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FORMULAS TO CALCULATE
SOURCE DEDUCTIONS
AND CONTRIBUTIONS

2019

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CONTENTS

1	Introduction	5
1.1	About the guide	5
1.2	Abbreviations	5
1.3	Glossary	5
1.4	List of mathematical symbols	7
2	Principal changes	8
2.1	Indexation for 2019	8
2.2	Income tax rates and income thresholds	8
2.3	Personal tax credit amounts	8
2.4	Gratuities and retroactive pay	10
2.5	Deduction for employment income	10
2.6	Emergency services volunteer	10
2.7	Tax credit rate for the acquisition of Fondation shares	10
2.8	Disability assistance payments from an RDSP	10
2.9	QPP contributions	10
2.10	QPIP premiums	11
2.11	Contribution to the health services fund	12
3	Formulas to calculate source deductions of Québec income tax	13
3.1	Calculating source deductions of income tax for regular payments	13
3.1.1	Regular payments	13
3.1.2	Gratuities, retroactive pay or similar lump-sum payments	17
3.2	Calculating source deductions of income tax on a cumulative-averaging basis	23
4	Formula to calculate QPP contributions	31
4.1	Employee contribution	31
4.2	Employer contribution	31
5	Formulas to calculate QPIP premiums	32
5.1	Employee premium	32
5.2	Employer premium (with respect to an employee)	32
6	Formula to calculate the employer contribution to the health services fund	34
	Appendix 1	36
	Appendix 2	38

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Important

The information contained in this guide does not constitute a legal interpretation of the laws or regulations of Québec or Canada. This guide must be used for 2019. It does not contain any tax changes for the 2019 taxation year that were announced after October 31, 2018. You should therefore verify that the texts of the guide reflect the current fiscal legislation.

Go to our website (revenuquebec.ca) to:

- get information about the changes that have been made to source deductions and contributions (including those announced after the publication of this document);
- find other documents for employers;
- use our online services.

If you need other information, contact us at one of the numbers or addresses given at the end of this guide.



1 INTRODUCTION

1.1 About the guide

This guide contains formulas for calculating source deductions of Québec income tax, QPP contributions, QPIP premiums and the employer contribution to the health services fund.

The formulas also help you calculate source deductions to be made on gratuities, retroactive pay, accumulated overtime, unused vacation and commissions.

NOTE

You cannot use the formulas to calculate a source deduction of income tax from a remuneration if a fixed rate must be used. For example, you cannot use the formulas to calculate the source deduction of income tax for a single payment or an income supplement payment.

This guide is to be used as a supplement to the *Guide for Employers* (TP-1015.G-V). For all information on source deductions and employer contributions, see our website.

1.2 Abbreviations

CIP	Cooperative investment plan
CNESST	Commission des normes, de l'équité, de la santé et de la sécurité du travail
FTQ	Fédération des travailleurs et travailleuses du Québec
PRPP	Pooled registered pension plan
QPIP	Québec parental insurance plan
QPP	Québec Pension Plan
RDSP	Registered disability savings plan
RPP	Registered pension plan
RRSP	Registered retirement savings plan
VRSP	Voluntary retirement savings plan

1.3 Glossary

The terms below are defined in the context of this guide.

Employee

An individual who holds employment or an office.

Employment

Work carried out by an individual under a written or verbal contract of employment (includes an office).



Employment income

Income from employment or from an office.

Individual

A natural person.

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

Office

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.

Person

A natural person or a legal person.

Place of residence

A person’s place of residence within the meaning of the *Taxation Act*.

To determine the place of residence of an individual who leaves Québec and Canada, refer to interpretation bulletin IMP. 22-3/R2.

Remuneration

Salary or wages and any other amount that you pay as an employer (for example, a retiring allowance) or as a payer (for example, pension benefits).

Remuneration paid and salary or wages paid

Remuneration, salary or wages that are **paid, allocated, granted or awarded**.

For example, in a given week, you paid a salary of \$400 and granted a taxable benefit other than in cash valued at \$200 to an employee. You actually paid the employee a salary of \$600 since the benefit is considered to be salary paid.

A tip allocated to an employee also constitutes salary or wages paid to the employee.

NOTE

Under the QPIP, only remuneration actually paid to an employee is considered to be salary or wages paid. A benefit in kind generally does not constitute eligible salary or wages under the QPIP.

Salary or wages

Gross employment income, including the following amounts and any similar payments made to an employee or a former employee:

- taxable benefits (including taxable allowances);
- commissions;
- overtime pay;
- vacation pay;
- retroactive pay, including payments resulting from a collective agreement signed before the death of an employee;
- tips (including allocated tips);
- advances;



- gratuities (including bonuses and incentives);
- certain amounts paid further to an industrial accident – CNESST;
- 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 portion of the salary or wages earned during the year that is to be paid in another year, under a salary deferral arrangement;
- amounts paid to an employee during a self-funded leave of absence;
- 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), provided the payments were foreseeable at the time of death;
- fees paid in connection with employment (for example, fees paid to council or committee members);
- earnings loss benefits, supplementary retirement benefits and career impact allowances (formerly "permanent impairment allowances") paid under the *Veterans Well-being Act* (federal statute);
- an amount paid to an employee by a person not dealing at arm's length with the employer that would have been included in the salary or wages had it been paid by the employer.

In this guide, contrary to the definition provided in tax legislation, the term "salary or wages" does not include the following amounts:

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

1.4 List of mathematical symbols

Symbol	Definition
–	minus
+	plus
/	divided by
×	multiplied by
=	equals
≥	greater than or equal to
≤	less than or equal to
%	percent



2 PRINCIPAL CHANGES

2.1 Indexation for 2019

Every year, the personal income tax system is automatically indexed. For 2019, the indexation rate is 1.71%.

Amounts indexed at that rate include:

- income thresholds;
- personal tax credit amounts;
- deduction code amounts;
- the threshold for determining the method to be used to calculate the source deduction of income tax on a gratuity or a retroactive pay;
- the maximum deduction for employment income;
- the maximum exemption that can be granted to an emergency services volunteer; and
- the maximum tax-exempt amount of a disability assistance payment from an RDSP.

2.2 Income tax rates and income thresholds

The taxable income thresholds have been indexed for 2019. The income tax rates have not changed. See the table below.

Income thresholds and income tax rates for 2019

Taxable income (variable I)		Income tax rate (variable T)	Constant (variable K)
more than	not more than		
\$0	\$43,790	15%	\$0
\$43,790	\$87,575	20%	\$2,189
\$87,575	\$106,555	24%	\$5,692
\$106,555	–	25.75%	\$7,557

2.3 Personal tax credit amounts

The personal tax credit amounts (variable E) on the *Source Deductions Return* (TP-1015.3-V) and the deduction code amounts given in the *Source Deduction Table for Québec Income Tax* (TP-1015.TI-V) are indexed for 2019.

Individuals do not need to complete the 2019 version of form TP-1015.3-V because the indexation does not affect the deduction codes.



The personal tax credit amounts and the deduction code amounts for 2019 are shown in the tables below. The amounts for 2018 are provided for information purposes.

Personal tax credit amounts	2019	2018
Basic personal amount	\$15,269	\$15,012
Amount transferred from one spouse to the other	\$15,269	\$15,012
Amount for other dependants	\$4,274	\$4,202
Amount for a child under 18 enrolled in post-secondary studies (per term)	\$2,933	\$2,884
Additional amount for a person living alone (single-parent family)	\$2,160	\$2,124
Amount for a severe and prolonged impairment in mental or physical functions	\$3,391	\$3,334
Amount for a person living alone	\$1,750	\$1,721
Age amount	\$3,212	\$3,158
Amount for retirement income	\$2,853	\$2,805
Reduction threshold of the age amount, the amount for a person living alone, the amount for retirement income and the amount for experienced workers	\$34,610	\$34,030

Deduction codes for 2019

Amount (\$)	Code
None	O
1 – 15,269	A
15,270 – 18,000	B
18,001 – 20,000	C
20,001 – 24,000	D
24,001 – 25,500	E
25,501 – 27,000	F
27,001 – 29,000	G
29,001 – 31,500	H
31,501 – 34,500	I
34,501 – 38,000	J
38,001 – 40,000	K
40,001 – 42,500	L
42,501 – 44,000	M
44,001 – 46,500	N



2.4 Gratuities and retroactive pay

For 2019, the threshold for determining the method to be used to calculate the source deduction of income tax on gratuities and retroactive pay has been increased from \$15,012 to \$15,269.

2.5 Deduction for employment income

The maximum deduction for employment income (variable H) has been increased from \$1,150 to \$1,170 for 2019.

2.6 Emergency services volunteer

For 2019, the maximum exemption that can be granted to an emergency services volunteer has been increased from \$1,150 to \$1,170.

2.7 Tax credit rate for the acquisition of Fondation shares

Since June 1, 2015, the rate of the tax credit for the acquisition of shares issued by Fondation has been 20%.

In the Budget Speech delivered on March 27, 2018, the Minister of Finance of Québec announced that the rate of the tax credit would be maintained at 20% for all eligible shares acquired after May 31, 2018, but before June 1, 2021. Therefore, if an employee has authorized you to withhold an amount from his or her pay for the purchase of class A or class B Fondation shares, you must use the 20% rate to calculate the source deduction of income tax for any pay period during which an amount was withheld for the purchase of such shares.

The rate applicable to variable Q_1 is therefore 20%. The definitions of variables Q and Q_1 have been changed as follows:

Q = Amount withheld for the pay period for the purchase of class A Fonds de solidarité FTQ shares

Q_1 = Amount withheld for the pay period for the purchase of class A or class B Fondation shares

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 variables Q and Q_1 must be zero.

2.8 Disability assistance payments from an RDSP

For 2019, you must withhold income tax at a rate of 15% from the portion of a disability assistance payment from an RDSP that exceeds \$18,660 (previously \$18,346) for the year.

2.9 QPP contributions

Enhancement of the QPP

Further to the assent of Bill 149 on February 22, 2018, an enhancement to the QPP will be implemented as of January 2019. The enhancement, similar to that made to the CPP, consists of the introduction of an additional plan in two stages. The first will be implemented in 2019, and the second in 2024. With this enhancement, the QPP will consist of the current base plan and an additional plan.

Starting in 2019, you will be required to withhold the base contribution and a first additional contribution on an employee's pensionable salary or wages that do not exceed the employee's maximum pensionable earnings under the QPP for the year. From 2019 to 2023, the rate of the first additional contribution will progressively increase until it reaches 2% (shared equally by the employee and the employer).

As of 2024, you will be required to withhold the base contribution, the first additional contribution and a second additional contribution on an employee's pensionable salary or wages exceeding the employee's maximum pensionable earnings under the QPP, up to the additional maximum pensionable earnings for the year. The second additional contribution will be withheld at a rate of 8% (shared equally by the employee and the employer). The amount of the additional maximum pensionable earnings will be equal to 107% of the maximum pensionable earnings for 2024 and 114% of the maximum pensionable earnings for 2025 and subsequent years.

QPP contributions for 2019

For 2019, the maximum pensionable earnings are \$57,400. The QPP contribution rate has been increased.

The contribution rate is now comprised of the base rate (5.40%) and the first additional rate (0.15%) so you do not have to do separate calculations and the employee's QPP contribution includes the base contribution and the first additional contribution. You must continue to withhold the employee contribution and to remit it with your employer contribution. You must also continue to report the total QPP contributions withheld in the year in box B of the employee's RL-1 slip.

The table below provides the QPP data for 2019. The 2018 data are provided for information purposes.

	2019	2018
Maximum pensionable earnings (pensionable salaries and wages)	\$57,400	\$55,900
Basic exemption	\$3,500	\$3,500
Maximum contributory earnings	\$53,900	\$52,400
Contribution rate (5.40% for the base contribution and 0.15% for the first additional contribution)	5.55%	5.40%
Employee's maximum contribution (variable M)	\$2,991.45	\$2,829.60
Employer's maximum contribution (per employee)	\$2,991.45	\$2,829.60

2.10 QPIP premiums

For 2019, the maximum insurable earnings are \$76,500. The employee and employer premium rates have been reduced.

The table below provides the QPIP data for 2019. The 2018 data are provided for information purposes.

	2019	2018
Maximum insurable earnings	\$76,500	\$74,000
Employee's premium rate	0.526%	0.548%
Employee's maximum premium (variable N) ($\$76,500 \times 0.00526$)	\$402.39	\$405.52
Employer's premium rate	0.736%	0.767%
Employer's maximum premium (per employee) ($\$76,500 \times 0.00736$)	\$563.04	\$567.58



2.11 Contribution to the health services fund

Change in the calculation of the contribution to the health services fund for small and medium-sized businesses

On August 15, 2018, the Minister of Finance of Québec announced a new plan to gradually reduce the health services fund contribution rate between 2018 and 2022. Moreover, the total payroll threshold for the reduced contribution rate will be increased between 2018 and 2022 and then indexed annually as of 2023.

If you are an employer other than a public-sector employer and your total payroll for 2019 is less than \$6,000,000, you can use the reduced contribution rate for your sector of activity to calculate your contribution to the health services fund for the year.

NOTE

The contribution rate for public-sector employers is 4.26%, regardless of their total payroll for the year.

The table below provides the health services fund contribution rates for 2019.

Total payroll (TP)	Health services fund contribution rates for 2019 (variable W)	
	Primary and manufacturing sectors	Service and construction sectors
\$1,000,000 or less	1.25%	1.70%
\$1,000,001 to \$5,999,999	$0.648\% + (0.602\% \times TP/1,000,000)^1$	$1.1880\% + (0.5120\% \times TP/1,000,000)^1$
\$6,000,000 or more	4.26%	4.26%

1. The contribution rate must be rounded off to two decimal places. If the number in the third decimal place is 5 or more, round up the number in the second decimal place.

Exemption from the contribution to the health services fund

Investment projects for the development of an eligible digital platform may, under certain conditions, be recognized for purposes of the tax holiday for large investment projects.

As a result, the salaries and wages a corporation or partnership pays employees may qualify for the exemption from the employer contribution to the health services fund if they are paid for:

- activities relating to the maintenance or upgrade of the components of an eligible digital platform;
- support service;
- customer service relating to the use of the platform; and
- other similar activities.

The salaries and wages the corporation or partnership pays employees for the portion of the employees' time devoted to eligible activities relating to the large investment project and other activities of the corporation or partnership do not qualify for the exemption from the employer contribution to the health services fund.

Salaries and wages the corporation or partnership pays its employees whose tasks consist in developing the eligible digital platform do not qualify for the exemption from the employer contribution to the health services fund.



3 FORMULAS TO CALCULATE SOURCE DEDUCTIONS OF QUÉBEC INCOME TAX

This part contains the formulas for calculating source deductions of Quebec income tax on regular payments and on a cumulative average.

If the remuneration you pay to an employee is fixed (such as a salary or retirement income), you have to use the formulas in section 3.1.

If the remuneration you pay to an employee varies (such as remuneration paid on a commission basis), you have to use the formulas in section 3.2.

NOTE

If you use the formulas applicable to regular payments to calculate the source deduction of income tax 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.

Exemption from source deductions of income tax

Do not withhold income tax on the remuneration of an individual or an employee who requests an exemption from source deductions of income tax by checking box 20 on the *Source Deductions Return* (form TP-1015.3-V).

This exemption is valid only for the year of the request.

3.1 Calculating source deductions of income tax for regular payments

3.1.1 Regular payments

Use the formulas below to calculate source deductions of income tax on fixed remuneration (such as a salary or retirement income).

Use the formulas in section 3.1.2 to calculate source deductions of income tax on gratuities, retroactive pay or similar lump-sum payments (such as a payment covering accumulated overtime or unused vacation) that an employee receives in addition to his or her salary or wages.

See Appendix 1 for an example of how source deductions of income tax are calculated on regular payments.

Step 1 Calculating the annual income

I = Annual taxable income

$$= P \times (G - F - H) - J - J_1$$

where

P = Number of pay periods in the year

G = Gross remuneration subject to source deductions of income tax for the pay period. Do not include gratuities, retroactive pay or similar lump-sum payments.



- F = Total of the following amounts for the pay period:
- the contribution to an RPP;
 - the contribution to an RRSP;
 - the contribution to a VRSP or to a PRPP;
 - the contribution paid for an employee 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;
 - the travel deduction for residents of designated remote areas;
 - the security option deduction;
 - 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,
 - the deduction for employment income earned on a vessel,
 - the deduction for foreign specialists,
 - the deduction for foreign researchers,
 - the deduction for foreign researchers on a post-doctoral internship,
 - the deduction for foreign experts,
 - the deduction for foreign professors,
 - the deduction for foreign producers or foreign individuals holding a key position in a foreign production filmed in Québec,
 - the deduction for foreign farm workers,
 - the Canadian Forces personnel and police deduction.

H = Deduction for employment income

$$= (0.06 \times D), \text{ up to a maximum of } \$1,170 / P$$

where

D = Gross salary or wages subject to source deductions of income tax for the pay period. **Do not include** gratuities, retroactive pay or similar lump-sum payments.

P = Number of pay periods in the year

J = Deductions shown 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:

$$= (P \times J_3) / Pr$$

where

P = Number of pay periods in the year

J₃ = Deductions shown on line 19 of form TP-1015.3-V after the first pay period in the year

Pr = Number of pay periods remaining in the year (including the current pay period)



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

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

where

P = Number of pay periods in the year

J_2 = Deductions that we authorized after the first pay period in the year

Pr = Number of pay periods remaining in the year (including the current pay period)

Step 2 Calculating the income tax for the year

Y = Income tax for the year

$$= (T \times I) - K - K_1 - (0.15 \times E) - (0.15 \times P \times Q) - (0.20 \times P \times Q_1)$$

▼
If the result is negative, enter 0.

where

T = Income tax rate applicable to the bracket of annual taxable income

Annual taxable income (I)		Income tax rate (T)	Constant (K)
More than	Equal to or less than		
\$0	\$43,790	15%	\$0
\$43,790	\$87,575	20%	\$2,189
\$87,575	\$106,555	24%	\$5,692
\$106,555		25.75%	\$7,557

I = Annual taxable income

K = Constant applicable for the adjustment of the income tax rate on the basis of the annual taxable income

K_1 = Non-refundable tax credits that we authorized for the year after the individual completed form TP-1016-V (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:

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

where

P = Number of pay periods in the year

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

Pr = Number of pay periods remaining in the year (including the current pay period)



E = Value of personal tax credits shown on form TP-1015.3-V

$$= E_1 + E_2$$



If the result is not a multiple of 1, round it to the nearest multiple of 1. If the result is halfway between two multiples of 1, round it up to the higher multiple.

where

E_1 = Indexed value of personal tax credits, which corresponds to one of the following amounts:

- the indexed value of variable E_1 for 2018 multiplied by 1.0171;
- the amount from line 7 of form TP-1015.3-V, for an individual who completed the form for 2019;
- \$15,269 (the basic personal amount for 2019) for an employee who took up employment duties in 2019 and who did not complete form TP-1015.3-V and for a new beneficiary who did not complete the form.

NOTE

The indexed value of variable E_1 for 2018 corresponds to the value of variable E_1 for 2017, multiplied by the indexation factor for 2018 **plus** 1.

E_2 = Non-indexed value of the personal tax credits, which corresponds to the amount from line 9 of form TP-1015.3-V, for an individual who completed the 2019 version of the form.

NOTE

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, or if he or she becomes resident in Canada during the year. For more information, consult guide TP-1015.G-V.

P = Number of pay periods in the year

Q = Amount withheld for the pay period for the purchase of class A Fonds de solidarité FTQ shares

Q_1 = Amount withheld for the pay period for the purchase, of class A or class B Fondation shares

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 variables Q and Q_1 must be zero.

Step 3 Calculating the income tax to be withheld for the pay period

A = Income tax to be withheld for the pay period

$$= \frac{Y}{P} + L$$



If the result is negative, enter 0.

where

Y = Income tax for the year

P = Number of pay periods in the year



L = Additional source deduction of income tax requested by the individual on form TP-1015.3-V or form TP-1017-V, *Request to Have Additional Income Tax Withheld at Source*, or source deduction of income tax requested by a fisher on form TP-1015.N-V, *Election by Fishers to Have Income Tax Deducted at Source*, for the pay period

3.1.2 Gratuities, retroactive pay or similar lump-sum payments

You can use either of the following methods to calculate the income tax to be withheld from gratuities, retroactive pay or similar lump-sum payments (for example, a payment covering **accumulated overtime or unused vacation**) paid in addition to the employee's salary or wages. Please note that Method 1 is more precise than Method 2.

See Appendix 2 for an example of how Method 2 is used to calculate source deductions of income tax on retroactive pay.

NOTE

If the total of the employee's annual salary or wages and the lump-sum payment is not more than \$15,269, do not use these formulas. Simply withhold 8% income tax from the lump-sum payment.

Method 1

Step 1 Calculating the annual income

I_1 = Annual taxable income

NOTE

The annual taxable income includes the income accrued before the start of the current pay period and the estimated income for the rest of the year (including the current pay period).

$$= (G_1 - F_1 - H_1) + [Pr \times (G - F - H_2)] - J - J_1$$

where

G_1 = Total of the amounts included in variable G **accrued** before the start of the pay period

F_1 = Total of the amounts included in variable F **accrued** before the start of the pay period

H_1 = Total of the amounts included in variable H **accrued** before the start of the pay period

Pr = Number of pay periods remaining in the year (including the current pay period)

G = Gross remuneration subject to source deductions of income tax for the pay period. **Do not include** gratuities, retroactive pay or similar lump-sum payments.

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

- the contribution to an RPP;
- the contribution to an RRSP;
- the contribution to a VRSP or to a PRPP;
- the contribution paid for an employee 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;
- the travel deduction for residents of designated remote areas;
- the security option deduction;



- 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,
 - the deduction for employment income earned on a vessel,
 - the deduction for foreign specialists,
 - the deduction for foreign researchers,
 - the deduction for foreign researchers on a post-doctoral internship,
 - the deduction for foreign experts,
 - the deduction for foreign professors,
 - the deduction for foreign producers or foreign individuals holding a key position in a foreign production filmed in Québec,
 - the deduction for foreign farm workers,
 - the Canadian Forces personnel and police deduction.

H_2 = Deduction for employment income

$$= (0.06 \times D_1), \text{ up to a maximum of } (\$1,170 - H_1) / Pr$$

where

$$D_1 = B_1 + B_2 + G_1 + D$$

where

B_1 = Gratuities, retroactive pay or similar lump-sum payments paid since the beginning of the year (excluding those paid during the pay period)

B_2 = Gratuities, retroactive pay or similar lump-sum payments paid during the pay period

G_1 = Total of the amounts in variable G, **accrued** before the start of the pay period

D = Gross salary or wages subject to source deductions of income tax for the pay period. **Do not include** gratuities, retroactive pay or similar lump-sum payments.

H_1 = Total of the amounts included in variable H **accrued** before the start of the pay period

Pr = Number of pay periods remaining in the year (including the current pay period)

J = Deductions shown 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:

$$= (P \times J_3) / Pr$$

where

P = Number of pay periods in the year

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

Pr = Number of pay periods remaining in the year (including the current pay period)



J_1 = Annual deductions that we authorized after the individual completed form TP-1016-V. 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:

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

where

P = Number of pay periods in the year

J_2 = Deductions that we authorized after the first pay period in the year

Pr = Number of pay periods remaining in the year (including the current pay period)

Step 2 Calculating the income tax for the year

Y_1 = Income tax for the year taking into account variable B_1

$$= [T \times (I_1 + B_1)] - K - K_1 - (0.15 \times E) - (0.15 \times P \times Q) - (0.20 \times P \times Q_1)$$

▼
If the result is negative, enter 0.

Y_2 = Income tax for the year taking into account variables B_1 and B_2

$$= [T \times (I_1 + B_1 + B_2)] - K - K_1 - (0.15 \times E) - (0.15 \times P \times Q) - (0.20 \times P \times Q_1)$$

▼
If the result is negative, enter 0.

NOTE

In calculating variable Y_1 , you must determine the income tax rate (variable T) based on the result of the addition of variables I_1 and B_1 . For example, if variable I_1 equals \$50,000 and variable B_1 equals \$5,000, the income tax rate is the rate applicable to taxable income of \$55,000 (\$50,000 + \$5,000), that is, 20%.

In calculating variable Y_2 , you must determine the income tax rate (variable T) based on the result of the addition of variables I_1 , B_1 and B_2 .

where

T = Income tax rate applicable to the bracket of annual taxable income

Annual taxable income (I)		Income tax rate (T)	Constant (K)
More than	Equal to or less than		
\$0	\$43,790	15%	\$0
\$43,790	\$87,575	20%	\$2,189
\$87,575	\$106,555	24%	\$5,692
\$106,555		25.75%	\$7,557

I_1 = Annual taxable income

NOTE

The annual taxable income includes the income accrued before the start of the current pay period and the estimated income for the rest of the year (including the current pay period).

B_1 = Gratuities, retroactive pay or similar lump-sum payments paid since the beginning of the year (excluding those paid during the pay period)

B_2 = Gratuities, retroactive pay or similar lump-sum payments paid during the pay period

NOTE

If you took into account an amount included in variable F in calculating the income tax to be withheld from gratuities, retroactive pay or similar lump-sum payments paid since the beginning of the year (variable B_1), including those paid during the pay period (variable B_2), you must reduce variables B_1 and B_2 accordingly.

K = Constant applicable for the adjustment of the income tax rate on the basis of the annual taxable income

K_1 = Non-refundable tax credits that we authorized for the year after the individual completed form TP-1016-V (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:

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

where

P = Number of pay periods in the year

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

Pr = Number of pay periods remaining in the year (including the current pay period)

E = Value of personal tax credits shown on form TP-1015.3-V

$$= E_1 + E_2$$



If the result is not a multiple of 1, round it to the nearest multiple of 1. If the result is halfway between two multiples of 1, round it up to the higher multiple.

where

E_1 = Indexed value of personal tax credits, which corresponds to one of the following amounts:

- the indexed value of variable E_1 for 2018 multiplied by 1.0171;
- the amount from line 7 of form TP-1015.3-V, for an individual who completed the form for 2019;
- \$15,269 (the basic personal amount for 2019) for an employee who took up employment duties in 2019 and who did not complete form TP-1015.3-V and for a new beneficiary who did not complete the form.

NOTE

The indexed value of variable E_1 for 2018 corresponds to the value of variable E_1 for 2017, multiplied by the indexation factor for 2018 **plus** 1.

E_2 = Non-indexed value of the personal tax credits, which corresponds to the amount from line 9 of form TP-1015.3-V, for an individual who completed the 2019 version of the form.

NOTE

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 or if he or she becomes resident in Canada during the year. For more information, consult guide TP-1015.G-V.



P = Number of pay periods in the year

Q = Amount withheld for the pay period for the purchase of class A Fonds de solidarité FTQ shares

Q₁ = Amount withheld for the pay period for the purchase of class A or class B Fondation shares

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 variables Q and Q₁ must be zero.

Step 3 Calculating the income tax to be withheld for the pay period

A₁ = Income tax to be withheld from a gratuity, retroactive pay or similar lump-sum payment paid during the pay period

$$= Y_2 - Y_1$$

where

Y₂ = Income tax for the year taking into account variables B₁ and B₂

Y₁ = Income tax for the year taking into account variable B₁

Method 2

Step 1 Calculating the annual income

I = Annual taxable income

$$= [P \times (G - F - H)] + B_1 + B_2 - J - J_1$$

where

P = Number of pay periods in the year

G = Gross remuneration subject to source deductions of income tax for the pay period. **Do not include** gratuities, retroactive pay or similar lump-sum payments.

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

- the contribution to an RPP;
- the contribution to an RRSP;
- the contribution to a VRSP or to a PRPP;
- the contribution paid for an employee 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;
- the travel deduction for residents of designated remote areas;
- the security option deduction;
- 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,
 - the deduction for employment income earned on a vessel,



- the deduction for foreign specialists,
- the deduction for foreign researchers,
- the deduction for foreign researchers on a post-doctoral internship,
- the deduction for foreign experts,
- the deduction for foreign professors,
- the deduction for foreign producers or foreign individuals holding a key position in a foreign production filmed in Québec,
- the deduction for foreign farm workers,
- the Canadian Forces personnel and police deduction.

H = Deduction for employment income
 = $(0.06 \times D)$, to a maximum of \$1,170 / P

where

D = Gross salary or wages subject to source deductions of income tax for the pay period. **Do not include** gratuities, retroactive pay or similar lump-sum payments.

P = Number of pay periods in the year

B₁ = Gratuities, retroactive pay or similar lump-sum payments paid since the beginning of the year (excluding those paid during the pay period)

B₂ = Gratuities, retroactive pay or similar lump-sum payments paid during the pay period

NOTE

If you took into account an amount included in variable F in calculating the income tax to be withheld from gratuities, retroactive pay or similar lump-sum payments 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.

J = Deductions shown 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:

= $(P \times J_3) / Pr$

where

P = Number of pay periods in the year

J₃ = Deductions shown on line 19 of form TP-1015.3-V after the first pay period in the year

Pr = Number of pay periods remaining in the year (including the current pay period)

J₁ = Annual deductions that we authorized after the individual completed form TP-1016-V. If the value of J₁ is determined after the first pay period in the year, it is instead equal to the result of the following calculation:

= $(P \times J_2) / Pr$

where

P = Number of pay periods in the year

J₂ = Deductions that we authorized after the first pay period in the year

Pr = Number of pay periods remaining in the year (including the current pay period)



Step 2 Calculating the source deduction of income tax for the pay period

A = Québec income tax to be withheld from a gratuity, retroactive pay or similar lump-sum payment paid during the pay period

$$= T \times B_2$$

where

T = Income tax rate applicable to the bracket of annual taxable income

Annual taxable income (I)		Income tax rate (T)
More than	Equal to or less than	
\$0	\$43,790	15%
\$43,790	\$87,575	20%
\$87,575	\$106,555	24%
\$106,555		25.75%

NOTE

To determine the income tax rate that corresponds to the annual taxable income, add variables I, B₁ and B₂. For example, if variables I, B₁ and B₂ are \$50,000, \$10,000 and \$5,000, respectively, the income tax rate will be 20%, which is the rate that corresponds to taxable income of \$65,000.

B₂ = Gratuities, retroactive pay or similar lump-sum payments paid during the pay period

NOTE

If you took into account an amount included in variable F in calculating the income tax to be withheld from gratuities, retroactive pay or similar lump-sum payments paid during the pay period (variable B₂), you must reduce variable B₂ accordingly.

3.2 Calculating source deductions of income tax on a cumulative-averaging basis

Use the formulas below to calculate source deductions of income tax on remuneration that varies (for example, remuneration paid on a commission basis).

You can use either of the following methods to calculate the income tax to be withheld from gratuities, retroactive pay or similar lump-sum payments (for example, a payment covering accumulated overtime or unused vacation) that an employee receives in addition to his or her salary. Under Method 1, the Québec income tax to be withheld from such an amount is spread out over the pay periods remaining in the year. Under Method 2, the total amount of Québec income tax to be withheld for the pay period concerned is calculated.

NOTES

- If the total of the employee's annual salary or wages and the lump-sum payment is not more than \$15,269, do not use these formulas. Simply withhold 8% income tax from the lump-sum payment.
- If an employee completed form TP-1015.R.13.1-V, *Statement of Commissions and Expenses for Source Deduction Purposes*, add the result of the following calculation to the amount of variable G: gross commissions paid to the employee for the pay period, multiplied by the percentage of commissions calculated by the employee on form TP-1015.R.13.1-V.



Method 1

Step 1 Calculating the annual income

I = Annual taxable income

$$= [S_1 \times (G - F - H)] + B - J - J_1$$



If the result is negative, enter 0.

where

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

Examples		52 pay periods	26 pay periods	24 pay periods
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

G = Gross remuneration subject to source deductions of income tax for the pay period, **plus** the total gross remuneration since the beginning of the year (**excluding the value of variable B**)

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

- the contribution to an RPP;
- the contribution to an RRSP;
- the contribution to a VRSP or to a PRPP;
- the contribution paid for an employee 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;
- the travel deduction for residents of designated remote areas;
- the security option deduction;
- 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,
 - the deduction for employment income earned on a vessel,
 - the deduction for foreign specialists,
 - the deduction for foreign researchers,
 - the deduction for foreign researchers on a post-doctoral internship,
 - the deduction for foreign experts,
 - the deduction for foreign professors,
 - the deduction for foreign producers or foreign individuals holding a key position in a foreign production filmed in Québec,
 - the deduction for foreign farm workers,
 - the Canadian Forces personnel and police deduction.



H = Deduction for employment income
 = $(0.06 \times D)$, up to a maximum of \$1,170 / S_1

where

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 the value of variable B)

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

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

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

J_1 = Annual deductions that we authorized after the individual completed form TP-1016-V

Step 2 Calculating the income tax for the year

Y = Income tax for the year
 = $(T \times I) - K - K_1 - (0.15 \times E) - (0.15 \times S_1 \times Q) - (0.20 \times S_1 \times Q_1)$

▼
 If the result is negative, enter 0.

where

T = Income tax rate applicable to the bracket of annual taxable income

Annual taxable income (I)		Income tax rate (T)	Constant (K)
More than	Equal to or less than		
\$0	\$43,790	15%	\$0
\$43,790	\$87,575	20%	\$2,189
\$87,575	\$106,555	24%	\$5,692
\$106,555		25.75%	\$7,557

I = Annual taxable income

K = Constant applicable for the adjustment of the income tax rate on the basis of the annual taxable income

K_1 = Non-refundable tax credits that we authorized for the year after the individual completed form TP-1016-V (for example, the tax credit for charitable donations)

E = Value of personal tax credits shown on form TP-1015.3-V

= $E_1 + E_2$

▼
 If the result is not a multiple of 1, round it to the nearest multiple of 1. If the result is halfway between two multiples of 1, round it up to the higher multiple.



where

- E_1 = Indexed value of personal tax credits, which corresponds to one of the following amounts:
- the indexed value of variable E_1 for 2018 multiplied by 1.0171;
 - the amount from line 7 of form TP-1015.3-V, for an individual who completed the form for 2019;
 - \$15,269 (the basic personal amount for 2019) for an employee who took up employment duties in 2019 and who did not complete form TP-1015.3-V and for a new beneficiary who did not complete the form.

NOTE

The indexed value of variable E_1 for 2018 corresponds to the value of variable E_1 for 2017, multiplied by the indexation factor for 2018 **plus** 1.

- E_2 = Non-indexed value of the personal tax credits, which corresponds to the amount from line 9 of form TP-1015.3-V, for an individual who completed the 2019 version of the form.

NOTE

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 or if he or she becomes resident in Canada during the year. For more information, consult guide TP-1015.G-V.

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

- Q = Amount withheld for the pay period for the purchase of class A Fonds de solidarité FTQ shares

- Q_1 = Amount withheld for the pay period for the purchase of class A or class B Fondation shares

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 variables Q and Q_1 must be zero.

Step 3 Calculating the income tax to be withheld for the pay period

- A = Income tax to be withheld for the pay period

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

▼
If the result is negative, enter 0.

where

- Y = Income tax for the year

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

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

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



Method 2

If you use Method 2, you must first determine the Québec income tax to be withheld from a gratuity, 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 .

Step 1 Calculating the annual income

I_3 = Annual taxable income (take into account variable B_3)

$$= [S_1 \times (G - F - H_1)] + B_3 - J - J_1$$

I_4 = Annual taxable income (take into account variable B_4)

$$= [S_1 \times (G - F - H_2)] + B_4 - J - J_1$$

where

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

Examples		52 pay periods	26 pay periods	24 pay periods
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

G = Gross remuneration subject to source deductions of income tax for the pay period, plus the total gross remuneration since the beginning of the year (excluding the value of variable B)

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

- the contribution to an RPP;
- the contribution to an RRSP;
- the contribution to a VRSP or to a PRPP;
- the contribution paid for an employee 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;
- the travel deduction for residents of designated remote areas;
- the security option deduction;
- 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,
 - the deduction for employment income earned on a vessel,
 - the deduction for foreign specialists,
 - the deduction for foreign researchers,
 - the deduction for foreign researchers on a post-doctoral internship,
 - the deduction for foreign experts,



- the deduction for foreign professors,
- the deduction for foreign producers or foreign individuals holding a key position in a foreign production filmed in Québec,
- the deduction for foreign farm workers,
- the Canadian Forces personnel and police deduction.

$$H_1 = \text{Deduction for employment income (taking into account variable } B_3)$$

$$= [0.06 \times (D_1 + B_3)], \text{ up to a maximum of } \$1,170 / S_1$$

where

D_1 = Total gross salary or wages since the beginning of the year, **excluding variable B_3**

B_3 = Gratuities, retroactive pay or similar lump-sum payments paid during the pay period **plus those paid since the beginning of the year (variable B_4)**

NOTE

If you took into account an amount included in variable F in calculating the income tax to be withheld from gratuities, retroactive pay or similar lump-sum payments paid since the beginning of the year, you must reduce variable B_3 accordingly.

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

$$H_2 = \text{Deduction for employment income (taking into account variable } B_4)$$

$$= [0.06 \times (D_1 + B_4)], \text{ up to a maximum of } \$1,170 / S_1$$

where

D_1 = Total gross salary or wages since the beginning of the year, **excluding variable B_4**

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

NOTE

If you took into account an amount included in variable F in calculating the income tax to be withheld from gratuities, retroactive pay or similar lump-sum payments paid since the beginning of the year, you must reduce variable B_4 accordingly.

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

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

J_1 = Annual deductions that we authorized after the individual completed form TP-1016-V

Step 2 Calculating the income tax for the year

$$Y_3 = \text{Income tax for the year (taking into account variable } B_3)$$

$$= (T \times I_3) - K - K_1 - (0.15 \times E) - (0.15 \times S_1 \times Q) - (0.20 \times S_1 \times Q_1)$$

▼
If the result is negative, enter 0.

$$Y_4 = \text{Income tax for the year (taking into account variable } B_4)$$

$$= (T \times I_4) - K - K_1 - (0.15 \times E) - (0.15 \times S_1 \times Q) - (0.20 \times S_1 \times Q_1)$$

▼
If the result is negative, enter 0.

where

T = Income tax rate applicable to the bracket of annual taxable income

Annual taxable income (I)		Income tax rate (T)	Constant (K)
More than	Equal to or less than		
\$0	\$43,790	15%	\$0
\$43,790	\$87,575	20%	\$2,189
\$87,575	\$106,555	24%	\$5,692
\$106,555		25.75%	\$7,557

I_3 = Annual taxable income, taking into account variable B_3

I_4 = Annual taxable income, taking into account variable B_4

K = Constant applicable for the adjustment of the income tax rate on the basis of the annual taxable income

K_1 = Non-refundable tax credits that we authorized for the year after the individual completed form TP-1016-V (for example, the tax credit for charitable donations)

E = Value of personal tax credits shown on form TP-1015.3-V

$$= E_1 + E_2$$

▼
If the result is not a multiple of 1, round it to the nearest multiple of 1. If the result is halfway between two multiples of 1, round it up to the higher multiple.

where

E_1 = Indexed value of personal tax credits, which corresponds to one of the following amounts:

- the indexed value of variable E_1 for 2018 multiplied by 1.0171;
- the amount from line 7 of form TP-1015.3-V, for an individual who completed the form for 2019;
- \$15,269 (the basic personal amount for 2019) for an employee who took up employment duties in 2019 and who did not complete form TP-1015.3-V and for a new beneficiary who did not complete the form.

NOTE

The indexed value of variable E_1 for 2018 corresponds to the value of variable E_1 for 2017, multiplied by the indexation factor for 2018 **plus** 1.

E_2 = Non-indexed value of the personal tax credits, which corresponds to the amount from line 9 of form TP-1015.3-V, for an individual who completed the 2019 version of the form.



NOTE

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 or if he or she becomes resident in Canada during the year. For more information, consult guide TP-1015.G-V.

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

Q = Amount withheld for the pay period for the purchase of class A Fonds de solidarité FTQ shares

Q_1 = Amount withheld for the pay period for the purchase of class A or class B Fondation shares

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 variables Q and Q_1 must be zero.

Step 3 Calculating the income tax to be withheld for the pay period

A_4 = Income tax to be withheld for the pay period

$$= A + A_3$$

where

A = Income tax to be withheld from the remuneration for the pay period. **Do not include** gratuities, retroactive pay or similar lump-sum payments paid during the pay period.

$$= \left[\frac{(Y - M_1)}{S_1} - M \right] + L$$



If the result is negative, enter 0.

where

Y = Income tax for the year corresponding to the value of variable Y_3

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

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

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

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

A_3 = Income tax to be withheld from a gratuity, retroactive pay or similar lump-sum payment paid during the pay period

$$= Y_3 - Y_4$$

where

Y_3 = Income tax for the year (taking into account variable B_3)

Y_4 = Income tax for the year (taking into account variable B_4)



4 FORMULA TO CALCULATE QPP CONTRIBUTIONS

4.1 Employee contribution

The following formula is used to calculate the employee contribution to the QPP **only for an employee whose employment is continuous and whose pay periods are regular.**

For each pay period, you must withhold the employee's contribution to the QPP from his or her contributory earnings until the total of the amounts withheld reaches the employee's maximum annual contribution. Contributory earnings in the formula correspond to $S_3 - (V / P)$.

Calculating the employee QPP contribution

$$C = \text{Employee's QPP contribution to be withheld for the pay period}$$
$$= 0.0555 \times [S_3 - (V / P)], \text{ up to a maximum of } M - A_5$$

NOTE

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 (one-half cent). For example, if variable C is equal to \$0.001 (one-tenth 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: $V / P = \$3,500 / 52 = \$67.3077 = \$67.30$

The contribution rate of 5.55% is comprised of the base rate of 5.40% and of the first additional rate of 0.15%.

where

S_3 = Employee's gross pensionable salary or wages under the QPP for the pay period

V = Basic exemption for the year under the QPP (\$3,500)

P = Number of pay periods in the year

M = Employee's maximum annual QPP contribution (\$2,991.45)

A_5 = Employee's QPP contributions withheld since the beginning of the year

NOTE

When a gratuity, overtime pay 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 5.55% of the amount paid, up to a maximum of $M - A_5$.

4.2 Employer contribution

There is no formula to calculate the employer contribution. You simply pay a contribution that is equal to the total amount of the contributions you **withheld** from the employees' pensionable salary or wages. The employer contribution corresponds to the total amount of employee contributions calculated using the formula in section 4.1.

5 FORMULAS TO CALCULATE QPIP PREMIUMS

5.1 Employee premium

Use the formula below to calculate the employee QPIP premium.

For each pay period, you must withhold an employee's QPIP premium from his or her gross eligible salary or wages until the total amount reaches the employee's maximum annual premium.

Calculating the employee QPIP premium

A_p = Employee's QPIP premium to be withheld for the pay period

$$= (0.00526 \times S_4), \text{ up to a maximum of } N - A_6$$

NOTE

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 (one-half cent). For example, if variable A_p is equal to \$0.001 (one-tenth cent), you must withhold \$0.01.

where

S_4 = Employee's gross eligible salary or wages under the QPIP for the pay period

N = Employee's maximum annual QPIP premium (\$402.39)

A_6 = Employee's QPIP premiums withheld since the beginning of the year

5.2 Employer premium (with respect to an employee)

Use the formula below to calculate the employer QPIP premium.

For each pay period, you must calculate the employer's QPIP premium on the basis of the employee's gross eligible salary or wages under the QPIP until the total amount reaches the employer's maximum annual premium for that employee. Once the employee's maximum annual premium is reached, the employer's maximum annual premium is also reached.



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

A_{p_1} = Employer's QPIP premium for the pay period with respect to the employee

$$= (0.00736 \times S_4), \text{ up to a maximum of } N_1 - A_7$$

NOTE

If variable A_{p_1} is an amount containing a fraction of a cent, do not take into account a fraction of less than \$0.005 (one-half cent). A fraction of \$0.005 or more is considered \$0.01 (one cent).

where

S_4 = Employee's gross eligible salary or wages under the QPIP for the pay period

N_1 = Employer's maximum annual QPIP premium with respect to each employee (\$563.04)

A_7 = Employer's QPIP premiums calculated for previous pay periods with respect to the employee



6 FORMULA TO CALCULATE THE EMPLOYER CONTRIBUTION TO THE HEALTH SERVICES FUND

Use the formula below to calculate the employer contribution to the health services fund.

Note that the health services fund contribution rate varies depending on your total payroll for the year and your sector of activity.

Calculating the employer contribution to the health services fund

$$D_2 = \text{Employer's contribution to the health services fund for the pay period}$$
$$= W \times S_2$$

where

$W(\%)$ = Contribution rate based on total payroll for the year and your sector of activity

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

NOTE

The contribution rate must be rounded off to two decimal places. If the number in the third decimal place is 5 or more, round up the number in the second decimal place.

If you are an **employer in the primary and manufacturing sectors** and more than 50% of your total payroll is related to activities in these sectors (see the note below), your contribution rate is calculated as follows:

$$W(\%) = 0.648 + (0.602 \times S)$$

where

$S = 1$, if the total payroll is $\leq \$1,000,000$

$S = 6$, if the total payroll is $\geq \$6,000,000$

$S = \frac{\text{total payroll}}{\$1,000,000}$, if the total payroll is between $\$1,000,000$ and $\$6,000,000$

NOTE

The primary and manufacturing sector activities are classified under codes 11, 21 and 31–33 of the North American Industry Classification System (NAICS). For a description of the codes, visit the Statistics Canada website.



If you are an employer in the **service and construction sectors of activities**, your contribution rate is calculated as follows:

$$W(\%) = 1.1880 + (0.5120 \times S)$$

where

S = 1, if the **total payroll** is \leq \$1,000,000

S = 6, if the **total payroll** is \geq \$6,000,000

S = $\frac{\text{total payroll}}{\$1,000,000}$, if the total payroll is between \$1,000,000 and \$6,000,000

If you are a **public-sector employer**, your contribution rate is 4.26%, regardless of your total payroll.

Periodic remittances of the contribution to the health services fund

Use an **estimated contribution rate** to calculate the periodic remittances you have to make in the year because the actual contribution rate for the year will only be determined when you file the RL-1 summary. The estimated contribution rate for a new employer is not calculated in the same way as it is for other employers.

New employers

For the **first two consecutive years** in which you have to pay the contribution to the health services fund, your contribution rate for each periodic remittance corresponds to the rate that would apply if your **total payroll** for the year was 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 be adjusted each remittance period to take into account the **cumulative total payroll** for the preceding periods.

Other employers

For years following the first two consecutive years for which you paid the contribution to the health services fund, your contribution will be the rate that would apply if your **total payroll** for the year were the same as your total payroll for the previous year.

For more information, see Part 8 of guide TP-1015.G-V.



APPENDIX 1

Example of how to calculate the source deduction of income tax on regular payments

An employee receives a gross salary of \$2,000 per week. The employee's contribution to an RPP is \$200 per week. The employee's deduction for foreign professors is \$500 per week. The amount entered on line 10 of form TP-1015.3-V for the year is \$21,830. On January 3, Stanley purchased \$2,000 worth of shares of the Fonds de solidarite FTQ and \$3,000 worth of shares of Fondation, payable over the first 20 pay periods of the year.

For the first 20 pay periods in the year, the source deductions of income tax are calculated as follows:

Step 1

$$\begin{aligned} I &= \text{Annual taxable income} \\ &= P \times (G - F - H) - J - J_1 \\ &= 52 \times [\$2,000 - (\$200 + \$500) - \$22.50] - \$0 - \$0 \\ &= (52 \times \$1,277.50) - \$0 - \$0 \\ &= \$66,430 - \$0 - \$0 \\ &= \$66,430 \end{aligned}$$

Step 2

$$\begin{aligned} Y &= \text{Income tax for the year} \\ &= [(T \times I) - K - K_1 - (0.15 \times E) - (0.15 \times P \times Q) - (0.20 \times P \times Q_1)] \\ &= [(0.20 \times \$66,430) - \$2,189 - \$0 - (0.15 \times \$21,830) - (0.15 \times 52 \times \$38.46) - (0.20 \times 52 \times \$57.69)] \\ &= \$13,286 - \$2,189 - \$0 - \$3,274.50 - \$300 - \$600 \\ &= \$6,922.50 \end{aligned}$$

Step 3

$$\begin{aligned} A &= \text{Income tax to be withheld for the pay period} \\ &= (Y / P) + L \\ &= (\$6,922.50 / 52) + \$0 \\ &= \$133.13 \end{aligned}$$



For the 32 pay periods remaining in the year, the source deductions of income tax are calculated as follows:

Step 1

$$\begin{aligned} I &= \text{Annual taxable income} \\ &= P \times (G - F - H) - J - J_1 \\ &= 52 \times [\$2,000 - (\$200 + \$500) - \$22.50] - \$0 - \$0 \\ &= (52 \times \$1,277.50) - \$0 - \$0 \\ &= \$66,430 - \$0 - \$0 \\ &= \$66,430 \end{aligned}$$

Step 2

$$\begin{aligned} Y &= \text{Income tax for the year} \\ &= [(T \times I) - K - K_1 - (0.15 \times E) - (0.15 \times P \times Q) - (0.20 \times P \times Q_1)] \\ &= [(0.20 \times \$66,430) - \$2,189 - \$0 - (0.15 \times \$21,830) - (0.15 \times 52 \times \$0) - (0.20 \times 52 \times \$0)] \\ &= \$13,286 - \$2,189 - \$0 - \$3,274.50 - \$0 - \$0 \\ &= \$7,822.50 \end{aligned}$$

Step 3

$$\begin{aligned} A &= \text{Income tax to be withheld for the pay period} \\ &= (Y / P) + L \\ &= (\$7,822.50 / 52) + \$0 \\ &= \$150.43 \end{aligned}$$



APPENDIX 2

Example of how to calculate the source deduction of income tax on a retroactive payment using Method 2

An employee receives a gross salary of \$2,000 per week. The employee's contribution to an RPP is \$200 per week. The employee's deduction for a foreign professor is \$500 per week. Each pay period, her employer withholds \$165.35 in income tax from the salary paid.

During a pay period, the employee receives, in addition to her salary, retroactive pay of \$4,000. For that pay period, the employee's RPP contribution is \$600, of which \$400 is related to the retroactive pay.

Step 1

$$\begin{aligned} I &= \text{Annual taxable income} \\ &= [P \times (G - F - H)] + B_1 + B_2 - J - J_1 \\ &= [52 \times (\$2,000 - (\$200 + \$500) - \$22.50)] + \$0 + (\$4,000 - \$400) - \$0 - \$0 \\ &= (52 \times \$1,277.50) + \$0 + \$3,600 - \$0 - \$0 \\ &= \$66,430 + \$0 + \$3,600 - \$0 - \$0 \\ &= \$70,030 \end{aligned}$$

Step 2

$$\begin{aligned} A &= \text{Income tax to be withheld from retroactive pay paid during the pay period} \\ &= (T \times B_2) \\ &= (0.20 \times \$3,600) \\ &= \$720 \end{aligned}$$

The **total** income tax to be withheld for the pay period is \$885.35, that is, the income tax to be withheld from the retroactive pay (\$720) **plus** the income tax to be withheld from the salary (\$165.35).



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