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FORMULAS TO CALCULATE SOURCE DEDUCTIONS AND CONTRIBUTIONS

2015

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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 2015. It does not contain any tax changes for the 2015 taxation year that were announced after December 2, 2014. You should therefore verify that the texts of the guide reflect the latest fiscal legislation. For information about the changes to source deductions and contributions, including changes announced after the publication of this document, go to our website at www.revenuquebec.ca.

Our website also contains online services and documents for employers.

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1 INTRODUCTION

1.1 About the guide

This guide contains the formulas for calculating source deductions of Québec income tax (including the health contribution), 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 or unused vacation, and commissions.

Note

You cannot use the formulas to calculate a source deduction 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 to calculate the source deduction of income tax for a single payment or an income supplement payment.

The formulas can be used to calculate source deductions of Québec income tax in three steps:

- calculating the annual income;
- calculating the income tax for the year; and
- calculating the income tax to be withheld for the pay period.

In addition, each formula is followed by a list of related variables. Note that the formulas, the variables and their definitions generally do not change from year to year.

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 on employer and payer obligations, see our website at www.revenuquebec.ca.

1.2 Abbreviations used in the guide

CIP	Cooperative investment plan
CSST	Commission 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
RPP	Registered pension plan
RRSP	Registered retirement savings plan
SMB	Small and medium-sized business
VRSP	Voluntary retirement savings plan

1.3 Terms used in the guide

Below you will find important 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 or an office.

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.

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, “individual” refers both to an employee and to a beneficiary of an amount you pay as a payer.

Office

The term “office” designates a position for which an individual is entitled to be remunerated. For example, an individual who is 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

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 interpretation bulletin IMP. 22-3/R1 to determine the place of residence of an individual who leaves Québec and Canada.

Remuneration

The term “remuneration” includes 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, salary or wages paid

The terms “remuneration paid” and “salary or wages paid,” are used to designate 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**.

Similarly, if you allocate tips to an employee, these tips constitute salary or wages that you pay to the employee.

Note

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

Salary or wages

The term “salary or wages” refers to gross employment income and includes the following amounts and any similar payment made to an 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 – CSST;
- 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 permanent impairment allowances paid under the *Canadian Forces Members and Veterans Re-establishment and Compensation 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 under an employee trust or a profit-sharing plan;
- amounts paid by a custodian under an employee benefit plan.

1.4 List of mathematical symbols used in the guide

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

2 PRINCIPAL CHANGES

This part outlines the principal changes made to the formulas for 2015, as well as some changes that came into effect in 2014 further to tax measures announced by the Ministère des Finances after publication of the 2014 version of this guide.

2.1 Variable E – Value of personal tax credits

The indexation factor used to calculate the value of personal tax credits for 2015 is 1.06%.

2.2 Variables H, H₁ and H₂ – Deduction for employment income

The maximum deduction for employment income has been increased from \$1,110 to \$1,120 for 2015. Consequently, the maximum amount of variables H, H₁ and H₂ has been increased from \$1,110 to \$1,120.

2.3 Variable K – The constant for adjusting the income tax rate

For 2015, the income tax rates applicable to the taxable income brackets remain unchanged and the income thresholds for these brackets have been indexed. Specifically

- the 16% rate applies to taxable income of \$41,935 or less (previously \$41,495);
- the 20% rate applies to taxable income of more than \$41,935, but not more than \$83,865 (previously \$82,985);
- the 24% rate applies to taxable income of more than \$83,865, but not more than \$102,040 (previously \$100,970);
- the 25.75% rate applies to taxable income of more than \$102,040.

The values of variable K are therefore \$1,677 (increased from \$1,659), \$5,032 (increased from \$4,979) and \$6,817 (increased from \$6,746).

2.4 Variable M – QPP

The QPP contribution rate has been increased from 10.35% to 10.50%, for 2015, which corresponds to a contribution rate of 5.25% for the employee and 5.25% for the employer. In addition, the maximum pensionable earnings for the purposes of the QPP have been increased from \$52,500 to \$53,600. Variable M has therefore been increased from \$2,535.75 to \$2,630.25.

2.5 Variables N and N₁ – QPIP

The maximum insurable earnings subject to QPIP premiums have been increased from \$69,000 to \$70,000 for 2015. The employee premium rate remains 0.559%, and the employer premium rate remains 0.782%. As a result, variable N is \$391.30 (instead of \$385.71) and variable N₁ is \$547.40 (instead of \$539.58).



2.6 Variables Q and Q₁

The temporary increase in the tax credit for the purchase of shares issued by Fondation, le Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l'emploi, which came into effect on June 1, 2009, comes to an end on May 31, 2015. As such, the rate of the tax credit for the purchase of shares issued by Fondation decreases from 25% to 15% for any share or fraction of a share purchased after May 31, 2015. This changes the way the source deduction of income tax of an employee who pays into the fund through source deductions is calculated.

Q = amount withheld for a pay period for the purchase of class A shares in the Fonds de solidarité des travailleurs du Québec (FTQ) or amount withheld for the pay period **that begins after May 31, 2015**, for the purchase of class A or class B shares in Fondation, le fonds de développement de la Confédération des syndicats nationaux pour la coopération et l'emploi

Q₁ = amount withheld for the pay period **that ends before June 1, 2015**, for the purchase of class A or class B shares in Fondation, le Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l'emploi

Note

The total value of variables Q and Q₁ must not exceed \$5,000 for the year. For the pay period in which the annual maximum is reached, the value of variables Q and Q₁ must be zero.

2.7 Variable Z – Health contribution

For 2015, the rates and the amounts used to calculate the value of the health contribution (variable Z) remain unchanged. However, the net income thresholds have been indexed.

Estimated annual net income (R)		Health contribution (Z)
More than	Equal to or less than	
\$0	\$18,370	\$0
\$18,370	\$40,820	Whichever is less: <ul style="list-style-type: none"> • \$100; • 5% x (R – \$18,370).
\$40,820	\$132,650	Whichever is less: <ul style="list-style-type: none"> • \$200; • \$100 + [5% x (R – \$40,820)].
\$132,650		Whichever is less: <ul style="list-style-type: none"> • \$1,000; • \$200 + [4% x (R – \$132,650)].



2.8 Variable W – Rate of the contribution to the health services fund

The definition of variable W has been changed to include the reduced rate of the contribution to the health services fund for SMBs in the primary or manufacturing sector. The reduction applies where the total payroll of the SMB is less than \$5 million and 50% of the total payroll is attributable to activities in the primary and manufacturing sectors. Variable W is calculated as follows:

$$W(\%) = 0.935 + (0.665 \times S)$$

For more information, see Part 6.



3 FORMULAS TO CALCULATE SOURCE DEDUCTIONS OF QUÉBEC INCOME TAX (INCLUDING THE HEALTH CONTRIBUTION)

This part contains the formulas to calculate source deductions of Québec income tax. The formulas take into account source deductions of the health contribution.

To calculate the Québec income tax to be withheld from the remuneration paid at **regular intervals** to an individual (employee or beneficiary), use the formulas described in section 3.1.1.

If an employee receives, **in addition to a salary or wages**, a gratuity, retroactive pay or similar lump-sum payment (for example, a payment covering **accumulated overtime or unused vacation**), use one of the methods described in section 3.1.2.

If the employee's remuneration varies in amount from one pay period to another (for example, an **employee who earns commissions**), use one of the methods described in section 3.2 instead.

Note

If you use the formula 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 or of the health contribution

Do not withhold income tax or the health contribution on the remuneration of an individual or an employee who requests on the *Source Deductions Return* (form TP-1015.3-V) the exemption from source deductions of income tax (line 20) or of the health contribution (line 22).

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

Reduction of the source deduction of income tax

Where an individual applies for a reduction of the source deduction of income tax by giving you Revenu Québec's authorization letter and that letter indicates that the amount of the reduction granted does not reduce the source deduction of the health contribution, you must withhold the health contribution amount determined in variable Z.



3.1 Calculating source deductions of income tax for regular payments

3.1.1 Regular payments

Step 1 Calculating the annual income

I = Annual taxable income

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

R = Estimated annual net income

$$= P \times (G - F_2 - H) - J - J_1$$

Note

Do not take into account the income of an Indian situated on a reserve in calculating the value of variable R.

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.



F_2 = 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 travel deduction for residents of designated remote areas.

H = Deduction for employment income
 = $(0.06 \times D)$, to a maximum of $\$1,120 / P$

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 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:

= $(P \times J_3) / Pr$

where

P = Number of pay periods in the year

J_3 = Deductions indicated 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:

= $(P \times J_2) / Pr$

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)

Note

Only deductions that reduce the net income must be used to calculate the value of variable R. See the example at the end of section 3.1.1.



Step 2 Calculating the income tax for the year

$$Y = \text{Income tax for the year}$$

$$= (T \times I) - K - K_1 - (0.20 \times E) - (0.15 \times P \times Q) - (0.25 \times P \times Q_1) + Z$$

▼
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	\$41,935	16%	\$0
\$41,935	\$83,865	20%	\$1,677
\$83,865	\$102,040	24%	\$5,032
\$102,040		25.75%	\$6,817

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:

$$= (P \times K_2) / Pr$$

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 indicated on form TP-1015.3-V

$$= E_1 + E_2$$

If the result obtained is not a multiple of 5, round it to the nearest multiple of 5. If the result is halfway between two multiples of 5, 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 for 2014 multiplied by 1.0106;
- the amount from line 7 of form TP-1015.3-V, for an individual who completed the 2015-01 version of the form;
- \$11,425 (the basic amount for 2015), for an employee who began employment in 2015 and who did not complete form TP-1015.3-V or for a new beneficiary who did not complete the form.

Note

The indexed value of variable E for 2014 corresponds to the value of variable E for 2013, multiplied by the indexation factor for 2014.

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 2015-01 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 section 5.4.1.3 of 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 shares in the Fonds de solidarité des travailleurs du Québec (FTQ) or amount withheld for the pay period **that begins after May 31, 2015**, for the purchase of class A or class B shares in Fondation, le fonds de développement de la Confédération des syndicats nationaux pour la coopération et l'emploi

Q_1 = Amount withheld for the pay period **that ends before June 1, 2015**, for the purchase of class A or class B shares in Fondation, le Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l'emploi

Note

The total value of variables Q and Q_1 must not exceed \$5,000 for the year. For the pay period in which the annual maximum is reached, the value of variables Q and Q_1 must be zero.



Z = Health contribution based on estimated annual net income

Estimated annual net income (R)		Health contribution (Z)
More than	Equal to or less than	
\$0	\$18,370	\$0
\$18,370	\$40,820	Whichever is less: <ul style="list-style-type: none"> • \$100; • 5% x (R – \$18,370).
\$40,820	\$132,650	Whichever is less: <ul style="list-style-type: none"> • \$200; • \$100 + [5% x (R – \$40,820)].
\$132,650		Whichever is less: <ul style="list-style-type: none"> • \$1,000; • \$200 + [4% x (R – \$132,650)].

Note

The health contribution withheld for the year must not exceed the maximum annual amount. As soon as the maximum annual amount is reached, you must cease to withhold the contribution.

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-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



Example: Calculating source deductions of income tax for regular payments

Stanley receives a gross salary of \$2,000 per week. Stanley's contribution to an RPP is \$200 per week. His deduction for foreign professors is \$500 per week. The amount entered on line 10 of form TP-1015.3-V is \$21,830. On January 3, Stanley purchased \$2,000 worth of shares of the Fonds de solidarité des travailleurs du Québec (FTQ) and \$3,000 worth of shares of Fondation, le Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l'emploi, payable over the first 20 pay periods of the year. Stanley's health contribution for the year is \$200.

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

Step 1

$$\begin{aligned}
 I &= \text{Annual taxable income} \\
 &= P \times (G - F - H) - J - J_1 \\
 &= 52 \times (\$2,000 - (\$200 + \$500) - \$21.54) - \$0 - \$0 \\
 &= 52 \times (\$1,278.46) - \$0 - \$0 \\
 &= \$66,479.92 - \$0 - \$0 \\
 &= \$66,479.92
 \end{aligned}$$

$$\begin{aligned}
 R &= \text{Estimated annual net income} \\
 &= P \times (G - F_2 - H) - J - J_1 \\
 &= 52 \times (\$2,000 - \$200 - \$21.54) - \$0 - \$0 \\
 &= 52 \times (\$1,778.46) - \$0 - \$0 \\
 &= \$92,479.92 - \$0 - \$0 \\
 &= \$92,479.92
 \end{aligned}$$

Step 2

$$\begin{aligned}
 Y &= \text{Income tax for the year} \\
 &= [(T \times I) - K - K_1 - (0.20 \times E) - (0.15 \times P \times Q) - (0.25 \times P \times Q_1)] + Z \\
 &= [(0.20 \times \$66,479.92) - \$1,677 - \$0 - (0.20 \times \$21,830) - (0.15 \times 52 \times \$100) - (0.25 \times 52 \times \$150)] \\
 &\quad + \$200 \\
 &= [\$13,295.98 - \$1,677 - \$0 - \$4,366 - \$780 - \$1,950] + \$200 \\
 &= \$4,522.98 + \$200 \\
 &= \$4,722.98
 \end{aligned}$$



Step 3

$$\begin{aligned}
 A &= \text{Income tax to be withheld for the pay period} \\
 &= (Y / P) + L \\
 &= (\$4,722.98 / 52) + \$0 \\
 &= \$90.83
 \end{aligned}$$

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

Step 1

$$\begin{aligned}
 I &= \text{Annual taxable income} \\
 &= P \times (G - F - H) - J - J_1 \\
 &= 52 \times (\$2,000 - (\$200 + \$500) - \$21.54) - \$0 - \$0 \\
 &= 52 \times (\$1,278.46) - \$0 - \$0 \\
 &= \$66,479.92 - \$0 - \$0 \\
 &= \$66,479.92
 \end{aligned}$$

$$\begin{aligned}
 R &= \text{Estimated annual net income} \\
 &= P \times (G - F_2 - H) - J - J_1 \\
 &= 52 \times (\$2,000 - \$200 - \$21.54) - \$0 - \$0 \\
 &= 52 \times (\$1,778.46) - \$0 - \$0 \\
 &= \$92,479.92 - \$0 - \$0 \\
 &= \$92,479.92
 \end{aligned}$$

Step 2

$$\begin{aligned}
 Y &= \text{Income tax for the year} \\
 &= [(T \times I) - K - K_1 - (0.20 \times E) - (0.15 \times P \times Q) - (0.25 \times P \times Q_1)] + Z \\
 &= [(0.20 \times \$66,479.92) - \$1,677 - \$0 - (0.20 \times \$21,830) - (0.15 \times 52 \times \$0) - (0.25 \times 52 \times \$0)] \\
 &\quad + \$200 \\
 &= [\$13,295.98 - \$1,677 - \$0 - \$4,366 - \$0 - \$0] + \$200 \\
 &= \$7,252.98 + \$200 \\
 &= \$7,452.98
 \end{aligned}$$



Step 3

$$\begin{aligned}
 A &= \text{Income tax to be withheld for the pay period} \\
 &= (Y / P) + L \\
 &= (\$7,452.98 / 52) + \$0 \\
 &= \$143.33
 \end{aligned}$$

3.1.2 Gratuities, retroactive pay or similar lump-sum payments

You may 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**). Please note that Method 1 is more precise than Method 2.

Note

If the total of the employee's annual salary or wages and the lump-sum payment is not more than \$14,300, 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 to the date the gratuity, retroactive pay or similar lump-sum payment was paid

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

R_1 = Estimated annual net income to the date the gratuity, retroactive pay or similar lump-sum payment was paid

$$= (G_1 - F_3 - H_1) + [\text{Pr} \times (G - F_2 - H_2)] - J - J_1$$

Note

Do not take into account the income of an Indian situated on a reserve in calculating the value of variable R_1 .

where

G_1 = Total of the amounts included in variable G **accrued** to the date the gratuity, retroactive pay or similar lump-sum payment was paid

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

H_1 = Total of the amounts included in variable H in section 3.1.1, **accrued** to the date the gratuity, retroactive pay or similar lump-sum payment was paid



- 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.
- F₃ = Total of the amounts included in variable F₂ **accrued** to the date the gratuity, retroactive pay or similar lump-sum payment was paid
- F₂ = 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 agreement;
 - the travel deduction for residents of designated remote areas.



$$H_2 = \text{Deduction for employment income}$$

$$= (0.06 \times D_1), \text{ to a maximum of } (\$1,120 - H_1) / P$$

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 variable B_2) (see note below)

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

G_1 = Gross remuneration subject to source deductions of income tax, accrued to the date the gratuity, retroactive pay or similar lump-sum payment was paid

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.

Note

If you took into account an amount included in variable F or F_2 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.

H_1 = Total of the amounts included in variable H in section 3.1.1, accrued to the date the gratuity, retroactive pay or similar lump-sum payment was paid

P = Number of pay periods in the year

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:

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

where

P = Number of pay periods in the year

J_3 = Deductions indicated 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)

Note

Only deductions that reduce the net income must be used to calculate the value of variable R. See the example at the end of section 3.1.1.

Step 2 Calculating the income tax for the year

Y_1 = Income tax for the year on the remuneration included in variable B_1

$$= [T \times (I_1 + B_1)] - K - K_1 - (0.20 \times E) - (0.15 \times P \times Q) - (0.25 \times P \times Q_1) + Z_1$$

▼
If the result is negative, enter 0.

Y_2 = Income tax for the year on the remuneration included in variables B_1 and B_2

$$= [T \times (I_1 + B_1 + B_2)] - K - K_1 - (0.20 \times E) - (0.15 \times P \times Q) - (0.25 \times P \times Q_1) + Z_2$$

▼
If the result is negative, enter 0.

Note

In calculating variable Y_1 , you must determine the income tax rate (variable T) according to the result obtained when you add variables I_1 and B_1 . For example, if variable I_1 equals \$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) according to the result obtained when you add 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	\$41,935	16%	\$0
\$41,935	\$83,865	20%	\$1,677
\$83,865	\$102,040	24%	\$5,032
\$102,040		25.75%	\$6,817

I_1 = Annual taxable income to the date the gratuity, retroactive pay or similar lump-sum payment was paid

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

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

Note

If you took into account an amount included in variable F or F_2 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:

$$= (P \times K_2) / Pr$$

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 indicated on form TP-1015.3-V

$$= E_1 + E_2$$

If the result obtained is not a multiple of 5, round it to the nearest multiple of 5. If the result is halfway between two multiples of 5, 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 for 2014 multiplied by 1.0106;
- the amount from line 7 of form TP-1015.3-V, for an individual who completed the 2015-01 version of the form;
- \$11,425 (the basic amount for 2015), for an employee who began employment in 2015 and who did not complete form TP-1015.3-V or for a new beneficiary who did not complete the form.

Note

The indexed value of variable E for 2014 corresponds to the value of variable E for 2013, multiplied by the indexation factor for 2014.

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 2015-01 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 section 5.4.1.3 of 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 shares in the Fonds de solidarité des travailleurs du Québec (FTQ) or amount withheld for the pay period **that begins after May 31, 2015**, for the purchase of class A or class B shares in Fondation, le fonds de développement de la Confédération des syndicats nationaux pour la coopération et l'emploi

Q_1 = Amount withheld for the pay period **that ends before June 1, 2015**, for the purchase of class A or class B shares in Fondation, le Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l'emploi

Note

The total of the value of variables Q and Q_1 must not exceed \$5,000 for the year. For the pay period in which the annual maximum is reached, the value of variables Q and Q_1 must be zero.



Z_1 = Health contribution for the year on the remuneration included in variable B_1

Estimated annual net income ($R_1 + B_1$)		Health contribution (Z_1)
More than	Equal to or less than	
\$0	\$18,370	\$0
\$18,370	\$40,820	Whichever is less: <ul style="list-style-type: none"> • \$100; • $5\% \times [(R_1 + B_1) - \\$18,370]$.
\$40,820	\$132,650	Whichever is less: <ul style="list-style-type: none"> • \$200; • $\\$100 + [5\% \times ((R_1 + B_1) - \\$40,820)]$.
\$132,650		Whichever is less: <ul style="list-style-type: none"> • \$1,000; • $\\$200 + [4\% \times ((R_1 + B_1) - \\$132,650)]$.

Z_2 = Health contribution for the year on the remunerations included in variables $B_1 + B_2$

Estimated annual net income ($R_1 + B_1 + B_2$)		Health contribution (Z_2)
More than	Equal to or less than	
\$0	\$18,370	\$0
\$18,370	\$40,820	Whichever is less: <ul style="list-style-type: none"> • \$100; • $5\% \times [(R_1 + B_1 + B_2) - \\$18,370]$.
\$40,820	\$132,650	Whichever is less: <ul style="list-style-type: none"> • \$200; • $\\$100 + [5\% \times ((R_1 + B_1 + B_2) - \\$40,820)]$.
\$132,650		Whichever is less: <ul style="list-style-type: none"> • \$1,000; • $\\$200 + [4\% \times ((R_1 + B_1 + B_2) - \\$132,650)]$.

Note

The health contribution withheld for the year must not exceed the maximum annual amount. As soon as the maximum annual amount is reached, you must cease to withhold the contribution.



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

A_1 = 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

Y_2 = Income tax for the year on the remuneration included in variables B_1 and B_2

Y_1 = Income tax for the year on the remuneration included in variable B_1

Method 2

Step 1 Calculating the annual income

I = Annual taxable income

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

R = Annual net income

$$= [P \times (G - F_2 - H)] + B_1 + B_2 - J - J_1$$

Note

Do not take into account the income of an Indian situated on a reserve in calculating the value of variable R .

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.

F_2 = 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 travel deduction for residents of designated remote areas.

H = Deduction for employment income
 = $(0.06 \times D)$, to a maximum of $\$1,120 / P$

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

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

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

Note

If you took into account an amount included in variable F or F_2 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.

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:

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

where

P = Number of pay periods in the year

J₃ = Deductions indicated 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)

Note

Only deductions that reduce the net income must be used to calculate the value of variable R. See the example at the end of section 3.1.1.

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

$$= T \times B_2 + Z$$

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	\$41,935	16%	\$0
\$41,935	\$83,865	20%	\$1,677
\$83,865	\$102,040	24%	\$5,032
\$102,040		25.75%	\$6,817



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

Note

If you took into account an amount included in variable F or F_2 in calculating the income tax to be withheld from gratuities, retroactive pay or similar lump-sum payments paid during the pay period (variable B_2), you must reduce variable B_2 accordingly.

Z = Health contribution on a gratuity, retroactive pay, or similar lump-sum payment paid during the pay period

Estimated annual net income ($R + B_2$)		Health contribution (Z)
More than	Equal to or less than	
\$0	\$18,370	\$0
\$18,370	\$40,820	Whichever is less: <ul style="list-style-type: none"> • \$100; or • $5\% \times [(R+B_2) - \\$18,370]$.
\$40,820	\$132,650	Whichever is less: <ul style="list-style-type: none"> • \$200; or • $\\$100 + [5\% \times ((R+B_2) - \\$40,820)]$.
\$132,650		Whichever is less: <ul style="list-style-type: none"> • \$1,000; or • $\\$200 + [4\% \times ((R+B_2) - \\$132,650)]$.

Note

The health contribution withheld for the year must not exceed the maximum annual amount. As soon as the maximum annual amount is reached, you must cease to withhold the contribution.

Example: Calculating source deductions of income tax from retroactive pay (Method 2)

Simone receives a gross salary of \$2,000 per week. Simone's contribution to an RPP is \$200 per week. Her deduction for a foreign professor is \$500 per week. Simone's health contribution for the year is \$200. Each pay period, her employer withholds \$259.62 in income tax from the salary paid.

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



Step 1

$$\begin{aligned}
 I &= \text{Annual taxable income} \\
 &= [P \times (G - F - H)] + B_1 + B_2 - J - J_1 \\
 &= [52 \times (\$2,000 - (\$200 + \$500) + \$21.54)] + \$0 + (\$4,000 - \$400) - \$0 - \$0 \\
 &= 52 \times (\$1,278.46) + \$0 + \$3,600 - \$0 - \$0 \\
 &= \$66,479.92 + \$0 + \$3,600 - \$0 - \$0 \\
 &= \$70,079.92
 \end{aligned}$$

$$\begin{aligned}
 R &= \text{Estimated annual net income} \\
 &= [P \times (G - F_2 - H)] + B_1 + B_2 - J - J_1 \\
 &= [52 \times (\$2,000 - \$200 - \$21.54)] + \$0 + (\$4,000 - \$400) - \$0 - \$0 \\
 &= 52 \times (\$1,778.46) + \$0 + \$3,600 - \$0 - \$0 \\
 &= \$92,479.92 + \$0 + \$3,600 - \$0 - \$0 \\
 &= \$96,079.92
 \end{aligned}$$

Step 2

$$\begin{aligned}
 A &= \text{Income tax to be withheld from retroactive pay paid during the pay period} \\
 &= (T \times B_2) + Z \\
 &= (0.20 \times \$3,600) + \$200 \\
 &= \$772 + \$200 \\
 &= \$920
 \end{aligned}$$

The **total** income tax to be withheld for the pay period is \$1,179.62, that is, the income tax to be withheld from the retroactive pay (\$920) plus the income tax to be withheld from the salary (\$259.62).

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

You must use one of the following methods to calculate the source deduction of income tax for an employee whose remuneration varies (for example, an **employee who earn commissions**). If an employee who earns commissions has completed the *Statement of Commissions and Expenses for Source Deduction Purposes* (form TP-1015.R.13.1-V), you must add to the amount in variable G the result of the following calculation: the amount of gross commissions paid to the employee for the pay period, multiplied by the percentage of commissions determined by the employee using form TP-1015.R.13.1-V.



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

Note

If the total of the employee's annual salary or wages and the lump-sum payment is not more than \$14,300, do not use these formulas. Simply withhold 8% income tax from the lump-sum payment.

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.

R = Estimated annual net income

$$= [S_1 \times (G - F_2 - H)] + B - J - J_1$$

Note

Do not take into account the income of an Indian situated on a reserve in calculating the value of variable R.

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 pp	26 pp	24 pp
		First pay period	$S_1 =$	52/1
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 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.
- F₂ = Total of the following amounts that you have 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 travel deduction for residents of designated remote areas.
- H = Deduction for employment income
- = $(0.06 \times D)$, to a maximum of \$1,120 / S₁

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 variable B)
- S₁ = 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 indicated on line 19 of form TP-1015.3-V

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

Note

Only deductions that reduce the net income must be used to calculate the value of variable R. See the example at the end of section 3.1.1.

Step 2 Calculating the income tax for the year

Y = Income tax for the year

$$= (T \times I) - K - K_1 - (0.20 \times E) - (0.15 \times S_1 \times Q) - (0.25 \times S_1 \times Q_1) + Z$$

▼
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	\$41,935	16%	\$0
\$41,935	\$83,865	20%	\$1,677
\$83,865	\$102,040	24%	\$5,032
\$102,040		25.75%	\$6,817

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 indicated on form TP-1015.3-V

$$= E_1 + E_2$$

If the result obtained is not a multiple of 5, round it to the nearest multiple of 5. If the result is halfway between two multiples of 5, 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 for 2014 multiplied by 1.0106;
- the amount from line 7 of form TP-1015.3-V, for an individual who completed the 2015-01 version of the form;
- \$11,425 (the basic amount for 2015), for an employee who began employment in 2015 and who did not complete form TP-1015.3-V or for a new beneficiary who did not complete the form.

Note

The indexed value of variable E for 2014 corresponds to the value of variable E for 2013, multiplied by the indexation factor for 2014.

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 2015-01 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 section 5.4.1.3 of 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 shares in the Fonds de solidarité des travailleurs du Québec (FTQ) or amount withheld for the pay period **that begins after May 31, 2015**, for the purchase of class A or class B shares in Fondation, le fonds de développement de la Confédération des syndicats nationaux pour la coopération et l'emploi

Q_1 = Amount withheld for the pay period **that ends before June 1, 2015**, for the purchase of class A or class B shares in Fondation, le Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l'emploi

Note

The total of the value of variables Q and Q_1 must not exceed \$5,000 for the year. For the pay period in which the annual maximum is reached, the value of variables Q and Q_1 must be zero.



Z = Health contribution based on estimated annual net income

Estimated annual net income (R)		Health contribution (Z)
More than	Equal to or less than	
\$0	\$18,370	\$0
\$18,370	\$40,820	Whichever is less: <ul style="list-style-type: none"> • \$100; or • 5% x (R – \$18,370).
\$40,820	\$132,650	Whichever is less: <ul style="list-style-type: none"> • \$200; or • \$100 + [5% x (R – \$40,820)].
\$132,650		Whichever is less: <ul style="list-style-type: none"> • \$1,000; or • \$200 + [4% x (R – \$132,650)].

Note

The health contribution withheld for the year must not exceed the maximum annual amount. As soon as the maximum annual amount is reached, you must cease to withhold the contribution.

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

A = Income tax to be withheld for the pay period

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

▼
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 (excluding variable L)

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



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)

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

R_3 = Estimated annual net income (take into account variable B_3)

$$= [S_1 \times (G - F_2 - H_1)] + B_3 - J - J_1$$

R_4 = Estimated annual net income (take into account variable B_4)

$$= [S_1 \times (G - F_2 - H_2)] + B_4 - J - J_1$$

Note

Do not take into account the income of an Indian situated on a reserve in calculating the value of variables R_3 and R_4 .

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 pp	26 pp	24 pp
		First pay period	$S_1 =$	52/1
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 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.
- F₂ = Total of the following amounts that you have 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 travel deduction for residents of designated remote areas.
- H₁ = Deduction for employment income from the gross salary or wages and the remuneration included in variable B₃
- $$= [0.06 \times (D_1 + B_3)], \text{ to a maximum of } \$1,120 / S_1$$
- where
- D₁ = Gross salary or wages to the date the gratuity, retroactive pay or similar lump-sum payment was paid, **excluding variable B₃**
- B₃ = Variable B₄ **plus** the gratuities, retroactive pay or similar lump-sum payments paid during the pay period
- S₁ = Annualization factor (the number of pay periods in the year, divided by the number corresponding to the current pay period)



H_2 = Deduction for employment income from the gross salary or wages and the remuneration included in variable B_4

$$= [0.06 \times (D_1 + B_4)], \text{ to a maximum of } \$1,120 / S_1$$

where

D_1 = Gross salary or wages, to the date the gratuity, retroactive pay or similar lump-sum payment was paid, **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)

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

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

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

Note

Only deductions that reduce the net income must be used to calculate the value of variable R. See the example at the end of section 3.1.1.

Step 2 Calculating the income tax for the year

Y_3 = Income tax for the year on the remuneration included in variable B_3

$$= (T \times I_3) - K - K_1 - (0.20 \times E) - (0.15 \times S_1 \times Q) - (0.25 \times S_1 \times Q_1) + Z_3$$

▼
If the result is negative, enter 0.

Y_4 = Income tax for the year on the remuneration included in variable B_4

$$= (T \times I_4) - K - K_1 - (0.20 \times E) - (0.15 \times S_1 \times Q) - (0.25 \times S_1 \times Q_1) + Z_4$$

▼
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	\$41,935	16%	\$0
\$41,935	\$83,865	20%	\$1,677
\$83,865	\$102,040	24%	\$5,032
\$102,040		25.75%	\$6,817



- I_3 = Annual taxable income, plus the remuneration included in variable B_3
 I_4 = Annual taxable income, plus the remuneration included in 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 indicated on form TP-1015.3-V
 = $E_1 + E_2$

If the result obtained is not a multiple of 5, round it to the nearest multiple of 5. If the result is halfway between two multiples of 5, 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 for 2014 multiplied by 1.0106;
 - the amount from line 7 of form TP-1015.3-V, for an individual who completed the 2015-01 version of the form;
 - \$11,425 (the basic amount for 2015), for an employee who began employment in 2015 and who did not complete form TP-1015.3-V or for a new beneficiary who did not complete the form.

Note

The indexed value of variable E for 2014 corresponds to the value of variable E for 2013, multiplied by the indexation factor for 2014.

- 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 2015-01 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 section 5.4.1.3 of 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 shares in the Fonds de solidarité des travailleurs du Québec (FTQ), or amount withheld for the pay period **that begins after May 31, 2015**, for the purchase of class A or class B shares in Fondation, le fonds de développement de la Confédération des syndicats nationaux pour la coopération et l'emploi
 Q_1 = Amount withheld for the pay period **that ends before June 1, 2015**, for the purchase of class A or class B shares in Fondation, le Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l'emploi



Note

The total of the value of variables Q and Q_1 must not exceed \$5,000 for the year. For the pay period in which the annual maximum is reached, the value of variables Q and Q_1 must be zero.

Z_3 = Health contribution for the year on the remunerations included in variable B_3

Estimated annual net income ($R_3 + B_3$)		Health contribution (Z_3)
More than	Equal to or less than	
\$0	\$18,370	\$0
\$18,370	\$40,820	Whichever is less: <ul style="list-style-type: none"> • \$100; • $5\% \times [(R_3 + B_3) - \\$18,370]$.
\$40,820	\$132,650	Whichever is less: <ul style="list-style-type: none"> • \$200; • $\\$100 + [5\% \times ((R_3 + B_3) - \\$40,820)]$.
\$132,650		Whichever is less: <ul style="list-style-type: none"> • \$1,000; • $\\$200 + [4\% \times ((R_3 + B_3) - \\$132,650)]$.

Z_4 = Health contribution for the year on the remunerations included in variable B_4

Estimated annual net income ($R_4 + B_4$)		Health contribution (Z_4)
More than	Equal to or less than	
\$0	\$18,370	\$0
\$18,370	\$40,820	Whichever is less: <ul style="list-style-type: none"> • \$100; • $5\% \times [(R_4 + B_4) - \\$18,370]$.
\$40,820	\$132,650	Whichever is less: <ul style="list-style-type: none"> • \$200; • $\\$100 + [5\% \times ((R_4 + B_4) - \\$40,820)]$.
\$132,650		Whichever is less: <ul style="list-style-type: none"> • \$1,000; • $\\$200 + [4\% \times ((R_4 + B_4) - \\$132,650)]$.

Note

The health contribution withheld for the year must not exceed the maximum annual amount. As soon as the maximum annual amount is reached, you must cease to withhold the contribution.



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.

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

▼
If the result is negative,
enter 0.

where

Y = Income tax for the year

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-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

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 on the remuneration included in variable B_3

Y_4 = Income tax for the year on the remuneration included in 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 contribution

$$C = \text{Employee's QPP contribution to be withheld for the pay period}$$

$$= 0.0525 \times [S_3 - (V / P)], \text{ to a maximum of } M - A_5$$

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: $V / P = \$3,500 / 52 = \$67.3077 = \$67.30$

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 (\$2,630.25)

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 5.25% of the amount paid, 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 under the QPIP until the total amount reaches the employee's maximum annual premium.

Calculating the employee premium

$$\begin{aligned}
 A_p &= \text{Employee's QPIP premium to be withheld for the pay period} \\
 &= (0.00559 \times S_4), \text{ to a maximum of } N - A_6
 \end{aligned}$$

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 (\$391.30)

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 premium (with respect to an employee)

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

$$= (0.00782 \times S_4), \text{ to a maximum of } N_1 - A_7$$

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 (\$547.40)

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

Reduced rate of the contribution to the health services fund for small and medium-sized businesses in the primary and manufacturing sectors

If your total payroll for the year is less than \$5 million, and more than 50% of the total payroll is attributable to activities in the manufacturing sector or the primary sector (which includes activities in the agriculture, forestry, and fishing and hunting sector and in the mining, quarrying and oil and gas extraction sector), you may be able to take advantage of a reduction in the rate of the contribution to the health services fund.

Note

The activities concerned are those grouped under codes 11, 21 or 31-33 of the North American Industry Classification System (NAICS) Canada. For a description of the codes, visit the Statistics Canada website.

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

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

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

Where an employer is an SMB in the primary and manufacturing sectors and is entitled to a reduction in the rate, the rate is calculated as follows:

$$W(\%) = 0.935 + (0.665 \times S)$$

In all other cases, the rate is calculated using the following formula:

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

where

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

$S = 5$, if the total payroll is \geq \$5,000,000

$S = \frac{\text{total payroll}}{\$1,000,000}$, if the total payroll is between \$1,000,000 and \$5,000,000

Note

The contribution rate must be rounded off to the second decimal place. When 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 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.

If you are not a new employer, your **total payroll** is generally equal to your **total payroll** for the preceding year.

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

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