or twice a month but your remittance frequency is weekly, you may apply for authorization to complete form TPZ-1015.R.14.3-V only for the periods in which you pay remuneration. This means that we will send you copies of the form for those periods only and you will no longer have to file a remittance form with "0" in the "Amount payable" box for periods in which you do not pay remuneration and, consequently, do not make source deductions and are not required to remit employer contributions or compensation tax.

To apply, use form TPZ-1015.R.14.3D-V, *Application to Make Remittance of Source Deductions and Employer Contributions Based on Pay Periods*. Generally speaking, you should receive the form if your remittance frequency is weekly. You may also obtain the form on our website or order it.

Please note that even if you file such an application, your remittance frequency is still weekly. This means that you must meet the due dates for weekly remittances.

At the end of 2009, we will send you a *Notice of Renewal in Respect of Payroll Dates* (form LMU-5.3-V), indicating your payroll dates for 2010. These dates are based on the dates you provide to us for 2009. If the payroll dates we determine for 2010 are not accurate, you must advise us by returning to us a corrected copy of form LMU-5.3-V.

Note

You cannot apply to make your remittances based on your pay periods if you have elected to change your remittance frequency instead.

Example (weekly remittances)

Company ABC pays its employees every two weeks, that is, on January 2, 16 and 30, and on February 13 and 27, 2009. To meet the due dates indicated in the table above, the company must make its remittances by January 12, January 26, February 4, February 18, and March 4, 2009, using form TPZ-1015.R.14.3-V. The company must also file form TPZ-1015.R.14.3-V (without a remittance) by January 19, February 11, and February 25, 2009, unless it has completed form TPZ-1015.R.14.3D-V, *Application to Make Remittance of Source Deductions and Employer Contributions Based on Pay Periods*, and received authorization to file form TPZ-1015.R.14.3-V only for the periods in which it pays remuneration.

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, employer contributions and, where applicable, compensation tax 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, employer contributions and, where applicable, compensation tax online, you may use

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

Even if you report your source deductions, employer contributions and, where applicable, compensation tax online, you may receive a remittance form (TPZ-1015.R.14.1-V, TPZ-1015.R.14.2-V, TPZ-1015.R.14.3-V or TPZ-1015.R.14.4-V). 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, TPZ-1015.R.14.2-V, TPZ-1015.R.14.3-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, contribution to the health services fund and, where applicable, compensation tax;
- 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 or compensation tax 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, TPZ-1015.R.14.2-V, TPZ-1015.R.14.3-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, QPIP premium and compensation tax (compensation tax that must be paid by a specified financial institution other than a corporation) **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, employer contributions and compensation tax (compensation tax that must be paid by a specified financial institution other than a corporation) 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, contribution to the health services fund and, where applicable, compensation tax;
- 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, employer contributions and compensation tax (compensation tax that must be paid by a specified financial institution other than a corporation) 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, TPZ-1015.R.14.2-V, TPZ-1015.R.14.3-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);
- RL-2 slips and the RL-2 summary (if you pay retirement or annuity income);
- RL-25 slips and the RL-25 summary (if you pay an amount under a profit-sharing plan).

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, employer contributions and compensation tax ²	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 ³	The 30th day after the day on which you stop operating your business ⁴
	February 28, 2010		
RL-2 slips and the RL-2 summary	February 28, 2010	The 20th day of the month after the month of your last remittance ⁵	The 30th day after the day on which you stop operating your business ⁵
RL-25 slips and the RL-25 summary	February 28, 2010	The 20th day of the month after the month of your last remittance ⁵	The 30th day after the day on which you stop operating your business ⁵

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. The compensation tax referred to here is that payable by a specified financial institution other than a corporation.
3. By the same date, you must also remit copies 2 and 3 of the RL slips to your former employees or former beneficiaries, as applicable, and pay your contribution to the financing of the CNT and, where applicable, your contribution to the WSDRF. 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 you are required to participate in workforce skills development, you must report the eligible training expenditures you incurred.

If your actual contribution rate for the health services fund is different from the rate that you 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.

4. By the same date, you must also remit copies 2 and 3 of the RL slips to your former employees or former beneficiaries, as applicable, and pay your contribution to the financing of the CNT and, where applicable, your contribution to the WSDRF (for more information, see the first paragraph of note 3 above).

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.

5. By the same date, you must also remit copies 2 and 3 of the RL slips to your former beneficiaries.

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)

Individuals 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.

Individuals 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 individuals may complete the 2009-01 version of the form because of the changes made for 2009 (see section 2.1).

If an individual 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

An individual must provide you with a duly completed TP-1015.3-V form within a certain time limit. This time limit varies depending on whether you are paying remuneration as an employer (the individual is your employee) or as a payer (the individual is the beneficiary of the amount paid).

Employees

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).

Beneficiaries of remuneration that you pay as a payer

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

- before they receive remuneration for the first time;
- 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 beneficiary does not have to complete another copy of form TP-1015.3-V.

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 individual 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 individual who has already asked another employer or payer 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 individual (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.

Important

A **beneficiary** of an amount that you pay as a payer **cannot claim such an exemption** for the amount, because the **exemption applies only to employment income**. Consequently, code "X" cannot be used for remuneration received from a payer.

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 individual 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 x 20%).

Note

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

3.7.7 Individuals who are not resident in Canada

There may be a limit on the deductions and personal tax credits an individual can claim on form TP-1015.3-V if the individual is not resident in Canada in 2009, or if he or she becomes resident in Canada during the year (see section 13.13.4).

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

We may authorize you to **reduce an individual's remuneration subject to source deductions of income tax** because of the **deductions** to which the individual is entitled in calculating net or taxable income. The deductions may be for (among other things)

- contributions to the individual's RRSP or a spousal RRSP (unless, under an agreement with the individual, you deduct the contributions from the individual's remuneration and remit them directly to the RRSP issuer, and thus already take the contributions into account in calculating the individual'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 individual's remuneration, because the individual 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 individual lives;
- the tax credit for a labour-sponsored fund (unless you withhold amounts from the individual's remuneration for the purchase of shares giving entitlement to this credit, and thus already take these amounts into account in calculating the individual'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 individual 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 individual an authorization letter specifying the amount of the reduction that you must take into account. The individual 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 individual 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 individual 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, RL-2 and RL-25 slips and the relevant summaries

You are required to file RL-1 slips and the *Summary of Source Deductions and Employer Contributions* (form RLZ-1.S-V), RL-2 slips and the RL-2 summary, and RL-25 slips and the RL-25 summary 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.

RL-1 slips are used to report employment and other income, RL-2 slips to report retirement and annuity income, and RL-25 slips to report income from a profit-sharing plan.

Important

If you do not prepare and file your own RL-1, RL-2 or RL-25 slips, make sure the person that files the slips also files form RLZ-1.S-V and, if applicable, the RL-2 summary and the RL-25 summary. 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, employer contributions and compensation tax 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, or
- the form (RLZ-1.S-V, *Summary of Source Deductions and Employer Contributions*) that must be filed annually by a specified financial institution **other than a corporation**, to report its 1% compensation tax.

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*, the *Act to promote workforce skills development and recognition*, 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, TPZ-1015.R.14.2-V, TPZ-1015.R.14.3-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), RL-2 slips and the RL-2 summary, or RL-25 slips and the RL-25 summary 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 and compensation tax?

4.1 Conditions that must be met

You must make source deductions and pay employer contributions and compensation tax with respect to the amounts you pay **as an employer to your employees or as a payer to beneficiaries**, provided the basic conditions in section 4.1.1 are met. The special rules that apply in certain cases are described in section 4.1.2.

4.1.1 Table of basic conditions

	Basic conditions	
	A	and B
Québec income tax (amount paid to a beneficiary)	The amount paid is subject to source deductions of income tax (see section 4.2).	The amount is paid to a beneficiary who is resident in Québec at the time of payment.
Québec income tax (amount paid to an employee)	The amount paid is subject to source deductions of income tax (see section 4.2).	The amount is paid to an employee who reports for work at one of your establishments¹ in Québec. or 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.
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).	
WSDRF	The amount paid must be included in the total payroll (see section 4.2).	
Compensation tax	The employer is a specified financial institution and the amount paid is subject to compensation tax (see section 4.2).	
1. The term "establishment" has the meaning assigned by the <i>Taxation Act</i> .		

In accordance with these basic conditions in the table above (but subject to the special rules set out below), you are not required to make source deductions or pay employer contributions and compensation tax respecting amounts that you pay to an employee who reports for work **only** at one of your establishments outside Québec.

4.1.2 Special rules

Where you have an employee who reports for work at one of your establishments in Québec and at one of your establishments outside Québec, certain rules apply (see section 13.5.1).

In addition, special rules may apply

- if you pay remuneration to a person who is not resident in Québec (see section 13.13);
- if you pay remuneration to an employee who is resident in Québec but who works outside Canada (see section 13.5.3).

Furthermore, even if the conditions in column B of the table in section 4.1.1 are not met, you may have to pay certain contributions respecting the following types of remuneration:

- remuneration paid to an employee who reports for work **only** at one of your establishments **outside Canada** (see section 13.5.3);
- remuneration paid to an employee who is not required to report for work at any of your establishments (in Québec or elsewhere) and who is paid from one of your establishments outside Québec (see section 13.5.2);
- remuneration earned by an individual who is not your employee but is the employee of an employer that does not have an establishment in Québec, for services the individual performed for you in Québec (see section 13.11).

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

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, or compensation tax. Where this is the case, you must make the source deductions and pay the employer contributions and compensation tax respecting these amounts **if one of the conditions in column B of the table in section 4.1.1 is met**. (You should also check whether the special rules mentioned in section 4.1.2 apply.)

The following table also indicates whether the amounts must be included in your total payroll used to calculate your contribution to the WSDRF. Where this is the case, you must include them in the calculation **if one of the conditions in column B of the table in section 4.1.1 is met**. (You should also check whether the special rules mentioned in section 4.1.2 apply.)

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	WSDRF	CT
Benefits paid by a trustee under a supplementary unemployment benefit plan	Yes	No	No	No	No	No	No
Benefits paid under a program established under an agreement reached pursuant to section 5 of the <i>Department of Fisheries and Oceans Act</i> (federal statute)	Yes	No	No	No	No	No	No
Benefits paid under the <i>Labour Adjustment Benefits Act</i> (federal statute)	Yes	No	No	No	No	No	No
Bonuses and retroactive pay (see section 12.4)	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Commissions paid to an individual who holds an office or employment (see section 12.1)	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Death benefits paid by an employer ¹	Yes	No	No	No	No	No	No
Death benefits received from the Régie des rentes du Québec	No	No	No	No	No	No	No
Directors' fees (see section 12.9)							
Directors' fees paid to a director who does not receive a salary	Yes	Yes	Yes	Yes	No	Yes	Yes
Directors' fees paid to a director who also receives a regular salary	Yes	Yes	Yes	Yes	No	Yes	Yes
DPSP (see section 12.11.3)							
Annuities from a DPSP	Yes	No	No	No	No	No	No
Single payments	Yes	No	No	No	No	No	No

	Income tax	QPP	QPIP	Health services fund	CNT	WSDRF	CT
Employee benefit plan (see section 12.14)							
Amounts paid by an employer to a custodian of an employee benefit plan	No	Yes	No	Yes	Yes	Yes	Yes
Amounts paid by a custodian of an employee benefit plan	Yes	No	No	No	No	No	No
Refunds of contributions made by an employee to an employee benefit plan	No	No	No	No	No	No	No
Employee trust (see section 12.14)							
Amounts paid by an employer to a trustee of an employee trust	No	Yes	No	Yes	Yes	Yes	Yes
Amounts paid by a trustee of an employee trust	No	No	No	No	No	No	No
Employment insurance benefits (see section 4.2.2)	Yes	No	No	No	No	No	No
Financial assistance paid under a program established by a government or government agency in Canada or by another organization (see section 4.2.2)	Yes	No	No	No	No	No	No
Income assistance payments made to older workers under the <i>Department of Labour Act</i> (federal statute)	Yes	No	No	No	No	No	No
Income-averaging annuity							
Amounts paid as consideration for the surrender, cancellation or redemption of an income-averaging annuity contract	Yes	No	No	No	No	No	No
Income supplements (see section 12.16)	Yes	No	No	No	No	No	No
Indemnities paid where an employer terminates a contract of employment							
Indemnity in lieu of notice (see section 12.7)	Yes	No	Yes	No	Yes	No	No
Other indemnities for damages plus interest upon resiliation of a contract of employment	Yes	No	No	No	Yes	No	No
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	Yes	Yes
Overtime pay (see section 12.5)	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Paid leaves of absence (excluding salary deferral arrangements) (see section 12.2)							
Deferred salary leave (self-funded)							
Portion of the salary or wages that is not paid in the year but is deferred to another year	No	No	Yes	No	No	No	No
Payment of the deferred portion of salary or wages when the employee takes a leave of absence	Yes	Yes	No	Yes	Yes	Yes	Yes
Salary advance leave (salary paid in advance)	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Parental insurance benefits							
Top-up payments made by an employer ²	Yes	Yes	No	Yes	Yes	Yes	Yes
Patronage dividends	No	No	No	No	No	No	No
Prizes awarded for an achievement	No	No	No	No	No	No	No
Profit-sharing plan (see section 12.14)							
Amounts paid by an employer to a trustee of a profit-sharing plan	No	Yes	No	Yes	Yes	Yes	Yes
Amounts paid by a trustee of a profit-sharing plan that can be reasonably attributed to an amount paid to the trustee after May 12, 1994	No	No	No	No	No	No	No

	Income tax	QPP	QPIP	Health services fund	CNT	WSDRF	CT
Amounts paid by a trustee of a profit-sharing plan that can be reasonably attributed to an amount paid to the trustee before May 13, 1994	No	Yes	No	No	No	No	No
Single payment in full satisfaction of all an employee's rights in the plan, if the payment is taxable for the employee	Yes	No	No	No	No	No	No
Single payment in full satisfaction of all an employee's rights in the plan, if the payment is not taxable for the employee	No	No	No	No	No	No	No
Research grants	No	No	No	No	No	No	No
RESP							
Accumulated income payments made to the subscriber under an RESP or to the subscriber's spouse if the subscriber is deceased (see section 12.11.2)	Yes	No	No	No	No	No	No
Educational assistance payments ³	No	No	No	No	No	No	No
Refunds of RESP contributions	No	No	No	No	No	No	No
Retirement compensation arrangement							
Contributions paid to a retirement compensation arrangement	No	No	No	No	No	No	No
Amounts paid under a retirement compensation arrangement or resulting from the making of such an arrangement	Yes	No	No	No	No	No	No
Retiring allowance (see the definition of this term in section 12.11.1) other than indemnities paid where an employer terminates a contract of employment	Yes	No	No	No	No	No	No
RPP or other pension plans (see section 12.11.3)							
Pension benefits: periodic payments	Yes	No	No	No	No	No	No
Single payments	Yes	No	No	No	No	No	No
RRIF (see section 12.10.2)							
Portion of the payment from a RRIF that represents the minimum amount	No	No	No	No	No	No	No
Portion of the payment from a RRIF that exceeds the minimum amount	Yes	No	No	No	No	No	No
RRSP (see section 12.10.1)							
Periodic payments	No	No	No	No	No	No	No
Single payments	Yes	No	No	No	No	No	No
Salaries or wages ⁴ (see section 4.2.2)	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Salary deferral arrangements (see section 12.3)							
All the salary or wages earned in the year (including the portion of the salary or wages that is not paid in the year but is deferred to another year)	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Payment of the deferred portion of salary or wages	No	No	No	No	No	No	No
Scholarships, bursaries or fellowships paid to a person who is not an employee ⁵	No	No	No	No	No	No	No
Taxable benefits in cash (see section 4.2.2)	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Taxable benefits in kind (see section 4.2.2)	Yes	Yes	No ⁶	Yes	Yes	Yes	Yes
Tips (including allocated tips) (see section 12.12)	Yes	Yes	Yes/No ⁷	Yes	Yes	Yes	Yes
Vacation pay (see section 12.8)	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Wage loss replacement benefits paid under a wage loss replacement plan to which the employer contributed (see section 12.13)	Yes	No	Yes/No ⁸	No	No	No	No

1. See the definition of this term in section 12.11.4. Do not confuse death benefits paid by an employer with the amounts described in section 13.12, 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.
2. Top-up payments are made by an employer to increase maternity or parental leave benefits.
3. Payments made to or on behalf of a beneficiary of an RESP to help defray the cost of the beneficiary's post-secondary studies. Such payments represent a distribution of the income accumulated in the RESP and the Canada Education Savings Grant (including income accumulated on the grant).
4. 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. Note that some of these payments (for example, taxable benefits) also appear elsewhere in this table. Where this is the case, consult the appropriate sections of the table for more specific information.
5. If the scholarship, bursary or fellowship is paid to an employee, it is considered a benefit and may be taxable, depending on the circumstances. Consult the brochure *Taxable Benefits* (IN-253-V).
6. 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.
7. Allocated tips are not subject to QPIP premiums.
8. Special rules apply in respect of the QPIP. See section 12.13.

4.2.2 Additional information

Financial assistance

The financial assistance referred to in the table in section 4.2.1 is assistance paid under one of the following programs:

- a program established by the Canada Employment Insurance Commission under Part II of the *Employment Insurance Act*;
- a program (other than a prescribed program) that is
 - similar to a program established under Part II of the *Employment Insurance Act*, and
 - the subject of an agreement between a government or government agency in Canada or another organization, as applicable, and the Canada Employment Insurance Commission.

The portion of such assistance that is for child-care expenses or tuition fees is not subject to source deductions, employer contributions or compensation tax.

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, employer contributions and compensation tax. 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.

Employment insurance benefits

The employment insurance benefits referred to in the table in section 4.2.1 are benefits paid under the *Unemployment Insurance Act*, other than a payment relating to a course or program designed to facilitate the re-entry into the labour market of a claimant under the Act, or benefits paid under Part I, VIII or VIII.1 of the *Employment Insurance Act*.

Salaries or wages

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

- employees of employment agencies (see section 13.2);
- Indian employees (see section 13.6);
- Québec sailors (see section 13.8);
- IFC employees (see section 13.3);
- employees who were not resident in Canada before coming to Québec to work in certain specialized sectors of activity (see section 13.4);
- foreign producers (see section 13.10);
- employees who are not resident in Canada (see section 13.13.1);

- employees who work outside Canada (see section 13.5.2);
- 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);
- employees posted to a country that has a social security agreement with Québec (see sections 6.14 and 8.6);
- foreign farm workers (see section 13.14).

You should therefore consult Chapters 5 to 13 of the guide before you conclude that a salary or wages are subject to source deductions, employer contributions or compensation tax.

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 and beneficiaries. 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 14.3; 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, TPZ-1015.R.14.2-V, TPZ-1015.R.14.3-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 4.1.1 is met**. (You should also check whether the special rules mentioned in section 4.1.2 apply.)

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 the following types of remuneration:

- 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 12.8);
 - bonuses or retroactive pay, if you are using table TP-1015.TI-V to make source deductions of income tax (see section 12.4);
 - 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 12.4);

- 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 12.5);
- directors' fees paid to a director who does not receive a salary (see section 12.9);
- 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 12.1);
- 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 12.11);
- salary or wages referred to in section 5.3;
- wage loss replacement benefits paid under a wage loss replacement plan to which the employer contributed (see section 12.13);
- pension benefits from an RPP or other pension plan paid periodically to a person who is resident in Québec;
- the portion of a periodic payment from a RRIF that exceeds the minimum amount (see section 12.10.2);
- amounts paid under a retirement compensation arrangement or resulting from the making of such an arrangement;
- employment insurance benefits referred to in section 4.2.2;
- parental insurance benefits;
- financial assistance referred to in section 4.2.2;
- benefits paid under a supplementary unemployment benefit plan;
- income assistance payments made to older workers under the *Department of Labour Act* (federal statute);
- benefits paid under the *Labour Adjustment Benefits Act* (federal statute);
- benefits paid under a program established under an agreement reached pursuant to section 5 of the *Department of Fisheries and Oceans Act* (federal statute);
- annuities from a DPSP (including a DPSP whose registration has been revoked), minus any amount determined under sections 883, 884 and 886 of the *Taxation Act*;
- amounts paid by a custodian of an employee benefit plan, other than refunds of contributions made to the plan (see section 12.14).

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 12.4);
- single payments referred to in section 12.11 (for example, a retiring allowance);
- single payments from an RRSP or the portion of a single payment from a RRIF that exceeds the minimum amount, with some exceptions (see section 12.10);
- income supplements paid under a government work-incentive project, other than the Return to Work Supplement sponsored by Emploi-Québec (see section 12.16);
- payments made, other than in the course of regular and continuous employment, to a person (including a corporation) not resident in Canada for services the person performed for you in Québec (see section 13.13.3);
- 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).

If you pay an income-averaging annuity for artists, you must withhold a special tax (see section 12.15).

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));
- amounts paid by a trustee of a profit-sharing plan, other than a single payment in full satisfaction of all the employee's rights in the plan, if the payment must be included in the beneficiary's income (see section 12.11);
- amounts paid by a trustee of an employee trust;
- certain amounts paid further to an industrial accident – CSST (see section 12.6);
- pension benefits (single payment or periodic payment) paid to a person resident outside Québec;
- periodic payments from an RRSP;
- the portion of a payment from a RRIF that represents the minimum amount;
- patronage dividends;
- amounts that are not taxable;
- scholarships, bursaries or fellowships paid to a person who is not an employee (such amounts when paid to an employee may be considered a taxable benefit and therefore be subject to source deductions of income tax);

- single payments from an RPP, a DPSP or an RRSP, if they are transferred directly to another plan and not paid to the beneficiary;
- 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 12 and 13, 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 or a payer is based initially on the following factors:

- the individual's remuneration subject to source deductions of income tax (see section 5.4.1);
- the deduction code entered on the individual'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 individual 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 individual'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 individual 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 12 and 13, where applicable, for information on certain types of remuneration that you might pay during a pay period.
plus	
♦ commissions	See section 12.1.
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 - 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.
♦ 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 Fondation, le Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l'emploi	Subtract, from the employee's gross remuneration for the pay period, 75% of the amount withheld if the following conditions are met: - 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 Fondation, 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. The maximum amount that you may subtract from the gross remuneration is \$3,750 per year.
♦ 125% of the amount withheld from the employee's remuneration for the purchase of preferred shares qualifying under the CIP	The amount to be subtracted for each pay period must not exceed 30% of the result of the following calculation: - the employee's gross salary or wages for the pay period; minus - 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. 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\% \times (\\$3,400 - \\$150 - \\$250)$). 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.
♦ travel deduction for residents of designated remote areas	See section 5.4.1.3.

Remuneration subject to source deductions of income tax	
Calculation for a pay period	Remarks
◆ amount entered on line 19 of form TP-1015.3-V, <i>Source Deductions Return</i>	You must take into account any amount the individual has indicated on line 19 of form TP-1015.3-V. Divide the amount by the number of pay periods remaining in the year, in order to determine how much to subtract from the individual's gross salary or wages for the pay period. The amount on line 19 of form TP-1015.3-V represents the total of the following amounts: • the housing deduction for residents of designated remote areas; • deductible support payments.
◆ amount of the deductions that we authorized, if the individual completed form TP-1016-V for 2009	Divide this amount by the number of pay periods remaining in the year, in order to determine how much to subtract from the individual's gross remuneration for the pay period. 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.
◆ portion of the remuneration paid to an Indian that gives entitlement to the deduction for employment income situated on a reserve or premises	See section 13.6.
◆ portion of the remuneration that gives entitlement to the deduction for employment income earned on a vessel engaged in international freight transportation	See section 13.8.
◆ portion of the remuneration that gives entitlement to the deduction for IFC employees	See section 13.3.
◆ portion of the remuneration paid to a foreign employee that gives entitlement to the five-year tax exemption	See section 13.4.
◆ portion of the remuneration that gives entitlement to the deduction for foreign farm workers	See section 13.14.
◆ portion of the remuneration that gives entitlement to the Canadian Forces personnel and police deduction	See section 13.19.
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 1

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.

Example 2

Tony is a retiree who receives monthly pension benefits of \$2,000 (12 pay periods per year), and \$15 per month in taxable benefits (for the health coverage he continues to receive under his former employer's private health services plan). Tony completes form TP-1016-V and we authorize the payer to reduce Tony's remuneration subject to source deductions of income tax by \$80 per period. The remuneration subject to source deductions of income tax is determined as follows:

Monthly pension benefits (12 pay periods)		\$2,000	
Taxable benefits	+	\$15	
	=	\$2,015	
Minus: amount we authorized after Tony completed form TP-1016-V	–	\$80	
Remuneration subject to source deductions of income tax			= \$1,935

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;		(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;		(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.
(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.		

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. However, if you are paying remuneration as a payer, the beneficiary is not entitled to that deduction.

Likewise, 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 beneficiary’s or 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 beneficiary or employee.

Note

If, according to the deduction code of the beneficiary or 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 or beneficiary’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 or beneficiary 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 individual 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 individual.
- Where applicable, divide the total **tax credits** (for charitable donations, medical expenses, etc.) that we authorized after the individual 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 individual 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 1

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.

Example 2

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

Determine the amount of income tax to withhold as follows:

- Refer to the section of table TP-1015.TI-V marked "12 pay periods per year."
- In the column "Remuneration subject to source deductions," locate the bracket that includes \$4,000 (i.e., "\$3,970.00 – \$4,009.99").
- Follow the line across to the right until you reach column E.

The amount of income tax to withhold is \$367.63.

5.4.4 Remuneration or number of pay periods not covered by table TP-1015.TI-V

The *Source Deduction Table for Québec Income Tax* (TP-1015.TI-V) cannot be used to determine the income tax withholding if

- the remuneration subject to source deductions of income tax exceeds a certain maximum for a given period (for example, \$8,000 per pay period where remuneration is paid twice-monthly); or
- the number of pay periods in the year is not 52, 26, 24 or 12.

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

- Estimate the employee's or beneficiary's annual remuneration by adding to the gross annual remuneration the following amounts (where applicable):
 - the estimated gross commissions for the year, if the employee did not complete form TP-1015.R.13.1-V, *Statement of Commissions and Expenses for Source Deduction Purposes*;
 - the estimated net commissions for the year, if the employee completed form TP-1015.R.13.1-V. To calculate the estimated net commissions, multiply the estimated gross commissions for the year by the percentage of commissions determined on line 4 of form TP-1015.R.13.1-V.
- Subtract, from the individual's estimated annual remuneration, the amounts that you must take into account in order to determine the remuneration subject to source deductions of income tax (see section 5.4.1).
- Estimate the income tax for the year based on the rates in the table below. Then subtract from the estimated income tax the total of the following amounts:
 - 20% of the amount indicated on line 10 of form TP-1015.3-V (remember to take indexation into account if the form the individual completed was not the 2009-01 version) or 20% of the basic amount of \$10,455, if the individual has not completed form TP-1015.3-V;
 - where applicable, the total **tax credits** (for charitable donations, medical expenses, etc.) that we authorized if the individual completed form TP-1016-V, *Application for a Reduction in Source Deductions of Income Tax*.

Result obtained in (b)		Taxation rate
Over	But not over	
\$0	\$38,385	16%
\$38,385	\$76,770	\$6,141.60 on the first \$38,385 + 20% on the remainder
\$76,770		\$13,818.60 on the first \$76,770 + 24% on the remainder

- (d) To determine the rate of withholding, divide the amount obtained in (c) by the estimated annual remuneration (calculated in (a)).
- (e) To determine the amount of income tax to withhold for each pay period, multiply the gross remuneration for each pay period by the rate of withholding (calculated in (d)).

Example 1

Jay is an employee who is paid weekly. He receives a gross salary of \$4,000 and a taxable benefit of \$200 for each pay period. For each pay period, you withhold \$40 from Jay's remuneration as a contribution to an RPP.

Jay, who completed the 2009-01 version of form TP-1015.3-V, entered \$21,550 on line 10 and \$1,320 on line 19.

(a) Estimated salary for the year: \$4,000 x 52 pay periods	\$208,000
Estimated taxable benefits for the year: \$200 x 52 pay periods	+ \$10,400
Estimated annual remuneration	= \$218,400
(b) Contribution to an RPP for the year, and estimated deductions for the year indicated on line 19 of form TP-1015.3-V: (\$40 x 52) + \$1,320	- \$3,400
Annual remuneration subject to source deductions of income tax	= \$215,000
(c) Calculation of estimated income tax for the year	
Income tax on the first \$76,770	\$13,818.60
Plus 24% on the remainder: (\$215,000 - \$76,770) x 24%	+ \$33,175.20
	= \$46,993.80
Multiply the amount indicated on line 10 of form TP-1015.3-V by 20%: \$21,550 x 20%.	- \$4,310
Estimated income tax for the year	= \$42,683.80
(d) Divide the estimated income tax for the year by the estimated annual remuneration : \$42,683.80 ÷ \$218,400 = 0.1954.	
(e) Multiply the gross remuneration for the period by the rate obtained in (d): \$4,000 + \$200 = \$4,200 x 0.1954 = \$820.68 . The result is the income tax to withhold for the pay period.	

If the amount of remuneration paid to Jay is the same for each pay period, withhold \$820.68 per pay period. Otherwise, multiply by the rate of 0.1954 any amount of gross remuneration not covered by table TP-1015.TI-V.

Example 2

Tyrone is an employee who is paid every two weeks. He receives \$8,200 in remuneration (basic salary and commissions) for a given pay period (this amount is not covered by table TP-1015.TI-V). Furthermore, Tyrone's gross salary per pay period is \$769.23, and you estimate that his net commissions for the year will be \$60,000. For each pay period, you must withhold \$100 as a contribution to an RPP.

In 2004, Tyrone completed the 2004-01 version of form TP-1015.3-V, and entered \$9,150 on line 10; this constitutes the basic amount on line 1 for 2004.

(a) Estimated gross salary for the year: \$769.23 x 26 pay periods	\$20,000
Estimated net commissions for the year	+ \$60,000
Estimated annual remuneration	= \$80,000
(b) Contribution to an RPP: \$100 x 26 pay periods	- \$2,600
Annual remuneration subject to source deductions of income tax	= \$77,400
(c) Calculation of estimated income tax for the year	
Income tax on the first \$76,770	\$13,818.60
Plus 24% on the remainder: (\$77,400 - \$76,770) x 24%	+ \$151.20
	= \$13,969.80
Amount indicated on line 10 of form TP-1015.3-V: \$10,455 ¹ x 20%	- \$2,091
Estimated income tax for the year	= \$11,878.80
(d) Divide the estimated income tax for the year by the estimated annual remuneration : \$11,878.80 ÷ \$80,000 = 0.1485.	
(e) Multiply the gross salary and the commissions for the pay period by the rate obtained in (d): \$8,200 x 0.1485 = \$1,217.70 . The result is the income tax to withhold for the pay period.	

To determine the income tax to withhold from any other remuneration not covered by table TP-1015.TI-V, multiply the amounts paid by the rate of 0.1485.

- As the version of form TP-1015.3-V that Tyrone completed is not the 2009-01 version, you must index the amount entered on line 10 of the form. In other words, you must use the amount that would have been written on line 10 of the 2009-01 version of the form. In our example, this amount would be \$10,455.

5.5 Using the mathematical formulas to calculate income tax withholdings

Chapter 14 contains the mathematical formulas that you may use to calculate source deductions of income tax.

In Chapter 12, 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 14.4.

Payment of the contributions

Employee and employer QPP contributions must be remitted periodically. Use form TPZ-1015.R.14.1-V, TPZ-1015.R.14.2-V, TPZ-1015.R.14.3-V or TPZ-1015.R.14.4-V, according to your remittance frequency (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 "salary or wages"), **except** those described in section 6.4;
- benefits resulting from the exercise of a security option, where taxation of the benefit is deferred from the year of acquisition of the securities to the year of their disposition pursuant to an election made under the federal income tax system. The benefit is subject to QPP contributions in the year of acquisition, not in the year of disposition (for more information, refer to the brochure *Taxable Benefits* (IN-253-V));
- the salary or wages deemed paid to an employee who has a phased retirement agreement (see section 6.12);
- amounts you pay to a trustee of a profit-sharing plan or an employee trust, or to a custodian of an employee benefit plan (see section 12.14).

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 4.1.1 is met.** In such cases, you must withhold and pay QPP contributions with respect to the types of remuneration listed above. (You should also check whether the special rules mentioned in section 4.1.2 apply.)

Note

If you temporarily posted an employee to a country that has a social security agreement with Québec, see section 6.14.

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));
- the salary or wages paid to an employee who is temporarily posted to Québec and is covered by a social security agreement (see section 6.14);
- earnings loss benefits, supplementary retirement benefits and permanent impairment allowances paid under the *Canadian Forces Members and Veterans Re-establishment and Compensation Act* (federal statute);
- certain amounts paid further to an industrial accident – CSST (see section 12.6);
- retiring allowances (see the definition in section 12.11.1);
- death benefits (see the definition in section 12.11.4);
- retirement benefits;
- an amount paid under a retirement compensation arrangement or resulting from the making of such an arrangement;
- patronage dividends;
- wage loss replacement benefits paid under a wage loss replacement plan to which the employer contributed (see section 12.13);
- amounts paid by a trustee of an employee trust;
- amounts paid by a custodian of an employee benefit plan;
- amounts paid by a trustee of a profit-sharing plan, if the amounts can reasonably be attributed to an amount paid to the trustee after May 12, 1994.

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 of a person from a country other than Canada in a teaching position, further to an exchange;
- employment conferring entitlement to a pension plan established by the *Courts of Justice Act* or the *Judges Act* (federal statute);
- employment as a member of the Canadian Forces or the Royal Canadian Mounted Police;
- employment in Québec by an employer that, under a social security agreement, is exempted from paying QPP contributions (see section 6.14);
- employment in Québec by another government or an international organization, other than employment covered by an agreement with the Régie des rentes du Québec;
- 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 13.6);
- employment in Québec by an employer that does not have an establishment in Québec, unless the employer has made an arrangement with the Régie des rentes du Québec regarding the payment of contributions in respect of the employment for its employees resident in Canada who receive their remuneration from an establishment of the employer outside Canada.

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 12.4.2 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 ($\$3,500 \div 2,000 \text{ hours} = \1.75); or
- \$14.58 per day, if the employee is paid by the day ($\$3,500 \div 240 \text{ 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 14. 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 x (number of months after the month of the employee's 18th birthday) ÷ 12 (see example 1 below)	
The employee began to receive a disability pension under the QPP or the CPP.	\$2,118.60 x (number of months up to and including the month that includes the date—set by the Régie des rentes du Québec—on which the employee becomes disabled) ÷ 12	
The employee stopped receiving a disability pension under the QPP or the CPP.	\$2,118.60 x (number of months after the month in which the employee stopped receiving the disability pension) ÷ 12	
The employee died.	\$2,118.60 x (number of months in the year up to and including the month of the employee's death) ÷ 12 (see example 2 below)	
The employee was 17 or under throughout the year .	No QPP contributions	
1. The pay period exemption must not exceed the pensionable salary or wages for the period. For example, if the pay period exemption is \$67.30 and you paid a pensionable salary or wages of \$60 for a pay period, multiply the pay period exemption (\$67.30) by the number of pay periods for which you paid a pensionable salary or wages to the employee, and subtract \$7.30 from the result.		

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.

6.7.1 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).

6.7.2 Remuneration or number of pay periods not covered by the tables

If the *Source Deduction Tables for QPP Contributions* (TP-1015.TR-V and TP-1015.TR.12-V) do not cover the employee's gross salary or wages or the number of pay periods, or if the pay period is irregular, you must calculate the source deductions of QPP contributions as follows:

- (a) Calculate the employee's contributory earnings for the pay period by subtracting, from the employee's pensionable salary or wages, the pay period exemption (see section 6.5).
- (b) Multiply the contributory earnings, as determined in (a), by 4.95% (see note 1 below).
- (c) The amount to be withheld corresponds to the lower of the following amounts:
 - the amount obtained in (b);
 - the employee's maximum annual contribution minus the amount already withheld.

Once the maximum annual contribution (\$2,118.60) is reached, do not withhold further contributions. In some cases, the maximum annual contribution must be reduced (see section 6.6).

Note 1

If the result obtained in (b) 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 the result in (b) 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 (b) is equal to \$0.001 (one-tenth of a cent), you must withhold \$0.01.

Note 2

If an employee begins or stops working during a normal pay period, calculate the QPP contribution on the employee's contributory earnings as if the employee had worked for the entire pay period.

Example 1

Nathalie receives a weekly salary of \$8,500 and taxable benefits worth \$500, for a total salary of \$9,000 per week. You cannot use the tables in this case, because the pensionable salary (\$9,000) is not covered by the tables. Subtract the pay period exemption (\$67.30) from the pensionable salary to obtain Nathalie's contributory earnings (\$9,000 – \$67.30 = \$8,932.70). Multiply the result by 4.95% in order to determine the amount to withhold as a QPP contribution. You must therefore withhold \$442.17 each week until the maximum annual contribution is reached.

Example 2

Allan, who is 50 years old, is employed only from March 5 to March 23, 2009, and receives wages of \$900 for the entire period. The deduction tables cannot be used in this case because the pay period is irregular. The exemption for the period is \$182.19, that is, \$3,500 x 19/365. (You may also refer to the table on the last page of document TP-1015.TR-V.) You must withhold a QPP contribution of \$35.53, that is, 4.95% x (\$900 – \$182.19).

Example 3

George is 20 years old. He worked for two days (non-continuous employment) at the rate of \$55 per day, and was paid \$110 by his employer at the end of the two-day period. The exemption is \$14.58 per day, or \$29.16. The QPP contribution is therefore \$4, that is, 4.95% of \$80.84 (\$110 – \$29.16). The same result may be obtained by referring to Table B in document TP-1015.TR-V; in this case the QPP contribution of \$2 per day is multiplied by 2.

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

You can use the mathematical formula in section 14.4.1 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 14.4.1).

6.9 Successive employers, corporate amalgamation and transfer of employees

6.9.1 Employer that succeeds another employer

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.

6.9.2 Corporate amalgamation

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

The new corporation may keep the corporate name of one of the original corporations or adopt a new name, but must obtain a new identification number from us. A copy of the new constituting act must be enclosed with the application in order to have the funds in accounts that are to be closed transferred to the corporation's active account.

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

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

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

The new corporation must not withhold QPP contributions from the salaries or wages paid to employees who, prior to the amalgamation, had already paid the maximum annual QPP contribution.

The new corporation must file a single set of RL-1 slips for the QPP contributions remitted by the new corporation and by the predecessor corporations. The RL-1 slips must be submitted to us by the last day of February of the year following the year of amalgamation.

6.9.3 Employee transferred from one employer to another

If an employee of one of the following entities changes employers as a result of constitution, amalgamation, annexation, division or regrouping, the new employer is deemed to be the same as the previous employer:

- a municipality;
- a metropolitan community;
- a school board;
- a CEGEP; or
- 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*.

The new employer must take into account the QPP contributions withheld from the salary or wages paid to the employee by the previous employer.

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 Employees on phased retirement

An employee who is at least 55 years of age but under 70 years of age, and who reduces his or her working time by taking phased retirement may, if certain conditions are met, make an agreement with you to the effect that all or part of the amount of the reduction in the employee's salary or wages is deemed, for the purposes of determining the QPP contribution, to have been paid to the employee.

The agreement entered into by you and the employee must be formalized using the form prescribed by the Régie des rentes du Québec and is valid only if approved by the Régie. Payment of an additional QPP contribution resulting from the agreement is shared equally by you and the employee. For more information, contact the Régie des rentes du Québec.

Pensionable salary or wages

The amount referred to in the agreement is considered a pensionable salary or pensionable wages that you pay the employee at the frequency provided for in the agreement. Consequently, in order to calculate the QPP contribution for a pay period, you must add to the salary or wages actually paid to the employee the corresponding portion of the amount referred to in the agreement.

If you are using the mathematical formula, the deemed income paid to the employee for the pay period must be included in variable S_3 .

Example

You sign a phased retirement agreement with an employee whose annual salary is \$36,000. The employee's normal work week is then reduced by 20%. The agreement provides that \$7,200 (20% of \$36,000) will be considered a pensionable salary that you pay during the year at weekly intervals. The employee's deemed income is therefore \$138.46 per week ($\$7,200 \div 52$ weeks).

The QPP contribution to be withheld for each weekly pay period is calculated on a salary of \$692.31, that is, the salary actually earned by the employee $[(\$36,000 - \$7,200) \div 52 = \$553.85]$ plus the employee's deemed income (\$138.46).

Note

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

6.13 Employees transferred from an establishment covered by the CPP to an establishment covered by the QPP

If you transfer an employee from an establishment covered by the Canada Pension Plan to an establishment covered by the Québec Pension Plan, you must take into account the source deductions of CPP contributions you made to ensure that the total contributions withheld under both pension plans do not exceed the employee's maximum contribution for the year.

Where an employee is transferred during a pay period, you are not required to divide the contributions between the CPP and the QPP. The employee is considered to have worked during the entire period at the establishment to which he or she was transferred, and you must remit to the new plan the full amount withheld from the employee's salary or wages for the pay period.

Example

An employer with one establishment in Québec and another in Ontario pays the employees every Friday. Dave, who earns \$910 a week, is transferred from one establishment to the other.

During the first 20 weeks of the year, Dave works at the establishment in Québec.

Source deductions of QPP contributions: \$41.96 x 20 weeks	\$839.20
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At the beginning of the 21st week, Dave is transferred to the establishment in Ontario, where he works until the middle of the 30th week.

Source deductions of CPP contributions: \$41.96 x 9 weeks	+ \$377.64
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During the 30th week, Dave is recalled to the establishment in Québec, where he works until the end of the year.

Source deductions of QPP contributions: \$41.96 x 21 weeks	+ \$881.16
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Deduction for the 51st week	+ \$20.60
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Deduction for the 52nd week	+ \$0.00
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Total	= \$2,118.60
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6.14 Social security agreements

Under the social security agreements entered into by Québec and various countries, persons who are temporarily posted to a foreign country can continue to pay contributions in their country of origin without having to pay contributions in the country to which they are posted. The agreements apply to employees who work outside Canada temporarily and to employees who come to Québec temporarily to work.

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

• Austria	• Germany	• the Philippines
• Barbados	• Greece	• Portugal
• Chile	• Hungary	• Saint Lucia
• Croatia	• Ireland	• Slovakia
• Cyprus	• Italy	• Slovenia
• the Czech Republic	• Jamaica	• Sweden
• Denmark	• Luxembourg	• Switzerland
• Dominica	• Malta	• Turkey
• Finland	• the Netherlands	• the United States
• France	• Norway	• Uruguay

New agreements could take effect in 2009.

To benefit from these social security agreements, you must obtain a certificate of coverage. Contact the Bureau des ententes de sécurité sociale of the Régie des rentes at 514 866-7332 (extension 7801) or 1 800 565-7878 (extension 7801).

Québec employee temporarily posted to a foreign country

If you have temporarily posted an employee to a country that has entered into a social security agreement with Québec, you are required under certain conditions to remit employee and employer QPP contributions.

Foreign employee temporarily posted to Québec

You are not required (if certain conditions are met) to withhold or pay QPP contributions with respect to salaries or wages paid to employees who are not resident in Canada and who are temporarily posted to Québec by an employer situated in a country that has entered into a social security agreement with Québec.

6.15 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.

6.15.1 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.

6.15.2 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.

6.15.3 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.

6.16 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, TPZ-1015.R.14.2-V, TPZ-1015.R.14.3-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
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).		

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 4.1.1 is met.** (You should also check whether the special rules mentioned in section 4.1.2 apply.)

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,
 - to a person not subject to QPIP premiums (see the information below);
- 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 12.12);
- the amounts paid during a self-funded leave of absence. These amounts are subject to QPIP premiums in the year in which they are earned (see section 12.2);
- earnings loss benefits, supplementary retirement benefits and permanent impairment allowances paid under the *Canadian Forces Members and Veterans Re-establishment and Compensation Act* (federal statute);
- 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 12.6);
- retiring allowances (see the definition in section 12.11.1), **other than an indemnity in lieu of notice** (see the definition in section 12.7);
- death benefits (see the definition in section 12.11.4);

- retirement benefits;
- patronage dividends;
- wage loss replacement benefits paid under a wage loss replacement plan to which the employer contributed (see section 12.13);
- the deferred portion of salary or wages paid under a salary deferral arrangement. This amount is subject to QPIP premiums in the year in which it is earned (see section 12.3);
- amounts that you pay to a trustee of a profit-sharing plan or an employee trust, or to a custodian of an employee benefit plan (see section 12.14);
- amounts paid by a trustee of an employee trust;
- amounts paid by a custodian of an employee benefit plan;
- amounts paid by a trustee of a profit-sharing plan;
- payments made by a trustee of a supplementary unemployment benefit plan, except for certain indemnities paid under the plan, such as an indemnity for a temporary lack of work.

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.

Persons not subject to QPIP premiums

You are not required to withhold or pay QPIP premiums respecting amounts that you paid to the following persons:

- foreign officers and members of their family or their personnel, if they are exempt from income tax under sections 982 and 983 of the *Taxation Act* or under section 96 of the *Act respecting the Ministère du Revenu*;
- officers and employees of prescribed international organizations and the members of their families, provided the person in question (the officer, employee or member of the officer's or employee's family) is exempt from income tax under section 96 of the *Act respecting the Ministère du Revenu*;
- representatives of member States of international organizations and members of their families and their personnel, provided the person in question (the representative, member of the representative's family or personnel) is exempt from income tax under section 96 of the *Act respecting the Ministère du Revenu*;
- members of prescribed offices of a political division of a foreign State and the members of their families, provided the member of the prescribed office or the member of the family is exempt from income tax under section 96 of the *Act respecting the Ministère du Revenu*.

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.

7.5.1 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).

7.5.2 Remuneration not covered in table TP-1015.TA-V

Employee premium

If the *Table for Québec Parental Insurance Plan Premiums* (TP-1015.TA-V) does not cover the employee's gross eligible salary or wages for a pay period, you must calculate the employee premium as follows:

- Calculate the employee's eligible salary or wages for the pay period.
- Multiply the eligible salary or wages, as determined in (a), by 0.484% (see note 1 below).
- The amount to be withheld corresponds to the lower of the following amounts:
 - the amount obtained in (b);
 - the employee's maximum annual premium (\$300.08), minus the amount already withheld.

Once the maximum annual premium (\$300.08) is reached, do not withhold further premiums.

Note 1

If the result obtained in (b) 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 the result in (b) 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 (b) is equal to \$0.001 (one-tenth of a cent), you must withhold \$0.01.

Note 2

If an employee begins or stops working during a normal pay period, calculate the QPIP premium as if the employee had worked for the entire pay period.

Employer premium

If the *Table for Québec Parental Insurance Plan Premiums* (TP-1015.TA-V) does not cover the employee's gross eligible salary or wages for a pay period, you must calculate your employer premium as follows:

- (a) Calculate the employee's eligible salary or wages for the pay period.
- (b) Multiply the eligible salary or wages, as determined in (a), by 0.677% (see note 1 below).
- (c) The amount to be paid corresponds to the lower of the following amounts:
 - the amount obtained in (b);
 - your maximum annual premium (\$419.74), **minus** the amount already calculated with respect to this employee for the previous pay periods.

Once your maximum annual premium (\$419.74) is reached, do not pay further premiums.

Note 1

If the result obtained in (b) 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).

Note 2

If an employee begins or stops working during a normal pay period, calculate your premium as if the employee had worked for the entire pay period.

Note 3

If an employee reports for work at one of your establishments in Québec and at one of your establishments outside Québec, see section 7.10.

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 14.5.

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 and corporate amalgamation

7.7.1 Employer that succeeds another employer

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.

7.7.2 Corporate amalgamation

The amalgamation of two or more corporations does not affect their obligations with respect to the QPIP.

The new corporation may keep the corporate name of one of the original corporations or adopt a new name, but must obtain a new identification number from us. A copy of the new constituting act must be enclosed with the application in order to have the funds in accounts that are to be closed transferred to the corporation's active account.

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

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

In the above cases, the corporation created by the amalgamation must take into account the employee QPIP premiums already withheld and the employer QPIP premiums already paid by each of the predecessor corporations from the beginning of the year to the time of amalgamation.

The new corporation must not withhold QPIP premiums from the salaries or wages paid to employees who, prior to the amalgamation, had already paid the maximum annual QPIP premium.

The new corporation must file a single set of RL-1 slips for the QPIP premiums remitted by the new corporation and by the predecessor corporations. The RL-1 slips must be submitted to us by the last day of February of the year following the year of 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 report for work at one of your establishments in Québec and at one of your establishments outside Québec

If an employee reports for work at one of your establishments in Québec and at one of your establishments outside Québec, or if an employee is not required to report for work at any of your establishments (in Québec or elsewhere), but receives pay from **both** one of your establishments in Québec and one of your establishments outside Québec, you may take into account the parental portion of the **employer premium** you paid (under the employment insurance plan or a plan like the QPIP) with respect to the employee's salary or wages paid by one of your establishments outside Québec.

Your premium under a plan in force outside Québec and your QPIP premium should not total more than the employer QPIP premium you would have paid had one of your establishments in Québec paid all of the employee's salary or wages.

Example¹

Tom earns an eligible salary of \$50,000 in Ontario and \$35,000 in Québec.

- (a) Parental portion of the employer's employment insurance premium

Multiply the **lower** of the following amounts by 0.35%²:

- the eligible salary earned in Ontario (\$50,000);
- the maximum yearly insurable earnings for the purposes of the employment insurance plan (\$42,300).

$$\$42,300 \times 0.35\% = \$148.05$$

Multiply the result obtained above by 1.4³.

$$\$148.05 \times 1.4 = \$207.27$$

- (b) Reduction of the maximum insurable earnings for the purposes of the QPIP to take into account the parental portion of the employer's employment insurance premium

$$\$207.27 \div 0.677\% = \$30,615.95$$

- (c) Maximum insurable earnings for the purposes of the QPIP

$$\$62,000 - \$30,615.95 = \$31,384.05$$

- (d) Employer's QPIP premium

Multiply the **lower** of the following amounts by 0.677%:

- the result obtained in paragraph (c) (\$31,384.05);
- the QPIP eligible salary earned in Québec (\$35,000).

$$\$31,384.05 \times 0.677\% = \$212.47$$

Employer's maximum QPIP premium for 2009

$$\$62,000 \times 0.677\% = \$419.74$$

The results obtained in paragraphs (a) and (d) cannot total more than \$419.74.

1. At the time this guide was published, the Canada Employment Insurance Commission had not yet set the premium rates for 2009. The premium rates and the maximum yearly insurable earnings for 2009 calculated in the Report of the Chief Actuary of Human Resources and Social Development Canada (which was made public on October 14, 2008) are used in this example.

You can obtain the data in effect for 2009 on the website of the Canada Revenue Agency at www.cra.gc.ca.

2. As a rule, this rate corresponds to the difference between the employment insurance premium rate paid by the employee outside Québec (1.73%) and the employment insurance premium rate paid by the employee in Québec (1.38%).
3. As a rule, the employer's employment insurance premium corresponds to 1.4 times the amount of the employee's employment insurance premium.

7.11 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.

7.12 Total premiums paid during the year

7.12.1 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.

7.12.2 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.

7.12.3 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.

7.13 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 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 14.6.

Payment of your contribution

The contribution must be remitted periodically. Use form TPZ-1015.R.14.1-V, TPZ-1015.R.14.2-V, TPZ-1015.R.14.3-V or TPZ-1015.R.14.4-V, according to your remittance frequency (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 13.7).

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 the following:

- salaries or wages (see section 1.4 for information on the term “salary or wages”), **except**
 - a portion of the salaries or wages paid to the employees of an IFC (see section 13.3.2),
 - the salaries or wages paid to employees who come to work temporarily in Québec and who are covered by a social security agreement (see section 8.6);
- benefits resulting from the exercise of a security option, where taxation of the benefit is deferred from the year of acquisition of the securities to the year of their disposition pursuant to an election made under the federal income tax system. The benefit is subject to the contribution to the health services fund in the year of acquisition, not in the year of disposition (for more information, refer to the brochure *Taxable Benefits* (IN-253-V));

- amounts you pay to a trustee of a profit-sharing plan or an employee trust, or to a custodian of an employee benefit plan (see section 12.14);
- salaries or wages paid (by you or by another person) to an employee posted to a country that has a social security agreement with Québec (see section 8.6).

You must pay a contribution to the health services fund **if one of the conditions in column B of the table in section 4.1.1 is met**. (You should also check whether the special rules mentioned in section 4.1.2 apply.)

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 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* (RL-1.G-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: Salaries or wages paid x \$30 million – paid-up capital (calculated on a consolidated basis) for the preceding taxation year \$10 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 $75\% \times \$156,000 = \$117,000$	
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.

8.3.3 BDCs

The five-year exemption for a corporation that carries out an innovative project in a BDC was eliminated on March 30, 2004. However, the following corporations may continue to be eligible for the exemption under the previous terms and conditions (as explained below):

- corporations that were carrying out an innovative project in a BDC on March 30, 2004;
- corporations that hold a qualification certificate from Investissement Québec, pursuant to a written application filed with that body before March 30, 2004.

The exemption applies to the salaries or wages paid during the five-year period beginning on the first day of the corporation's first taxation year. The exemption rate varies according to the date on which the corporation applied to Investissement Québec for a qualification certificate confirming that it operates or may operate a business that is carrying out an innovative project in a BDC.

Conditions that must be met

The corporation is not required to pay the contribution to the health services fund respecting the salaries or wages it pays during its exemption period, provided it is an exempt corporation for the taxation year in which the salaries or wages are paid.

As a rule, the corporation is an exempt corporation for a taxation year if the following conditions are met:

- The corporation does not result from an amalgamation or merger of two or more corporations.
- The corporation holds an unrevoked qualification certificate issued by Investissement Québec confirming that it operates or may operate a business that is carrying out an innovative project in a BDC.
- All or substantially all of the corporation's activities in the taxation year and in any preceding year consist in operating an eligible business.
- The corporation's taxation year is included in whole or in part in its exemption period.
- The corporation has submitted a copy of its qualification certificate to us.

Exemption rate

The exemption rate depends on the date on which the corporation applied for the qualification certificate.

For a corporation that submitted its application before June 12, 2003, the exemption rate is 100%. The corporation is therefore entitled to a full exemption respecting the salaries or wages paid during its exemption period.

For a corporation that submitted its application after June 11, 2003, the exemption rate is 75%. For example, if the corporation pays \$100,000 in salaries or wages in 2009, it may claim an exemption with regard to \$75,000 of the salaries or wages. It must therefore pay the contribution on \$25,000. If the corporation's contribution rate is 4%, the contribution for 2009 will be \$1,000 (\$25,000 x 4%).

Note

Where another corporation acquires control of a corporation that is entitled to the exemption, see section 8.3.8.

For more information, see form CO-771.12, *Exemptions pour une société qui réalise un projet novateur dans un CDTI, un CNE ou un CDB*.

8.3.4 ITDCs and NECs

The five-year exemption for a corporation that carries out an innovative project in an ITDC or an NEC was eliminated on June 12, 2003. However, the following corporations may continue to be eligible for the exemption under the previous terms and conditions (as explained below):

- corporations that held a qualification certificate on June 12, 2003;
- corporations that hold a qualification certificate from Investissement Québec, pursuant to a written application filed with that body before June 12, 2003.

The exemption applies to the salaries or wages paid by the corporation during the five-year period beginning on the first day of its first taxation year.

Conditions that must be met

The corporation is not required to pay the contribution to the health services fund respecting the salaries or wages it pays during its exemption period, provided it is an exempt corporation for the taxation year in which the salaries or wages are paid.

As a rule, the corporation is an exempt corporation for a taxation year if the following conditions are met:

- The corporation does not result from an amalgamation or merger of two or more corporations.
- The corporation holds an unrevoked qualification certificate issued by the Ministère des Finances or Investissement Québec, as applicable, confirming that it operates or may operate a business that is carrying out an innovative project in an ITDC or an NEC.
- All or substantially all of the corporation's activities in the taxation year and in any preceding year consist in operating an eligible business.
- The corporation's taxation year is included in whole or in part in its exemption period.
- The corporation has submitted a copy of its qualification certificate to us.

Note

Where another corporation acquires control of a corporation that is entitled to the exemption, see section 8.3.8.

For more information, see form CO-771.12, *Exemptions pour une société qui réalise un projet novateur dans un CDTI, un CNE ou un CDB*.

8.3.5 Stock exchange business or securities clearing-house business

A corporation that operates a stock exchange business or securities clearing-house business within the territory of Ville de Montréal may, under certain conditions, be exempted from the contribution to the health services fund. The exemption applies to 75% of the salaries or wages paid to employees of the business for pay periods ending before December 31, 2010.

Conditions that must be met

As a rule, such a corporation is entitled to the exemption if both of the following conditions are met:

- The corporation performs eligible activities (that is, activities related to transactions carried out as a stock exchange or a securities clearing-house) in an establishment in the territory of Ville de Montréal.
- More than half of the salaries or wages that the corporation pays to its employees are paid to employees of an establishment in Québec.

The exemption is calculated on form LE-33, *Exemption de la cotisation au FSS pour une société qui exploite une entreprise de bourse de valeurs ou de chambre de compensation de valeurs*. This form must be enclosed with the *Summary of Source Deductions and Employer Contributions* (form RLZ-1.S-V).

8.3.6 Montréal International Trade Zone at Mirabel (MITZM)

The exemption for a corporation or partnership that operates a business within the Montréal International Trade Zone at Mirabel (MITZM) was eliminated on June 12, 2003. The following corporations and partnerships may, however, continue to be eligible for the exemption under the previous terms and conditions (as explained below) until December 31, 2013:

- corporations or partnerships that held a qualification certificate on June 12, 2003;
- corporations or partnerships that obtained a qualification certificate after June 11, 2003, because they were in a special situation (for example, further to a corporate reorganization);
- corporations or partnerships that hold a qualification certificate pursuant to an application filed before June 12, 2003.

The exemption applies to all salaries or wages paid to employees who perform at least 75% of their duties within the MITZM.

Conditions that must be met

As a rule, the corporation or partnership is entitled to the exemption if both of the following conditions are met:

- The corporation or partnership holds a certificate issued by the Ministère des Finances or Investissement Québec, as applicable, confirming that its activities relate to the activities indicated on the certificate.
- The salaries or wages are paid during the exemption period of the corporation or partnership (that is, the period covered by the certificate).

Note

Where another corporation acquires control of a corporation that is entitled to the exemption, see section 8.3.8.

8.3.7 Major investment project

The tax measure providing for a ten-year exemption from the contribution to the health services fund for a corporation or partnership that operates a business carrying out a major investment project in Québec has been under review since June 12, 2003. Consequently, only the following corporations or partnerships may continue to be eligible for the exemption for a taxation year:

- corporations or partnerships that, on June 12, 2003, held an initial qualification certificate from the Ministère des Finances and that hold for the taxation year an annual qualification certificate from the Ministère;
- corporations or partnerships that hold an initial qualification certificate from the Ministère des Finances, pursuant to an application filed before June 12, 2003, and that hold for the taxation year an annual qualification certificate from the Ministère.

The exemption applies to the salaries or wages related to eligible activities and paid by the corporation or partnership for pay periods included in the exemption period.

Note that where a pay period is not entirely included in the exemption period, the exemption may be claimed only with regard to the portion of the salaries or wages related to the exemption period.

The exemption may be claimed for a maximum of 10 years.

Contact us for more information.

8.3.8 Acquisition of control of an exempt corporation

Where control of an exempt corporation is acquired by another corporation, special rules apply. Subject to certain exceptions, if control of a corporation that is exempt from the contribution to the health services fund is acquired by a corporation that is not exempt, the former corporation is no longer eligible for the exemption. Contact us in such a case.

For these purposes, an “exempt corporation” is

- a corporation that is carrying out an innovative project in a BDC, an ITDC or an NEC;
- a corporation (or partnership) that operates a business within the MITZM.

8.3.9 Corporations that cease to be exempt during the year

A corporation may in certain cases continue to be exempted from the contribution to the health services fund even if, at some time during its first taxation year or before the end of its exemption period, it ceases to meet the requirements to be considered one of the following:

- a new corporation entitled to the five-year exemption for new corporations;
- a corporation carrying out an innovative project in an ITDC;
- a corporation carrying out an innovative project in a BDC;
- a corporation carrying out an innovative project in an NEC.

However, a special tax applies if the qualification certificate has been revoked. The special tax enables us to recover at any time the contribution to the health services fund that the corporation should have paid.

Contact us for more information.

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 of the following remuneration paid during the year by you and by any employer associated with you at the end of the year:

- the remuneration subject to the contribution (section 8.2), including remuneration that gives entitlement to a temporary exemption (section 8.3);
- the portion of the salaries or wages paid to the employees of an IFC that is not subject to the contribution (see section 13.3.2). All of the salaries or wages paid to employees of an IFC must be included in **total payroll**, not only the portion that is subject to the contribution;
- the salaries or wages paid to employees who come to work temporarily in Québec and who are covered by a social security agreement, even if you are not required to pay a contribution to the health services fund respecting these salaries or wages (see section 8.6).

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 x 75% = \$7,500	
Contribution to the health services fund payable on filing form TPZ-1015.R.14.1-V for the period from January 1 to January 31, 2009	
2.7% x (\$15,000 – \$7,500) = \$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 x 75% = \$26,250	
Contribution to the health services fund payable on filing form TPZ-1015.R.14.1-V for the period from January 1 to January 31, 2009	
2.7% x (\$35,000 – \$26,250) = \$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.

8.6 Social security agreements

Québec employee temporarily posted outside Canada

If you are a Québec employer, and you posted an employee to a country that has a social security agreement with Québec providing for reciprocal coverage of health insurance plans, you must pay the employer contribution to the health services fund respecting the salary or wages paid to the employee. Under such an agreement, the employee is subject only to the Québec legislation to which reciprocity applies and is deemed to report for work at your Québec establishment.

Currently, Québec has an agreement with the following countries:

• Denmark	• Finland	• France
• Luxembourg	• Norway	• Portugal
• Sweden		

Negotiations are under way with other countries, and new agreements could take effect in 2009.

If you did not pay the employee's salary or wages for the period in which the employee was posted outside Canada in 2009, **the following rules apply:**

- The employee must inform you in writing, by March 1, 2010, of the salary or wages that he or she was paid for the period.
- You are deemed to have paid the salary or wages to the employee on March 1, 2010. You must therefore include the amount concerned in your remuneration subject to the contribution to the health services fund and in your **total payroll** for 2010.

Foreign employee temporarily posted to Québec

You are not required to pay the contribution respecting salaries or wages that you pay to employees who are not resident in Canada and who are temporarily posted to Québec by an employer outside Canada, provided the country concerned has a social security agreement with Québec.

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 13.7).

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 the following:

- salaries or wages (see section 1.4 for information on the term "salary or wages"), **except** those described in section 9.4;
- benefits resulting from the exercise of a security option, where taxation of the benefit is deferred from the year of acquisition of the securities to the year of their disposition pursuant to an election made under the federal income tax system. The benefit is subject to the contribution to the financing of the CNT in the year of acquisition, not in the year of disposition (for more information, refer to the brochure *Taxable Benefits* (IN-253-V));
- amounts you pay to a trustee of a profit-sharing plan or an employee trust, or to a custodian of an employee benefit plan (see section 12.14);
- an indemnity in lieu of notice (see the definition in section 12.7);
- 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 4.1.1 is met**. (You should also check whether the special rules mentioned in section 4.1.2 apply.)

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;
- wage loss replacement benefits paid under a wage loss replacement plan to which the employer contributed (see section 12.13);
- certain taxable benefits (see the brochure *Taxable Benefits* (IN-253-V));

- certain amounts paid further to an industrial accident – CSST (see section 12.6);
- retiring allowances (see the definition in section 12.11.1), **other than an indemnity in lieu of notice** (see the definition in section 12.7) 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 12.11.4);
- retirement benefits;
- amounts paid by a trustee of an employee trust;
- amounts paid by a custodian of an employee benefit plan;
- amounts paid by a trustee of a profit-sharing plan;
- an amount paid under a retirement compensation arrangement or resulting from the making of such an arrangement;
- 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 Contribution to the WSDRF

10.1 General information

If your total payroll for 2009 is over \$1 million, you are required to participate in workforce skills development for the year by allotting an amount representing at least 1% of your total payroll to eligible training expenditures. If you do not do this, you will be required to pay into the Workforce Skills Development and Recognition Fund (WSDRF) a contribution equal to the difference between 1% of your total payroll and the amount of your eligible training expenditures.

You must pay your contribution to the WSDRF for 2009 by February 28, 2010 (see section 10.4).

Exempt employer

You may be exempt from paying the contribution to the WSDRF for three consecutive calendar years if you hold a training initiative quality certificate issued by the Commission des partenaires du marché du travail. To obtain the certificate, you must undertake to

- implement a skills development process in your organization;
- prepare the process within a framework of cooperation between the representatives of both the organization and the employees;
- ensure the participation of the representatives of both the organization and the employees at every step of the implementation of the process;
- allow verifications of the implementation of the skills development process in the organization.

Contact us or the Commission des partenaires du marché du travail for more information.

Indian employer

Special rules apply to an employer that is an Indian, an Indian band or a band council (see section 13.7).

10.2 Total payroll

Refer to the table in section 4.2.1 to determine whether the remuneration you pay must be included in your total payroll used to calculate the contribution to the WSDRF. As a rule, the total payroll is based on employment income, such as the following:

- salaries or wages (see section 1.4 for information on the term “salary or wages”);
- benefits resulting from the exercise of a security option, where taxation of the benefit is deferred from the year of acquisition of the securities to the year of their disposition pursuant to an election made under the federal income tax system. The benefit is subject to the contribution to the WSDRF in the year of acquisition, not in the year of disposition (for more information, refer to the brochure *Taxable Benefits* (IN-253-V));

- amounts you paid to a trustee of a profit-sharing plan or an employee trust, or to a custodian of an employee benefit plan (see section 12.14).

You must include the remuneration in the calculation of your total payroll **if one of the conditions in column B of the table in section 4.1.1 is met**. (You should also check whether the special rules mentioned in section 4.1.2 apply.)

10.3 Eligible training expenditures

If, in 2009, you are required to participate in workforce skills development, but were not required to do so in 2008, you may carry forward to 2009 the training expenditures made in 2008 that would have been considered eligible expenditures had you been required to participate. These expenditures become eligible training expenditures for 2009.

Similarly, if the total of your eligible training expenditures (expenditures carried forward and current expenditures) for 2008 is more than 1% of your total payroll for the year, you have two options. You may carry over the excess amount to 2009, or claim the tax credit for francization or for training in the manufacturing sector (form CO-1029.8.36.FM, *Crédit d'impôt pour formation dans le secteur manufacturier*). For more information on carrying forward eligible training expenditures, see section 6.8.2 of the *Guide to Filing the RL-1 Slip* (RL-1.G-V).

You must keep the supporting documents related to your eligible training expenditures for six years after the last taxation year to which the documents apply and provide them to us on request.

Contact us or the Commission des partenaires du marché du travail for more information on eligible training expenditures.

10.4 Payment of the contribution

Your contribution to the WSDRF 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 your remittance online, do not submit the paper remittance slip.

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

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

11 Compensation tax

11.1 Does this chapter apply to you?

Chapter 11 of the guide contains information about the compensation tax payable by a specified financial institution that is an individual, a partnership, a trust, an estate, an organization or an association that is not an insurance corporation within the meaning of section 1159.1 of the *Taxation Act*.

For further information regarding the compensation tax that must be paid by a specified financial institution that is a corporation (for example, banks, corporations trading in securities, insurance corporations), refer to Chapter 4 and to sections 11.2 and 11.3. Sections 11.4 and 11.5 do not apply to a specified financial institution that is a corporation because the method of payment and the calculation of compensation tax are different for corporations.

For more information, see form COZ-1027.R, *Acomptes provisionnels d'une société*.

Indian employer

Special rules apply to an employer that is an Indian, an Indian band or a band council (see section 13.7).

11.2 What is a specified financial institution?

The term "specified financial institution" includes, in particular,

- a bank;
- a corporation that is licensed or otherwise authorized under the laws of Canada or a province to carry on in Canada the business of offering to the public its services as a trustee;
- a savings and credit union;
- an insurer or any other person whose principal business is providing insurance under insurance policies;
- a segregated fund of an insurer;
- a person whose principal business is the lending of money or the purchasing of debt securities or a combination thereof;
- an investment plan;
- a person providing the services referred to in section 158 of the *Excise Tax Act* (federal statute), that is, a discounter within the meaning of the *Tax Rebate Discounting Act* (federal statute);
- a corporation deemed to be a financial institution, pursuant to section 151 of the *Excise Tax Act*;
- a person whose principal business is as a trader or dealer in, or as a broker or salesperson of, financial instruments or money.

11.3 Remuneration subject to compensation tax

Refer to the table in section 4.2.1 to determine whether the remuneration you pay is subject to compensation tax. As a rule, compensation tax is based on employment income, such as the following:

- salaries or wages (see section 1.4 for information on the term "salary or wages");
- benefits resulting from the exercise of a security option, where taxation of the benefit is deferred from the year of acquisition of the securities to the year of their disposition pursuant to an election made under the federal income tax system. The benefit is subject to compensation tax in the year of acquisition, not in the year of disposition (for more information, refer to the brochure *Taxable Benefits* (IN-253-V));
- amounts that you pay to a trustee of a profit-sharing plan or an employee trust, or to a custodian of an employee benefit plan (see section 12.14).

You must pay compensation tax **if one of the conditions in column B of the table in section 4.1.1 is met**. (You should also check whether the special rules mentioned in section 4.1.2 apply.)

Note

Since March 31, 2004, salaries and wages paid to employees of an IFC are subject **in full** to compensation tax (see section 13.3.3).

11.4 Calculation of compensation tax

If you are a specified financial institution **other than a corporation**, you must pay compensation tax equal to 1% of the remuneration subject to the tax.

If you do not operate a specified financial institution throughout the year, you are required to pay compensation tax equal to 1% of the salaries or wages you pay during the portion of the year in which you operate a financial institution.

Note

For information on the calculation of compensation tax for a specified financial institution **that is a corporation**, see form COZ-1027.R, *Acomptes provisionnels d'une société*.

11.5 Periodic remittances of compensation tax

You must remit 1% compensation tax at the same time as your source deductions and employer contributions, using the same remittance form. Calculate the amount of compensation tax payable for the period covered by multiplying the remuneration subject to compensation tax (section 11.3) paid during the period by 1%, and enter the amount in the appropriate space on the form.

Note

For information on the remittance terms of compensation tax for a specified financial institution **that is a corporation**, see form COZ-1027.R, *Acomptes provisionnels d'une société*.

12 Other payments

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

12.1 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 12.4). 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 14.3.1.2 and 14.3.2).

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.

12.2 Paid leaves of absence

Deferred salary leave (self-funded)

Amounts that you pay (or that a trustee pays) to an employee taking a leave of absence with deferred salary or wages described in section 47.16R1 of the *Regulation respecting the Taxation Act* (other than amounts paid under a salary deferral arrangement or an employee benefit plan) are subject, in the year of payment, to income tax withholdings, employee and employer QPP contributions, the employer contribution to the health services fund, the contribution to the financing of the CNT, and compensation tax.

You must also include these amounts, in the year of payment, 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.

These amounts are subject to employee and employer QPIP premiums **in the year in which they are earned and not in the year in which they are paid**. Therefore, you must calculate the QPIP premiums in the year in which the amounts were earned, as if the total amount of the employee's salary or wages had been paid in the year.

Salary advance leave

Amounts that you pay (or that a trustee pays) to an employee taking a leave of absence with an advance payment of salary or wages are subject, in the year of payment, to income tax withholdings, employee and employer QPP contributions, employee and employer QPIP premiums, the employer contributions to the health services fund and to the financing of the CNT, and compensation tax.

You must include these amounts, in the year of payment, 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.

12.3 Salary deferral arrangements

If you made a salary deferral arrangement with an employee and, under the arrangement, part of the salary or wages earned in 2009 is to be paid in another year, the total salary or wages the employee earned for the pay period (including the portion of the salary or wages not paid that is deferred to another year) is subject, in 2009 (not in the year of payment), to income tax withholdings, employee and employer QPP contributions, employee and employer QPIP premiums, the employer contributions to the health services fund and to the financing of the CNT, and compensation tax.

You must include the portion of the salary or wages **deferred** to another year 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.

12.4 Bonuses and retroactive pay

12.4.1 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 ÷ 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 x 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 ÷ 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 ÷ 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 x 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 x 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).

12.4.2 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\% \times \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.

12.4.3 QPIP premiums, other employer contributions and compensation tax

If, during a pay period, you pay an employee bonuses or retroactive pay, the amount is subject to employee and employer QPIP premiums, the employer contributions to the health services fund and to the financing of the CNT, and compensation tax, **if one of the conditions in column B of the table in section 4.1.1 is met.**

Similarly, the amount is included 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.

12.5 Overtime pay

12.5.1 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 12.4.1). 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 14.3.1.2 and 14.3.2).

12.5.2 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 12.4.2).

12.5.3 QPIP premiums, other employer contributions and compensation tax

If you pay an employee for overtime done during a pay period, the amount is subject to employee and employer QPIP premiums, the employer contributions to the health services fund and to the financing of the CNT, and compensation tax, **if one of the conditions in column B of the table in section 4.1.1 is met.**

Similarly, the amount is included 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.

12.6 Indemnities further to industrial accidents - CSST

12.6.1 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 12.6.3).

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, employer contributions and compensation tax?

The table in section 12.6.6 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, employer contributions and compensation tax, 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 12.6, the term “net salary or wages” means net salary or wages as defined in the *Act respecting industrial accidents and occupational diseases*.

12.6.2 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 12.6.5. 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.

12.6.3 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* (RL-1.G-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 ÷ \$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* (RL-1.G-V).

12.6.4 Amounts paid for the employee's care or rehabilitation

In addition to the amounts referred to in sections 12.6.2 and 12.6.3, 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* (RL-1.G-V).

12.6.5 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.

12.6.6 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* (RL-1.G-V).

Before the CSST's decision

	How to treat the amounts paid	RL slip concerned	Income tax	QPP	QPIP	Health services fund	CNT	WSDRF	CT
Day of the accident (100% of net salary or wages)	Employment income	RL-1 slip	Yes	Yes	Yes	Yes	Yes	Yes	Yes
First 14 days following the day of the accident • 90% of net salary or wages	Income replacement indemnity	RL-5 slip	No	No	No	No	No	No	No
• Excess amount	Employment income	RL-1 slip	Yes	Yes	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	No	No
• Salary or wages	Employment income	RL-1 slip	Yes	Yes	Yes	Yes	Yes	Yes	Yes
• Wage loss replacement benefits ¹ – paid by the employer	Employment income	RL-1 slip	Yes	Yes	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	No	No

After the CSST's decision

	How to treat the amounts paid	RL slip concerned	Income tax	QPP	QPIP	Health services fund	CNT	WSDRF	CT
If you pay a top-up amount	Employment income	RL-1 slip	Yes	Yes	No ⁵	Yes	Yes	Yes	Yes
If you receive a repayment or reimbursement • Advance of indemnities or loan	No adjustment	N/A	No	No	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	N/A	N/A
• Excess amount	Repayment of salary or wages	RL-1 slip	N/A	N/A	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	Yes	Yes
– repayment using sick leave	Employment income	RL-1 slip	Yes	Yes	Yes	Yes	Yes	Yes	Yes

	How to treat the amounts paid	RL slip concerned	Income tax	QPP	QPIP	Health services fund	CNT	WSDRF	CT
Salary or wages, or wage loss replacement benefits	No adjustment	N/A	N/A	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	No	No
Excess amount	Employment income	RL-1 slip	Yes	Yes	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	Yes	Yes
- 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. - 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). - The employee's contribution with respect to this amount is optional. - Special rules apply in respect of the QPIP. See section 12.13. - This amount is not subject to QPIP premiums when it is paid following a favourable decision by the CSST.									

12.7 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, the employer contributions to the health services fund and to the financing of the CNT, and compensation tax.

Similarly, the amount is included 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.

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.

12.8 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 12.4). 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 14.3.1.2 and 14.3.2).

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, the employer contributions to the health services fund and to the financing of the CNT, and compensation tax.

Similarly, the payments are included 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.

12.9 Directors' fees

12.9.1 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:

- 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.
- 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 14 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.

12.9.2 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.

12.9.3 QPIP premiums, other employer contributions and compensation tax

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, the employer contribution to the health services fund, and compensation tax, **if one of the conditions in column B of the table in section 4.1.1 is met**.

Similarly, the amount is included 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.

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

12.10 Payments from an RRSP or a RRIF

If you make a payment from an RRSP or a RRIF, the payment is not subject to income tax withholdings, **unless** it is a single payment from an RRSP or the portion of a payment from a RRIF that exceeds the minimum amount.

12.10.1 RRSPs

Periodic payments made from an RRSP are not subject to income tax withholdings. However, a single payment made from an RRSP is subject to an income tax withholding of 16% of the amount. For example,

- if you pay a monthly benefit of \$1,000, do not withhold income tax from the benefit;
- if you make a single payment of \$6,000, you must withhold \$960 in income tax from the payment.

You must also withhold 16% income tax from a single payment made under an amended RRSP (a plan that ceased to be registered as an RRSP before May 26, 1976).

Exception

As a rule, single payments from an RRSP are not subject to income tax withholdings if the amounts are transferred directly to another registered plan without being paid to the beneficiary. If only a portion of the payment is transferred directly to another plan, you must withhold income tax from the portion that is not transferred directly.

The following amounts from RRSPs are also not subject to income tax withholdings:

- amounts withdrawn from an RRSP under the HBP, to a maximum of \$20,000;
- amounts withdrawn from an RRSP under the LLP, to a maximum of \$10,000 per year and \$20,000 for the LLP participation period;
- amounts you can reasonably consider to be a refund received for undeducted contributions previously made to an RRSP that the beneficiary may deduct in his or her income tax return.

12.10.2 RRIFs

You must withhold income tax **from the portion** of a payment from a RRIF **that exceeds the minimum amount**. In the case of a **periodic payment**,

- use the *Source Deduction Table for Québec Income Tax* (TP-1015.TI-V) to determine the withholding or, if the table does not cover the amount of the payment and your number of pay periods, follow the instructions in section 5.4.4; or
- use the mathematical formulas.

In the case of a **single payment**, you must make an income tax withholding of 16% of the portion of the payment that exceeds the minimum amount.

Exception

It follows from the foregoing that the portion of a payment from a RRIF that represents the minimum amount is not subject to income tax withholdings. This is true regardless of whether you make a periodic payment or a single payment.

As a rule, single payments from a RRIF are not subject to income tax withholdings if the amounts are transferred directly to another registered plan without being paid to the beneficiary. If only a portion of the payment is transferred directly to another plan, you must withhold income tax from the portion that is not transferred directly.

12.11 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 12.11.1);
- certain payments made under an RESP (see section 12.11.2);
- a payment made under a pension plan (see section 12.11.3)
 - upon the death, resignation or retirement of an employee or a former employee,
 - upon the winding-up of the plan, in full satisfaction of all the participant's rights in the plan, or
 - upon the amendment of the plan, where the amendment entitles the participant to receive the payment even if he or she continues to participate in the plan;
- a payment made under a DPSP, including a DPSP whose registration has been revoked (see section 12.11.3);
- a death benefit (see section 12.11.4);
- 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;
- a payment made under a profit-sharing plan, in full satisfaction of all an employee's rights in the plan, if the payment must be included in the employee's income for the year in which the payment is received. Otherwise, you do not have to withhold income tax on the payment;
- an amount paid as consideration for the surrender, cancellation or redemption of an income-averaging annuity contract.

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

Important

Single payments from an **RRSP** or a **RRIF** are subject to an income tax withholding of **16% only, regardless of the amount of the payment**. Note that, in certain cases, no amount is to be withheld (see section 12.10).

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 individual **only once during the year**, in settlement of an amount to which the individual 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 individual and, at the time of payment of a portion of that amount, the employer or payer 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 or payer does expect to make other such payments to the individual **during the year**, the employer or payer 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.

12.11.1 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.

12.11.2 Payments from an RESP

Payments made under an RESP, other than an educational assistance payment or a refund of contributions, are subject to an income tax withholding of 16% or 20%, as applicable.

However, in the case of an accumulated income payment made to a subscriber under an RESP (or to the subscriber's spouse, if the subscriber is deceased), the **first \$50,000 is not subject** to income tax withholdings if

- it is transferred to an RRSP whose annuitant is the beneficiary of the payment or the beneficiary's spouse; and
- the payer has reasonable grounds to believe that the beneficiary may deduct the RRSP contribution from his or her income for the year.

If you make a payment under an RESP and are required to withhold 16% or 20% income tax from all or a portion of the payment, you must also withhold additional income tax of 8%.

Example

If you make an accumulated income payment of \$70,000 to a subscriber under an RESP, and \$50,000 of this amount is transferred to the subscriber's RRSP, calculate the income tax withholding as follows:

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

12.11.3 Pension payments

As a rule, single payments from an RPP, an RRSP or a DPSP are not subject to income tax withholdings if the amounts are transferred directly to another plan without being paid to the beneficiary. If only a portion of the payment is transferred directly to another plan, you must withhold income tax from the portion that is not transferred directly.

Single payments from an RPP or other pension plan are not subject to income tax withholdings **if they are paid to a person who resides outside Québec**.

12.11.4 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 13.12.

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.

12.12 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.

12.13 Wage loss replacement benefits

The wage loss replacement benefits referred to in this guide are benefits paid in the following circumstances:

- They are paid by an insurer, to compensate for the loss of all or part of a beneficiary's employment income.
- The beneficiary is an employee of the employer that contributed to the insurance plan.
- The employer does not control the plan.
- The employer does not determine eligibility for the benefits.

Note

If you are not an insurer and you pay amounts to one of your employees to compensate for the loss of all or part of his or her employment income, these amounts may be considered wage loss replacement benefits. Contact us for more information.

Wage loss replacement benefits are subject to the income tax withholding, but are not subject to employee and employer QPP contributions. All the same, wage loss replacement benefits constitute pensionable salary or wages for the beneficiary. Consequently, a beneficiary who has not already made the maximum QPP contribution for 2009 (generally \$2,118.60) may make an optional QPP contribution on the benefits when filing his or her income tax return (line 445).

Similarly, wage loss replacement benefits are not subject to employee and employer QPIP premiums unless

- you are an employer and you pay benefits directly to one of your employees under a plan funded in part by you;
- an employee receives benefits from an insurer under a plan which is funded in part by the employer and in respect of which the employer controls certain terms and conditions or determines eligibility for benefits.

12.14 Profit-sharing plans, employee trusts and employee benefit plans

Amount paid to a custodian or trustee

An amount that you pay to a custodian of an employee benefit plan or a trustee of a profit-sharing plan or an employee trust is not subject to source deductions of income tax or to employee and employer QPIP premiums. However, it is subject, at the time it is paid, to employee and employer QPP contributions, the employer contributions to the health services fund and to the financing of the CNT, and compensation tax.

Similarly, the amount is included 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

If you pay an amount to a custodian or a trustee on behalf of an employee who reports for work at one of your establishments in Québec and at one of your establishments outside Québec, and the employee **ordinarily** reports for work at one of your establishments in Québec, the amount is subject to the employer contributions to the health services fund and to the financing of the CNT and compensation tax. Similarly, the amount is included 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.

Amount paid by a custodian or a trustee

As a rule, where a custodian or a trustee pays amounts to one of your current or former employees, the amounts are not subject to source deductions, employer contributions or compensation tax.

Exceptions

An amount paid by the custodian of an employee benefit plan is subject to source deductions of income tax, unless the amount is a return of an amount contributed by the employee to the plan.

An amount paid by the trustee of a profit-sharing plan (except an amount referred to in the following paragraph) is subject to employee and employer QPP contributions only if the amount can reasonably be attributed to an amount paid to the trustee before May 13, 1994.

A single payment made by the trustee of a profit-sharing plan in full satisfaction of all of the individual's rights in the plan is subject to an income tax withholding of 16% (if the payment is \$5,000 or under) or 20% (if the payment is over \$5,000), to the extent that the payment must be included in the individual's income in the year it was received.

Note

The amounts attributed by a trustee of an employee trust or paid by a custodian of an employee benefit plan must be reported on an RL-1 slip.

The amounts attributed or paid by a trustee of a profit-sharing plan must be reported on an RL-25 slip.

12.15 Income-averaging annuity for artists

If you are a person authorized to offer an eligible income-averaging annuity and you pay an amount under such an annuity to a recognized artist, you must withhold income tax equal to 24% on the amounts paid, and remit the amount to us within 30 days. If you fail to withhold an amount, or if you withhold less than 24% (for example, if you withhold 20% instead of 24%), you must pay us the difference yourself. However, you may recover the amount from the beneficiary.

Any amount you pay during the year from an income-averaging annuity must be entered on the artist's RL-2 slip.

Eligible income-averaging annuity

An income-averaging annuity established by agreement that meets the following requirements:

- The annuity is acquired through a single payment.
- The amounts provided for under the income-averaging annuity are paid in equal annual or more frequent periodic payments of sufficient amounts to ensure full payment of the annuity over no more than seven years from the date of the first payment.
- The first annuity payment is made no later than ten months after the date of the single payment made to acquire the annuity.
- The artist is entitled to request full or partial commutation of the annuity at any time.
- The annuity can be paid only to the artist or, if that individual dies, to his or her succession or designated beneficiary, as the case may be.
- The artist's interest in the contract cannot be disposed of other than by the surrender or cancellation of the annuity by the authorized person, except in the case of the artist's death.
- The artist's interest in the contract cannot be pledged or transferred as security in any manner whatsoever.
- The contract complies with the standard contract previously approved by us.

Person authorized to offer an eligible income-averaging annuity

A person licensed or otherwise authorized under the laws of Québec or Canada to carry on an annuities business or offer trustee services in Québec, and who has been authorized by us to offer an eligible income-averaging annuity.

Recognized artist

An individual who is a professional artist within the meaning of the *Act respecting the professional status of artists in the visual arts, arts and crafts and literature, and their contracts with promoters* or an artist within the meaning of the *Act respecting the professional status and conditions of engagement of performing, recording and film artists*.

12.16 Income supplements

You must withhold 16% of the amount of an income supplement paid under a government work-incentive project other than the Return to Work Supplement sponsored by Emploi-Québec. For example, if you pay a supplement of \$200, you must withhold \$32 in income tax. However, do not withhold income tax on the portion of the supplement that relates to child-care expenses or tuition fees.

13 Special cases

13.1 Taxi drivers and hairdressers

An amount you pay to a taxi driver or a hairdresser who is your employee is subject to income tax withholdings, 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 and in your total payroll used to calculate your contribution to the WSDRF.

If you pay an amount to a taxi driver or a hairdresser who is self-employed, the amount is not subject to income tax withholdings, employer contributions or compensation tax. As a rule, self-employed persons are responsible for paying certain contributions themselves, using form TPZ-1026.A, *Instalment Payments Made by Individuals*.

13.2 Employees of employment agencies

An individual who works for you but is remunerated by an employment agency is considered an employee of the agency, even if a relationship of subordination exists between you and the individual. It is therefore up to the employment agency to withhold amounts from the employee's remuneration and pay the related employer contributions and compensation tax.

For the purposes of calculating your QPIP premiums, your contributions to the health services fund and to the financing of the CNT, and the total payroll used to calculate your contribution to the WSDRF, you may be deemed to have paid the salary or wages of an employee who performed services for you in Québec, where the employment agency does not have an establishment in Québec. If such an employee performed services for you, see section 13.11.

If an employment agency places a worker with you but does not have a contract with the worker, and there is no relationship of subordination between you and the worker, source deductions, employer contributions and compensation tax are not required. To determine whether a relationship of subordination exists between you and a worker, consult the most recent version of interpretation bulletin RRQ. 1-1 and the brochure *Are You Self-Employed?* (IN-300-V).

13.3 IFC employees (including foreign specialists)

13.3.1 Source deductions of income tax

As a rule, employees who work in an IFC (including foreign specialists) can claim a deduction in the calculation of their taxable income with respect to the salary or wages they receive **if the requirements in Table 1 below are met**.

To calculate the remuneration subject to source deductions of income tax of an employee working in an IFC that is a corporation or partnership, subtract from the gross remuneration that you pay to the employee for a pay period the portion of the remuneration that gives entitlement to the deduction for employees of an IFC or the deduction for foreign specialists.

If you use the mathematical formulas to calculate source deductions of income tax, include in variable F the portion of the remuneration giving entitlement to the deduction for employees of an IFC or to the deduction for foreign specialists.

Employees of an IFC (other than foreign specialists)

To calculate the **portion of the remuneration that gives entitlement to the deduction for an employee of an IFC**, subtract from the gross remuneration that you pay to the employee for a pay period certain employment expenses that the employee is required to incur for the pay period, and then multiply the result by 37.5%.

Note

If you pay remuneration pertaining to a period prior to June 13, 2003 (for example, retroactive salary or wages pertaining to that period), multiply the result of the subtraction by 50% (instead of 37.5%). If only a portion of the remuneration pertains to that period, only that portion is to be multiplied by 50%.

The maximum deduction for IFC employees is \$50,000 per year. **Once you have reached this limit** (that is, once the total of the amounts that you subtract from an employee's remuneration during the year for the purposes of the deduction has reached \$50,000), **you must stop reducing the employee's remuneration** because the amount that exceeds \$50,000 does not give entitlement to the deduction.

Foreign specialists

To calculate the **portion of the remuneration that gives entitlement to the deduction for foreign specialists**, multiply the gross remuneration that you pay for the pay period by a rate that varies depending (among other things) on the date on which the contract was signed (see Table 2 below).

Table 1

Requirements	
Foreign specialist in qualified international financial transactions (deduction for foreign specialists)	Other employee (deduction for employees of an IFC)
- You obtained a certificate or a qualification certificate with regard to an employee from the Ministère des Finances for the preceding taxation year. - The remuneration is paid during the employee's exemption period.¹ - The employee was not resident in Canada immediately before taking up, for the first time, employment that entitled him or her to the deduction for foreign specialists, or immediately before entering into the contract relating to that employment.² - The conditions of employment for the pay period are substantially the same as the conditions in effect at the time the certificate or qualification certificate was issued.	- You obtained a certificate or a qualification certificate with regard to an employee from the Ministère des Finances for the preceding taxation year. - The remuneration is paid during the employee's exemption period, that is, during the period covered by the certificate. - The conditions of employment for the pay period are substantially the same as the conditions in effect at the time the certificate or the qualification certificate was issued.
1. The exemption period of a foreign specialist is the period during which the employee is entitled to the deduction for foreign specialists. The exemption period is five years. The employee is entitled to only one five-year exemption period, even if he or she holds more than one type of employment qualifying for the deduction in question. The exemption period is continuous for employees who enter into an employment contract after March 30, 2004. If the employee signed a contract before March 31, 2004, and renews the contract after March 30, 2004, and if, under tax legislation, the contract is not considered to be separate from the contract signed before March 31, 2004, the employee's exemption period may be non-continuous. This means that if the employee stops working before the end of the five-year exemption period, the period in which he or she is not working is not taken into account in calculating the five-year period as long as the employee does not sign a new (separate) contract. 2. An individual spending more than 182 days in Québec in a year is deemed to be resident in Québec throughout the year. However, this rule does not apply for the purposes of determining whether a foreign specialist was resident in Canada immediately before taking up his or her employment duties.	

Table 2

Foreign specialists	
Contract entered into before March 31, 2004 ¹	Contract entered into after March 30, 2004 ¹
Multiply the employee's gross remuneration by 100% if the contract was entered into before June 13, 2003, and the employee took up employment duties no later than September 1, 2003. In all other cases, multiply the employee's gross remuneration by 75%. An employee is also entitled to a deduction equal to 100% of his or her total income for the remainder of the five-year period, where the employer continues to operate a business further to a corporate reorganization (for example, a corporate amalgamation or the winding-up of a corporation wholly owned by another corporation) and remains eligible for purposes of the deduction.	Multiply the employee's gross remuneration by one of the following rates: 100%, if the employee is in the first two years of his or her five-year exemption period; 75%, if the employee is in the third year of his or her five-year exemption period; 50%, if the employee is in the fourth year of his or her five-year exemption period; 37.5%, if the employee is in the fifth year of his or her five-year exemption period.
1. If, after March 30, 2004, an employee renews an employment contract entered into before March 31, 2004, the employee continues to be entitled to the rates that apply for contracts entered into before March 31, 2004, unless the renewed contract is considered under tax legislation to be a new contract.	

Note

The exemption applies to the employee's total income, not only the salary or wages.

How to obtain a certificate or a qualification certificate

To find out how to proceed, consult the website of the Ministère des Finances at www.finances.gouv.qc.ca.

As a rule, an application for a certificate for 2009 must be submitted to the Ministère des Finances by February 28, 2010.

Documents to be remitted to the employee

You must give the employee a copy of the certificate or qualification certificate issued in his or her regard by the Ministère des Finances, so that the employee may claim the deduction to which he or she is entitled in his or her 2009 income tax return. If the employee is not a foreign specialist, you must remit a letter to the employee containing the following information:

- the period during which the employee worked in an IFC;
- any other relevant information concerning the deduction to which the employee is entitled.

You must also indicate on the RL-1 slip of an employee who is a foreign specialist

- the portion of remuneration giving entitlement to the exemption;
- the exemption rate.

Pay period that is not entirely covered by the exemption period

Where only a portion of the gross remuneration that you pay to an employee for a pay period was earned during the employee's exemption period (that is, during the period in which the employee is entitled to the deduction referred to in this section), you must withhold income tax, in the usual way, from the portion of the remuneration that is not related to the employee's exemption period.

13.3.2 Employer contribution to the health services fund

A corporation or partnership that operates an international financial centre (IFC) may be exempted from the employer contribution to the health services fund respecting a portion of the salaries or wages paid. The following salaries or wages are not subject to the contribution:

- 75% of the salaries or wages paid to employees who hold a certificate issued by the Ministère des Finances;
- 75% of the portion of the salaries or wages paid to other employees that relates to duties devoted to the operations of the IFC. You must keep a register to determine the portion of the employee's salary or wages that is attributable to those duties.

Note that the exemption rate is 100% (instead of 75%) if the salaries or wages paid relate to a period before June 13, 2003. This may be the case if, for example, you pay retroactive salary or wages pertaining to that period. If only a portion of the remuneration pertains to that period, only that portion is to be multiplied by 100%.

Example

An employee of an IFC is paid on January 20, 2009. The employee does not have a certificate. The remuneration is as follows:

Employee's gross salary or wages for the period from January 4 to 18, 2009	\$1,800
Portion of the gross salary or wages that relates to duties devoted to the operations of the IFC	\$1,200
Retroactive pay that relates to the period from January 1 to May 31, 2003	\$2,000
Portion of the retroactive pay that relates to duties devoted to the operations of the IFC	\$1,400

Exempted salary or wages:

$(\$1,200^1 \times 75\%) + \$1,400^2 = \$2,300$

1. The employee does not have a certificate. Therefore, only the portion of the employee's salary or wages that relates to duties devoted to the operations of the IFC may be taken into consideration for the purposes of calculating exempted salary or wages.
2. The employee does not have a certificate. Therefore, only the portion of the employee's retroactive pay that relates to duties devoted to the operations of the IFC (\$1,400) may be taken into consideration for the purposes of calculating exempted salary or wages. Moreover, the retroactive pay of \$1,400 must not be multiplied by 75% because this amount relates to a period before June 13, 2003.

13.3.3 QPP contributions, QPIP premiums, other employer contributions and compensation tax

All of the salaries and wages paid to employees of an IFC (including foreign specialists) are subject to employee and employer QPP contributions, employee and employer QPIP premiums, the employer contribution to the financing of the CNT and compensation tax.

Similarly, all of the salaries and wages are included 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.

13.4 Foreign employees entitled to a five-year tax exemption

13.4.1 Source deductions of income tax

As a rule, an individual who is not resident in Canada and who comes to Québec to work in certain specialized sectors of activity (hereinafter called an “employee”) is entitled to a full or partial tax exemption for a period of five years. The exemption consists in a deduction in the calculation of taxable income and covers the employee’s salary or wages, or the employee’s total income if the employee is a specialist who works in the MITZM or for a corporation that operates a stock exchange business or a securities clearing-house business.

Such an employee is entitled to **only one** five-year exemption period, even if he or she holds more than one type of employment qualifying for the exemption. The exemption period is continuous in the case of employees who enter into an **employment contract after March 30, 2004**.

However, if the employee signed a contract before March 31, 2004, and renews the contract after March 30, 2004, and if, under tax legislation, the contract is not considered to be separate from the contract signed prior to March 31, 2004, the employee’s exemption period **may be non-continuous**. This means that if the employee stops working before the end of the five-year exemption period, the period in which he or she is not working is not taken into account in calculating the five-year period as long as the employee does not sign a new (separate) contract.

In calculating an employee’s remuneration subject to source deductions of income tax, you must subtract from the gross remuneration that you pay to the employee for a pay period the portion of the remuneration that gives entitlement to a tax exemption.

Proceed in this way only if the following conditions are met:

- You obtained a certificate or a qualification certificate with regard to the employee from the government body responsible for issuing the certificate or qualification certificate (see Table 1 below).
- The employee was not resident in Canada immediately before taking up, for the first time, employment that entitled him or her to a five-year tax exemption, or immediately before entering into the contract relating to that employment (if the employee spent more than 182 days in Québec before taking up his or her employment duties, see the information regarding this after Table 2 below).
- The requirements specified in Table 1 below are met.
- The conditions of employment for the pay period are substantially the same as the conditions in effect at the time the certificate or qualification certificate was issued.

To calculate the portion of the remuneration that gives entitlement to an exemption, multiply the gross remuneration that you pay for the pay period by a rate that varies depending (among other things) on the date on which the contract was signed. See Table 2 below for the exemption rates.

Where only a portion of the gross remuneration that you pay an employee for a pay period was earned during the employee’s exemption period, you must withhold income tax, in the usual way, from the portion of the remuneration **that is not related** to the employee’s exemption period.

If you use the mathematical formulas to calculate source deductions of income tax, include in variable F the **portion of the remuneration giving entitlement to the five-year tax exemption**.

Note

If you grant the employee a taxable benefit because the employee disposed of a share acquired under a stock option, the value of the benefit may give entitlement to the exemption in question, even if the employee receives the benefit for a period in which he or she is no longer entitled to the exemption. As a rule, this applies if the stock option was exercised during a period in which the employee was entitled to the exemption. Contact us for more information.

Table 1

Job title	Location or sector in which the employee works	Requirements	Issuer of the certificate or the qualification certificate
Specialist	Innovation centre	The employee took up employment duties after March 19, 2002, under a contract entered into after that date.	Investissement Québec
	ITDC (innovative project)	The employee took up employment duties after March 25, 1997, under a contract entered into after that date.	Investissement Québec
	Laval BDC	The employee took up employment duties after March 29, 2001, under a contract entered into after that date.	Investissement Québec
	Lévis BDC	The employee took up employment duties after July 11, 2002, under a contract entered into after that date.	Investissement Québec
	Sherbrooke and Saint-Hyacinthe BDCs	The employee took up employment duties after March 19, 2002, under a contract entered into after that date.	Investissement Québec
	Cité de la biotechnologie agroalimentaire, vétérinaire et agroenvironnementale de Saint-Hyacinthe	The employee took up employment duties after December 19, 2002, under a contract entered into after that date.	Investissement Québec
	City of Biotechnology and Human Health of Metropolitan Montréal	The employee took up employment duties after March 19, 2002, under a contract entered into after that date.	Investissement Québec
	E-Commerce Place	The employee took up employment duties after May 11, 2000, under a contract entered into after that date.	Investissement Québec
	Cité du multimédia	The employee took up employment duties after March 14, 2000, under a contract entered into after that date.	Investissement Québec
	NEC (innovative project)	The employee took up employment duties after March 9, 1999, under a contract entered into after that date.	Investissement Québec
	NEC (other than an innovative project)	The employee took up employment duties after March 14, 2000, under a contract entered into after that date.	Investissement Québec
	CNNTQ (designated premises for the purposes of the tax credit for corporations established in the CNNTQ)		
	CNNTQ (designated premises for the purposes of the tax credit for e-business activities)		
	Nutraceuticals and functional foods sector, in the Québec City area	The employee took up employment duties after March 19, 2002, under a contract entered into after that date.	Investissement Québec
	E-Commerce Zone		
	MITZM ¹		
	Zone de développement des biotechnologies de Sherbrooke	The employee took up employment duties after March 19, 2002, under a contract entered into after that date.	Investissement Québec
	Corporation that operates a stock exchange business or a securities clearing-house business ¹	The employee took up employment duties after April 26, 2000, under a contract entered into after that date.	Ministère des Finances

Job title	Location or sector in which the employee works	Requirements	Issuer of the certificate or the qualification certificate
Researcher on a post-doctoral internship	Eligible university entity or public research centre	- The employee took up employment duties after March 31, 1998, under a contract entered into after that date. - The employee's duties are almost exclusively related to R&D.	Ministère de l'Éducation, du Loisir et du Sport
Researcher or expert	Business in Canada that carries out R&D or has R&D carried out on its behalf in Québec	Researchers: The employee's duties are almost exclusively related to R&D. Experts: - The employee took up employment duties after March 9, 1999, under a contract entered into after that date. - The employee's duties are carried out almost exclusively under an R&D project.	Ministère du Développement économique, de l'Innovation et de l'Exportation
Professor	Québec university	The employee took up employment duties after June 29, 2000, under a contract entered into after that date.	Ministère de l'Éducation, du Loisir et du Sport
1. The exemption applies to the employee's total income, not only the salary or wages.			

Table 2

Exemption rate ¹	
Contract entered into before March 31, 2004 ²	Contract entered into after March 30, 2004 ²
Multiply the employee's gross remuneration by 100% if the contract was entered into before June 13, 2003, and the employee took up employment duties no later than September 1, 2003. In all other cases, multiply the employee's gross remuneration by 75%. An employee is also entitled to an exemption equal to 100% of his or her total income for the remainder of the five-year period, where the employer continues to operate a business further to a corporate reorganization (for example, a corporate amalgamation or the winding-up of a corporation wholly owned by another corporation) and remains eligible for purposes of the tax exemption.	Multiply the employee's gross remuneration by one of the following rates: 100%, if the employee is in the first two years of his or her five-year exemption period; 75%, if the employee is in the third year of his or her five-year exemption period; 50%, if the employee is in the fourth year of his or her five-year exemption period; 25%, if the employee is in the fifth year of his or her five-year exemption period. However, if the employee works for a corporation that operates a stock exchange business or a securities clearing-house business, the rate is 37.5% instead of 25%.
1. As a rule, the exemption period begins on the date on which an employee takes up employment duties. As a result, different rates may apply to an employee's gross remuneration for the same taxation year. 2. If, after March 30, 2004, an employee renews an employment contract entered into before March 31, 2004, the employee continues to be entitled to the rates that apply for contracts entered into before March 31, 2004, unless the renewed contract is considered under tax legislation to be a new contract.	

How to obtain a certificate or qualification certificate

To find out how to proceed, contact the government body responsible for issuing the certificate or qualification certificate (see Table 1).

As a rule, you must obtain a certificate or qualification certificate, for an employee each year. Your application for a given year must be submitted by the last day of February of the following year. For example, your application for 2009 must be submitted by February 28, 2010.

Documents to be remitted to the employee

You must give the employee a copy of the certificate or qualification certificate, so that the employee may claim the tax exemption to which he or she is entitled in his or her 2009 income tax return.

You must also indicate on the employee's RL-1 slip for 2009

- the portion of remuneration giving entitlement to the exemption;
- the exemption rate.

Employee who spends more than 182 days in Québec before taking up his or her employment duties

An individual who spends more than 182 days in Québec in a year is deemed to be resident in Québec throughout the year. However, this rule does not apply for the purposes of determining whether a foreign employee was resident in Canada immediately before taking up his or her employment duties.

For example, if such an employee was in Québec from March 1 to September 1, 2009 (a period of more than 182 days), and started to work on October 1, 2009, the employee is not deemed to have been resident in Québec since January 1, 2009. Consequently, the employee was not resident in Canada before taking up employment duties on October 1, 2009.

13.4.2 Employer contribution to the health services fund

All of the salaries and wages paid to foreign employees claiming a five-year exemption are subject to the employer contribution to the health services fund. However, the following employers may, under certain conditions, claim a total or partial exemption from the contribution:

- a corporation that carries out an innovative project in an ITDC, a BDC or an NEC;
- a corporation (or partnership) that operates a business within the MITZM;
- a corporation (or partnership) that operates a business carrying out a major investment project in Québec;
- a corporation that operates a stock exchange business or a securities clearing-house business.

For more information, see section 8.3.

13.4.3 QPP contributions, QPIP premiums, other employer contributions and compensation tax

All of the salaries and wages paid to foreign employees claiming a five-year exemption are subject to QPP contributions, QPIP premiums, the contribution to the financing of the CNT and compensation tax.

Similarly, all of the salaries and wages are included 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.

13.5 Employees outside Québec

13.5.1 Employees who report for work at one of your establishments in Québec and at one of your establishments outside Québec

Remuneration related to a regular pay period

Remuneration related to a regular pay period is subject to employee and employer QPIP premiums (see the note below), the employer contributions to the health services fund and to the WSDRF, the contribution to the financing of the CNT and compensation tax only if during this period the employee reports **mainly** to one of your establishments in Québec.

Remuneration not related to a regular pay period

Bonuses, retroactive pay, vacation pay and any other remuneration not related to a regular pay period are subject to employee and employer QPIP premiums (see the note below), the employer contributions to the health services fund and to the WSDRF, the contribution to the financing of the CNT and compensation tax only if the employee **ordinarily** reports to one of your establishments in Québec.

If an employee is transferred from an establishment covered by the Canada Pension Plan (CPP) to an establishment covered by the Québec Pension Plan (QPP), refer to section 6.13.

Note

If the employee reports for work at one of your establishments in Québec and at one of your establishments outside Québec, or if the employee is not required to report for work at any of your establishments (in Québec or elsewhere), but receives pay from **both** one of your establishments in Québec and one of your establishments outside Québec, you may take into account the parental portion of the **employer premium** you paid (under the employment insurance plan or a plan like the QPIP) with respect to the employee's salary or wages paid by one of your establishments outside Québec. For more information, see section 7.10.

13.5.2 Employees who report for work only at one of your establishments outside Québec or are paid from one of your establishments outside Québec

As a rule, you are not required to make source deductions or pay employer contributions and compensation tax respecting amounts that you pay to an employee who reports for work **only** at one of your establishments **outside** Québec.

However, you are required to make source deductions of income tax, QPP contributions and QPIP premiums respecting the salary or wages you paid to an employee who is not required to report for work at any of your establishments (in Québec or elsewhere) but is **paid from one of your establishments in Québec**. You must also pay employer contributions and compensation tax with respect to the remuneration. If the **employee is paid from one of your establishments outside Québec**, the amounts paid may nonetheless be subject to QPIP premiums, the contributions to the health services fund and to the WSDRF, as well as the contribution to the financing of the CNT. This is the case where, for a given period, the employee may reasonably be considered to be an employee of one of your establishments in Québec.

In determining whether the employee is an employee of one of your establishments in Québec, we assess the employee's situation based on criteria such as

- the location where the employee mainly reports for work;
- the employee's principal place of residence;
- the location where the employee mainly carries out his or her duties;
- the establishment from which the employee's work is supervised;
- the nature of the employment duties.

13.5.3 Special rules concerning an employee who works outside Canada

If an employee works outside Canada, special rules may apply with respect to QPP contributions, QPIP premiums and the employer contribution to the health services fund.

QPP contributions

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

- The remuneration is paid from one of your establishments in Québec, **and** you have signed an agreement with the Régie des rentes du Québec respecting work performed outside Canada by employees who were resident in Québec at the time of their posting to a foreign country (see the note below).
- The work is performed in a country that has signed a social security agreement with Québec, by employees who were resident in Québec at the time of their posting to a foreign country (see section 6.14).

Note

Contact us if the remuneration is paid from one of your establishments in Québec, but you have not signed an agreement with the Régie des rentes du Québec respecting work performed outside Canada by employees who were resident in Québec at the time of their posting to a foreign country.

QPIP premiums

You may be required to withhold and pay QPIP premiums respecting an employee's eligible salary or wages if the employee was **resident in Québec at the end of the year** and, for the pay period concerned,

- you have an establishment in Québec;
- the employee reports **only** to one of your establishments **outside Canada** or the employee is not required to report for work at any of your establishments (in Québec or elsewhere) and is paid from one of your establishments outside Canada;
- the employee is not subject to a premium under a prescribed plan;
- the employee's remuneration is not subject to employment insurance premiums.

Employer contribution to the health services fund

If you posted an employee to a country that has signed a social security agreement with Québec providing for reciprocal coverage of health insurance plans, you must pay the employer contribution to the health services fund respecting the salary or wages even if the employee is paid from your establishment outside Canada or is paid by a person other than yourself (see section 8.6).

13.5.4 Information concerning employees of a specified employer

The information provided in this section concerns the source deductions of income tax that a specified employer must make with respect to the remuneration paid to an employee who is resident in Québec.

An employee who is resident in Québec may be entitled to a deduction in the calculation of taxable income if he or she works outside Canada for a specified employer for a period of at least 30 consecutive days. The deduction pertains to the salary or wages (including allowances for meals, accommodation and transportation) that the employee receives from the specified employer for work that is carried on outside Canada in connection with a contract or for the purpose of obtaining a contract under which the employer carries on, outside Canada,

- a business related to exploration for or exploitation of petroleum, natural gas, minerals or similar resources;
- a business related to any agricultural, construction, installation or engineering activity;
- a business related to an activity consisting in implementing a computer, telematic or office automation system, or a similar system, if the activity is the principal object of the contract;
- a business related to a scientific or technical services activity;
- a business related to a management or administration activity related to an activity described above.

If you are a specified employer, please note that you must not take the deduction into account in calculating the remuneration subject to source deductions of income tax. In other words, you cannot decrease the amount of income tax withheld because of the deduction, **unless you received authorization from us after the employee completed form TP-1016-V, Application for a Reduction in Source Deductions of Income Tax.**

You must also file, by the deadline for filing RL-1 slips, an RL-17 slip for each employee that worked outside Canada. For more information on how to complete the slip, on the required calculations and on the conditions to be met, refer to the *Guide to Filing the RL-17 Slip* (RL-17.G-V).

Specified employer

An employer that is

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

13.6 Indian employees

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

13.6.1 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.	• The Indian lives on a reserve. or • 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.	• The Indian lives on a reserve. and • 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 13.7 (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 and compensation tax

Indian employer

Special rules apply to an employer that is an Indian, an Indian band, a band council or an Indian organization. See section 13.7.

Other employers

All of the salary or wages paid to an Indian are subject to the employer contribution to the health services fund, the contribution to the financing of the CNT and compensation tax, 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 and in your total payroll used to calculate your contribution to the WSDRF.

13.6.2 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 13.6.1), 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.

13.6.3 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, Kitchisakik (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.

- 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.

13.7 Indian employer

This section provides information if you are an Indian employer. If you have one or more employees who are Indians, see section 13.6.

Note

Section 13.6.3 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 13.6.1 and 13.6.2 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;

Contribution to the WSDRF and compensation tax

If you are an employer that is an Indian, an Indian band or a band council, you are not required to pay compensation tax with respect to the salaries or wages that you pay to your employees from an establishment located on a reserve, nor are you required to include these salaries or wages in your total payroll used to calculate your contribution to the WSDRF. This is the case regardless of whether the employees are Indians.

In all other cases, the employer must participate in workforce skills development if the total payroll is over \$1 million in 2009, even if the employer is an Indian, an Indian band or a band council.

If you have **employees who are Indians**, see section 13.6.

13.8 Sailors

If you are an eligible shipowner and you employ a sailor who is **resident in Québec in 2009**, and for whom you obtained a certificate from the Ministère des Transports, you are not required to withhold income tax from the **portion of the sailor's gross remuneration that gives entitlement to a deduction for employment income earned on a vessel** (that is, 75% of the remuneration).

Note

If you grant the employee a taxable benefit because the employee disposed of a share acquired under a stock option, the value of the benefit may give entitlement to the deduction in question, even if the employee receives the benefit for a period in which he or she is no longer entitled to the deduction. As a rule, this applies if the stock option was exercised during a period in which the employee was entitled to the deduction. Contact us for more information.

If, for a pay period, the conditions of the sailor's employment are not the same as at the time you obtained the certificate, you must withhold income tax from the full amount of the gross remuneration for the period.

An employee may claim a deduction in his or her 2009 income tax return only if you indicate, in the centre of the employee's RL-1 slip, the amount of remuneration that gives entitlement to the deduction. The remuneration paid to a sailor is subject to 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 and compensation tax.

Similarly, the remuneration is included 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.

Eligible shipowner

A shipowner that is

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

13.9 Canadian Forces personnel or police officers

Canadian Forces personnel or police officers assigned to a recognized special mission may claim a deduction, in the calculation of their taxable income, with respect to the net employment income from the mission.

In calculating the employee's remuneration subject to source deductions of income tax, you must subtract from the employee's gross remuneration for a pay period the **portion of the remuneration that gives entitlement to the deduction in question**. This is the result of the following calculation: the employee's gross remuneration attributable to the mission for the pay period **minus** the contribution (pertaining to the remuneration) that the employee paid to an RPP for the pay period. For example, if you pay the employee \$500 in salary or wages for a pay period (all of which relates to a recognized special mission) and you withhold \$50 as a contribution to an RPP, **the portion of the remuneration that gives entitlement to the deduction is \$450 (\$500 - \$50)**.

However, **the deduction is limited** to the maximum remuneration a non-commissioned member of the Canadian Forces can receive during the mission. Therefore, **once you have reached this limit (that is, once the total of the amounts that you subtracted in the year for the purposes of the deduction has reached the maximum amount), you must stop reducing the employee's remuneration** because the excess amount does not give entitlement to the deduction.

If you use the mathematical formulas to calculate source deductions of income tax, include in variable F the portion of the remuneration giving entitlement to the deduction.

13.10 Foreign producers

If you employ a foreign producer who holds an eligibility certificate issued by SODEC with respect to a film production recognized by SODEC, you are not required to withhold income tax from the portion of the gross remuneration that you pay to the producer with regard to the production.

If a portion of the producer's remuneration is not related to a film production recognized by SODEC, you must withhold income tax, in the usual way, from that portion of the remuneration.

If the producer performed services for you other than in the course of regular and continuous employment, see section 13.13.3.

13.11 Services supplied by an employee of an employer that does not do business in Québec

If you have an establishment in Québec, and an individual who supplies services to you in Québec is not your employee but an employee of an employer that does not have an establishment in Québec, you may be deemed to have paid the salary or wages earned by the employee if the following conditions are met:

- The employee reports for work at one of your establishments in Québec.
- The service is supplied as part of the employee's ordinary duties with regard to his or her employer and in the course of your regular and ongoing activities.
- The service is of the same nature as services supplied by employees of employers that carry on the same type of business as you.

If all these conditions are met, you must take into account the employee's salary or wages in calculating employee and employer QPIP premiums, and your contributions to the health services fund and to the financing of the CNT. You must also include the salary or wages in your total payroll used to calculate your contribution to the WSDRF.

Do not take the salary or wages into account in calculating your QPP contributions and compensation tax. Furthermore, the salary or wages are not subject to source deductions of income tax.

Exception

In general, the above-mentioned rule does not apply if you can show that you did not use the services of the employee of an employer that does not do business in Québec in order to reduce your contributions to the health services fund, to the WSDRF, and to the financing of the CNT, as well as your employer QPIP premiums.

13.12 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;
- compensation tax.

You must also include the amount 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.

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 12.11.4).

13.13 Amount paid to a person not resident in Québec

13.13.1 Salary or wages

You must make source deductions and pay employer contributions and compensation tax with respect to the salary or wages paid to an employee who is not resident in Québec **if one of the conditions in column B of the table in section 4.1.1 is met**. (You should also check whether the special rules mentioned in section 4.1.2 apply.)

If you have an employee **who is not resident in Canada and whose employment is not regular and continuous**, see section 13.13.3.

Source deductions

You are not required to withhold income tax from the salary or wages (or a portion thereof) paid to a foreign employee if

- the employee does not hold employment in Canada (see the note below);
- the employee is a foreign specialist who works in an IFC (see section 13.3);
- the employee is covered by the measures described in section 13.4 or 13.10; or
- the salary or wages are exempt from income tax under a tax treaty or agreement between Québec and the employee's country of origin, and you have authorization from us not to withhold income tax (after the employee filed form TP-1016-V, *Application for a Reduction in Source Deductions of Income Tax*).

Note

You must withhold income tax from the salary or wages paid to an employee who is not resident in Canada and who does not hold employment in Canada in the following cases:

- The salary or wages are reasonably attributable to employment duties that are or will be performed in Québec by the employee.
- The employee ceased to reside in Québec in the year or in a previous year. In this case, you are not required to withhold income tax **if** the salary or wages are subject to income tax in a country other than Canada **or if** the salary or wages are paid with respect to the sale of goods, the negotiation of contracts or the provision of services for you, one of your foreign affiliates or another person with whom you are not dealing at arm's length, in the course of a business carried on by you, the foreign affiliate or that other person.

QPP contributions and the contribution to the health services fund

If an employee whose country of origin has a social security agreement with Québec is temporarily posted to Québec, the employee's salary or wages are generally not subject to

- employee and employer QPP contributions (see section 6.14);
- the employer contribution to the health services fund (see section 8.6).

QPIP premiums

As a rule, an employee who is not resident in Québec at the end of the year is not required to pay QPIP premiums. Nevertheless, if you pay eligible salary or wages to an employee who is not resident in Québec, you must withhold and pay QPIP premiums respecting the salary or wages **if one of the conditions in column B of the table in section 4.1.1 is met.**

Under the *Taxation Act*, an individual who is not resident in Québec but who spends more than 182 days in Québec in a year is deemed to be resident in Québec for the entire year. However, this rule does not apply for the purposes of the *Act respecting parental insurance*. Therefore, since the individual is not considered to be resident in Québec, he or she is not required to pay QPIP premiums. Nevertheless, if you pay such an employee eligible salary or wages, you must withhold and pay QPIP premiums. The employee will be able to claim a refund of the amounts you withheld from his or her eligible salary or wages when filing his or her income tax return. You cannot claim a refund of the QPIP premiums you paid as an employer with respect to the employee's eligible salary or wages.

13.13.2 Payments other than salary or wages

You are not required to withhold income tax from an amount other than salary or wages (for example, a pension benefit paid in one or more instalments) if you pay the amount to a beneficiary who is not resident in Québec at the time of the payment.

13.13.3 Persons not resident in Canada that perform services in Québec

If you make a payment, **other than in the course of regular and continuous employment**, to a person (including a corporation) that is not resident in Canada for services the person performed in Québec, you must withhold 9% income tax from the payment. This applies, for example, if you pay **only** directors' fees to a director who is not resident in Canada.

Note

In the preceding paragraph, the term "employment" does not include an office.

If the person performing the services in Québec is an individual who holds a certificate from SODEC attesting that he or she works during the year as a producer on a film production recognized by SODEC, you are not required to withhold income tax from the amounts (including salary or wages) that you pay to him or her with regard to the film production.

If you are required to withhold 9% income tax from a payment but fail to do so, you become a debtor of the State for the full amount that should have been withheld. A penalty equal to 15% of that amount may also be imposed. However, you may recover the **amount withheld** from the person that received the payment, either by bringing an action in a court of competent jurisdiction or by deducting an equivalent amount from any amount that you are required to pay or credit to the person.

If the person to whom you make a payment is an employee, the payment may be subject to employee and employer QPP contributions and QPIP premiums. The payment may also be subject to the employer contribution to the health services fund.

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

If an individual is not resident in Canada in 2008 or becomes a resident in 2009, the deductions and personal tax credits that the individual can enter on form TP-1015.3-V may be limited.

Individual who spends fewer than 183 days in Québec

An individual who spends fewer than 183 days in Québec in 2009 and expects to include at least 90% of his or her income for the year from all sources in the calculation of taxable income earned in Canada may enter, on form TP-1015.3-V (version 2009-01), the total of the amounts to which he or she is entitled on lines 1 through 9 of the form, except if

- the individual is a foreign farm worker (see section 13.14);
- the individual earned income in another province or territory of Canada (in that case, contact us).

However, such an individual cannot enter an amount on form TP-1015.3-V with regard to the deduction for support payments.

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

Individual who spends more than 182 days in Québec

An individual who spends more than 182 days in Québec in 2009 is considered to be resident in Québec throughout the year, and may enter on form TP-1015.3-V (version 2009-01) the total of the amounts used to calculate the tax credits and deductions to which he or she is entitled.

Individual who becomes a Canadian resident

Contact us to find out what amounts should be entered on the TP-1015.3-V form of an individual who becomes a Canadian resident in 2009.

13.14 Foreign farm workers

Source deductions of income tax

As a rule, a foreign farm worker who does not, in fact, reside in Canada and who has a valid work permit exclusively for seasonal farm work issued by the Canadian immigration authorities under a recognized federal program can claim a deduction in respect of income from such work.

Recognized federal programs

The Mexican Seasonal Agricultural Workers Program, implemented under an agreement between the governments of Mexico and Canada.

The Caribbean Seasonal Agricultural Workers Program, implemented under an agreement between the governments of certain Commonwealth Caribbean countries and the Government of Canada.

The pilot project developed by the Government of Canada for hiring foreign workers in occupations that usually require a high school diploma or job-specific training.

If you employ such a worker, you do not have to withhold income tax on the gross remuneration you pay the worker, provided he or she meets both the following requirements:

- The worker obtained, under the Seasonal Agricultural Workers Program administered by the federal government, form TD1, *Personal Tax Credits Return*, duly certified by a designated government official by means of an official stamp affixed to the form.
- The worker's estimated income for the year from all sources is less than \$26,138.

If the worker does not meet these requirements, you must use deduction code "O" to withhold income tax from a portion of the gross remuneration you pay the worker.

To calculate the remuneration subject to source deductions of income tax for such an employee, you must subtract from the gross remuneration you pay the worker for a pay period the portion of the remuneration that gives entitlement to the deduction for foreign farm workers.

In calculating the portion of the remuneration that gives entitlement to the deduction, you must first subtract from the gross remuneration that you pay to the worker for a pay period certain expenses that the worker is required to assume in carrying out his or her work duties for the pay period (for example, expenses for supplies used directly in the carrying out of the worker's duties, such as work gloves or a hatchet). Then multiply the result by 50%. The amount thus determined is the portion of the worker's remuneration that gives entitlement to the deduction.

If you use mathematical formulas to withhold income tax, assign the value of zero to variable E and include the portion of the remuneration giving entitlement to the deduction in variable F.

Note

Foreign farm workers are not required to file form TP-1015.3-V.

QPP contributions, QPIP premiums, other employer contributions and compensation tax

All of the salaries or wages paid to foreign farm workers entitled to a deduction in the calculation of their taxable income are subject to employee and employer QPP contributions, employee and employer QPIP premiums, the contributions to the health services fund and the financing of the CNT, and compensation tax. The total of such remuneration must also be included in your **total payroll** used to calculate your rate of contribution to the health services and in your total payroll used to calculate your contribution to the WSDRF.

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

14.1 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 the following payments:

- single payments (see section 12.11);
- income supplements (see section 12.16).

14.2 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, “new” beneficiaries and individuals who completed the 2009-01 version of form TP-1015.3-V,
 - or
 - by $(1 + 0.0236)$ (the indexation factor for 2009)), for individuals 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 or is a “new” beneficiary,

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 x 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 14.3.1.1	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. H = Deduction for employment income $= 0.06 (D)$, maximum of \$1,025/P	$I = [P (G - F - H)] - J - J_1$
Formula for section 14.3.1.2	$D_1 = B_1 + B_2 + G_1 + D$ 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 $H_2 = 0.06 (D_1)$, maximum of $(\$1,025 - H_1)/P$	$I_1 = (G_1 - F_1 - H_1) + [Pr (G - F - H_2)] - J - J_1$
Formula for section 14.3.2.1	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) H = Deduction for employment income $= 0.06 (D)$, maximum of \$1,025	$I = S_1 (G - F - H) + B - J - J_1$
Formula for section 14.3.2.2	D_1 = Total gross salary or wages since the beginning of the year, excluding variables B_3 and B_4 $H_1 = 0.06 (D_1 + B_3)$, maximum of \$1,025 $H_2 = 0.06 (D_1 + B_4)$, maximum of \$1,025	$I_3 = S_1 (G - F - H_1) + B_3 - J - J_1$ $I_4 = S_1 (G - F - H_2) + B_4 - J - J_1$

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).

14.3 Source deductions of Québec income tax

14.3.1 Calculating income tax withholdings for regular payments

You must use the formula in section 14.3.1.1 for remuneration that you pay at regular intervals to an individual (employee or beneficiary).

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 14.3.1.2.

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 14.3.2.

14.3.1.1 Regular payments

Definition of variables

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

$$= \frac{(Y/P)}{\text{If the result is negative, enter 0.}} + L$$

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 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, or for "new" beneficiaries who did not complete the form;
- 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 individual 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 individuals who completed the 2009-01 version of the form; - the value of variable E_2 for 2008.	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: $\frac{P(J_3)}{Pr}$
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 portion of the remuneration that gives entitlement to one of the following deductions: - the deduction for employment income situated on a reserve or premises (see sections 13.6.1 and 13.6.2); - the deduction for employment income earned on a vessel engaged in international freight transportation (see section 13.8); - the deduction for IFC employees (see section 13.3.1); - the deduction for foreign specialists (see section 13.4.1); - the deduction for foreign researchers (see section 13.4.1); - the deduction for foreign researchers on a post-doctoral internship (see section 13.4.1); - the deduction for foreign experts (see section 13.4.1); - the deduction for foreign professors (see section 13.4.1); - the deduction for foreign producers (see section 13.10); - the deduction for foreign farm workers (see section 13.14); - the Canadian Forces personnel and police deduction (see section 13.9).	J_1 = Annual deductions that we authorized after the individual completed form TP-1016-V, <i>Application for a Reduction in Source Deductions of Income Tax</i>. 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 individual completed form TP-1016-V, <i>Application for a Reduction in Source Deductions of Income Tax</i> (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 individual on form TP-1017-V, source deduction of income tax requested by a fisher on form TP-1015.N-V, or amount indicated on line 11 of form TP-1015.3-V, 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
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 = $[P(G - F - H)] - J - J_1$	
	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

14.3.1.2 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 14.3.1.1.

A₁ = Québec income tax to be withheld at source from a bonus, retroactive pay or similar lump-sum payment paid during the pay period
 $= Y_2 - Y_1$

B₁ = Bonuses, retroactive pay or similar lump-sum payments paid since the beginning of the year (excluding variable B₂) (see note 1 below)

B₂ = Bonuses, retroactive pay or similar lump-sum payments paid during the pay period (see note 1 below)

D₁ = B₁ + B₂ + G₁ + D

F₁ = Total of the amounts included in variable F, **accrued** to the date the bonus, retroactive pay or similar lump-sum payment was paid

G₁ = 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

H₁ = 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

H₂ = 0.06 (D₁), maximum of (\$1,025 - H₁)/P

I₁ = 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

Y₁ = $[T(I_1 + B_1)] - K - K_1 - 0.20(E) - 0.15[P(Q)]$
 (see note 2 below)

Y₂ = $[T(I_1 + B_1 + B_2)] - K - K_1 - 0.20(E) - 0.15[P(Q)]$
 (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 B₁), including those paid during the pay period (variable B₂), you must reduce variables B₁ and B₂ accordingly.

Note 2

In calculating variable Y₁, you must determine the income tax rate (variable T) according to the result obtained when you add variables I₁ and B₁. For example, if variable I₁ equals \$35,000 and variable B₁ 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 Y₂, you must determine the income tax rate (variable T) according to the result obtained when you add variables I₁, B₁ and B₂.

Method 2

(a) 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.

(b) Determine the amount of the bonuses, retroactive pay or similar lump-sum payments you have paid since the beginning of the year (variable B₁), without taking into account the amount paid during the pay period.

- (c) Determine the amount of the bonuses, retroactive pay or similar lump-sum payments paid during the pay period (variable B_2).
- (d) Add the amounts determined in (a) through (c) to obtain the taxable income.
- (e) Determine the tax rate that applies to the annual taxable income calculated in (d) (see the income tax table at the end of section 14.3.1.1).
- (f) 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) x 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

14.3.2 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).

14.3.2.1 Method 1

Definition of variables

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

$$= \frac{(Y/S_1) - M}{1} + L$$

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 E_1 corresponds to one of the first two amounts mentioned in the definition of that variable, multiply variable E_1 by 1 rather than by 1.0236. Variable E_1 is to be indexed only if it corresponds to the third amount mentioned in the definition.

E_1 = 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 E_1 for 2008.

Note

The indexed value of variable E_1 for 2008 is equal to the value of variable E_1 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 individual 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 E_1 for 2007 is \$20,000, the value of variable E_1 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 portion of the remuneration that gives entitlement to one of the following deductions:
 - the deduction for employment income situated on a reserve or premises (see sections 13.6.1 and 13.6.2);
 - the deduction for employment income earned on a vessel engaged in international freight transportation (see section 13.8);
 - the deduction for IFC employees (see section 13.3.1);
 - the deduction for foreign specialists (see section 13.4.1);
 - the deduction for foreign researchers (see section 13.4.1);
 - the deduction for foreign researchers on a post-doctoral internship (see section 13.4.1);
 - the deduction for foreign experts (see section 13.4.1);
 - the deduction for foreign professors (see section 13.4.1);

- the deduction for foreign producers (see section 13.10);
- the deduction for foreign farm workers (see section 13.14);
- the Canadian Forces personnel and police deduction (see section 13.9).

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 14.3.1.1)

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 14.3.1.1)

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

14.3.2.2 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

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

$H_2 = 0.06(D_1 + B_4)$, 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
 $= T(I_4) - K - K_1 - 0.20(E) - 0.15[S_1(Q)]$

14.4 QPP contributions

14.4.1 Calculating the employee contribution

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

$C = 0.0495(S_3 - V/P)$, 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.

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 $M - A_5$.

14.4.2 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 14.4.1).

14.5 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.

14.5.1 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

14.5.2 Calculating the employer premium (with respect to an employee)

$A_{p1} = 0.00677 (S_4)$, to a maximum of $N_1 - A_7$

If variable A_{p1} 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_{p1} = 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

14.6 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;
- $S = \frac{\text{Total payroll}}{\$1 \text{ million}}$
 $\left[\begin{array}{l} \text{If the total payroll} \\ \text{is over \$1 million} \\ \text{but under \$5 million} \end{array} \right]$

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.

14.7 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:

$$\begin{aligned} A &= \text{Québec income tax to be withheld at source for the pay period} \\ &= \boxed{(Y/P)} + L \\ &\quad \text{If the result is negative, enter 0.} \\ &= (\$2,786/52) + \$0.00 \\ &= \$53.58 \end{aligned}$$

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:

$$\begin{aligned} A &= \text{Québec income tax to be withheld at source for the pay period} \\ &= \boxed{(Y/P)} + L \\ &\quad \text{If the result is negative, enter 0.} \\ &= (\$3,566/52) + \$0.00 \\ &= \$68.58 \end{aligned}$$

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