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FORMULAS TO CALCULATE  
SOURCE DEDUCTIONS  
AND CONTRIBUTIONS

2017

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## Important

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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 2017. It does not contain any tax changes for the 2017 taxation year that were announced after October 31, 2016. You should therefore verify that the texts of the guide reflect the current 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](http://www.revenuquebec.ca).

Our website also contains online services and documents for employers.

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# 1 INTRODUCTION

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## 1.1 About the guide

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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.

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

- calculating annual income;
- calculating income tax for the year; and
- calculating 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](http://www.revenuquebec.ca).

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## 1.2 Abbreviations

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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
RPP	Registered pension plan
RRSP	Registered retirement savings plan
VRSP	Voluntary retirement savings plan



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## 1.3 Glossary

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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/R1.

### **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**.

#### NOTES

- A benefit granted to an employee is considered to be salary or wages paid. For example, if, in a given week, you pay an employee his or her salary of \$400 and also grant the employee a taxable benefit in kind (that is, other than in cash) valued at \$200, the salary paid is \$600.
- Tips allocated to an employee constitute salary or wages paid.
- 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

Gross employment income, including the following amounts and any similar payments 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 – 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 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 of an employee trust or a profit-sharing plan;
- amounts paid by a custodian of an employee benefit plan.



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## 1.4 List of mathematical symbols

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





## 2 PRINCIPAL CHANGES

This part sets out the principal changes made to this guide for 2017. Some of them came into effect in 2016 further to fiscal measures announced by the Minister of Finance after the publication of the 2016 guide.

### 2.1 Variable E – Value of personal tax credits

The indexation factor used to calculate the value of personal tax credits for 2017 is 0.74%.

The amounts in the *Source Deductions Return* (form TP-1015.3-V) were revised to take into account the indexation for 2017. The amounts for 2016 are provided for information purposes.

	2017	2016
Basic amount	\$11,635	\$11,550
Amount transferred from one spouse to the other	\$11,635	\$11,550
Amount for other dependants who are 18 or older	\$3,125	\$3,100
Amount for a child under 18 enrolled in post-secondary studies	\$2,145	\$2,130
Additional amount for a person living alone (single-parent family)	\$1,685	\$1,675
Amount for a severe and prolonged impairment in mental or physical functions	\$2,645	\$2,625
Amount for a person living alone	\$1,365	\$1,355
Age amount	\$2,505	\$2,485
Amount for retirement income	\$2,225	\$2,210
Reduction threshold used to calculate the net family income. (This income is used to calculate the age amount, the amount for a person living alone and the amount for retirement income.)	\$33,755	\$35,505

### 2.2 Variables H, H<sub>1</sub> and H<sub>2</sub> – Deduction for employment income

The maximum deduction for employment income has been increased from \$1,130 to \$1,140 for 2017. Consequently, the maximum amount of variables H, H<sub>1</sub> and H<sub>2</sub> has been increased from \$1,130 to \$1,140.



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

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For 2017, 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 \$42,705 or less (previously \$42,390);
- the 20% rate applies to taxable income of more than \$42,705, but not more than \$85,405 (previously \$84,780);
- the 24% rate applies to taxable income of more than \$85,405, but not more than \$103,915 (previously \$103,150);
- the 25.75% rate applies to taxable income of more than \$103,915.

The values of variable K are therefore \$1,708 (increased from \$1,695), \$5,124 (increased from \$5,086) and \$6,942 (increased from \$6,891).

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## 2.4 Variable M – QPP

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The QPP contribution rate has been increased from 10.65% to 10.80%, for 2017, which corresponds to a contribution rate of 5.40% for the employee and 5.40% for the employer. In addition, the maximum pensionable earnings for the purposes of the QPP have been increased from \$54,900 to \$55,300. Variable M has therefore been increased from \$2,737.05 to \$2,797.20.

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## 2.5 Variables N and N<sub>1</sub> – QPIP

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The maximum insurable earnings subject to QPIP premiums have been increased from \$71,500 to \$72,500 for 2017. The employee premium rate remains 0.548%, and the employer premium rate remains 0.767%. As a result, variable N is \$397.30 (instead of \$391.82) and variable N<sub>1</sub> is \$556.08 (instead of \$548.41).

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## 2.6 Elimination of the health contribution

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On October 25, 2016, the Minister of Finance of Québec announced the elimination of the health contribution as of 2017. Consequently, you no longer have to withhold the health contribution on remuneration paid to an employee or to a beneficiary as of January 1, 2017.

Accordingly, variable Z (health contribution) and variable R (annual net income) have been taken out of the formulas for calculating Québec income tax.



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## 2.7 Reduced rate of the contribution to the health services fund for small and medium-sized businesses

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As of 2017, the health services fund contribution rate applicable to employers whose total payroll for a given year is less than \$5 million will be gradually reduced over a five-year period.

For 2017, if you are an employer in the primary or manufacturing sectors and 50% of your total payroll is related to activities in these sectors (see the note below), your contribution rate will be determined as follows:

- If your total payroll is less than or equal to \$1 million, your contribution rate is 1.55%.
- If your total payroll is between \$1 million and \$5 million, your contribution rate (W) is determined using the following formula:

$$W (\%) = 0.8725 + (0.6775 \times S)$$

where

$$S = \frac{\text{total payroll}}{\$1,000,000}$$

- If your total payroll is \$5 million or more, your contribution rate is 4.26%.

In other cases, your contribution rate is determined as follows:

- If your total payroll is less than or equal to \$1 million, your contribution rate is 2.5%.
- If your total payroll is between \$1 million and \$5 million, your contribution rate (W) is determined using the following formula:

$$W (\%) = 2.06 + (0.44 \times S)$$

where

$$S = \frac{\text{total payroll}}{\$1,000,000}$$

- If your total payroll is \$5 million or more, your contribution rate is 4.26%.

### NOTE

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



# 3 FORMULAS TO CALCULATE SOURCE DEDUCTIONS OF QUÉBEC INCOME TAX

This part contains the formulas to calculate source deductions of Québec income tax.

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

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

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

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## 3.1 Calculating source deductions of income tax for regular payments

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### 3.1.1 Regular payments

#### Step 1 Calculating the annual income

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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

$$= (0.06 \times D), \text{ up to a maximum of } \$1,140 / P$$

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

J<sub>3</sub> = 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:

$$= (P \times J_2) / Pr$$

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

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



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	\$42,705	16%	\$0
\$42,705	\$85,405	20%	\$1,708
\$85,405	\$103,915	24%	\$5,124
\$103,915		25.75%	\$6,942

$I$  = 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 2016 multiplied by 1.0074;
- the amount from line 7 of form TP-1015.3-V, for an individual who completed the 2017-01 version of the form;
- \$11,635 (the basic amount for 2017), for an employee who began employment in 2017 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 2016 corresponds to the value of variable E for 2015, multiplied by the indexation factor for 2016.

$E_2$  = 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 2017-01 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 5.3.1 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 FTQ

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

**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.

### 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, *Request to Have Additional Income Tax Withheld at Source*, 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*, or amount 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 FTQ and \$3,000 worth of shares of Fondation, payable over the first 26 pay periods of the year.

For the first 26 pay periods in the year, the source deductions of income tax are calculated as follows:

#### Step 1

$$\begin{aligned} I &= \text{Annual taxable income} \\ &= P \times (G - F - H) - J - J_1 \\ &= 52 \times [\$2,000 - (\$200 + \$500) - \$21.92] - \$0 - \$0 \\ &= (52 \times \$1,278.08) - \$0 - \$0 \\ &= \$66,460.16 - \$0 - \$0 \\ &= \$66,460.16 \end{aligned}$$

#### Step 2

##### NOTE

In this step, variable P is 26, the number of pay periods during which shares were acquired.

$$\begin{aligned} Y &= \text{Income tax for the year} \\ &= [(T \times I) - K - K_1 - (0.20 \times E) - (0.15 \times P \times Q) - (0.20 \times P \times Q_1)] \\ &= [(0.20 \times \$66,460.16) - \$1,708 - \$0 - (0.20 \times \$21,830) - (0.15 \times 26 \times \$76.92) - (0.20 \times 26 \times \$115.38)] \\ &= \$13,292.03 - \$1,708 - \$0 - \$4,366 - \$300 - \$600 \\ &= \$6,318.03 \end{aligned}$$





### Step 3

---

$$\begin{aligned} A &= \text{Income tax to be withheld for the pay period} \\ &= (Y / P) + L \\ &= (\$6,318.03 / 52) + \$0 \\ &= \$121.50 \end{aligned}$$

For the 26 pay periods remaining in the year, the source deductions of income tax are calculated as follows:

### Step 1

---

$$\begin{aligned} I &= \text{Annual taxable income} \\ &= P \times (G - F - H) - J - J_1 \\ &= 52 \times [\$2,000 - (\$200 + \$500) - \$21.92] - \$0 - \$0 \\ &= (52 \times \$1,278.08) - \$0 - \$0 \\ &= \$66,460.16 - \$0 - \$0 \\ &= \$66,460.16 \end{aligned}$$

### Step 2

---

#### NOTE

In this step, variable P is 26, the number of pay periods for which no action is required.

$$\begin{aligned} Y &= \text{Income tax for the year} \\ &= [(T \times I) - K - K_1 - (0.20 \times E) - (0.15 \times P \times Q) - (0.20 \times P \times Q_1)] \\ &= [(0.20 \times \$66,460.16) - \$1,708 - \$0 - (0.20 \times \$21,830) - (0.15 \times 26 \times \$0) - (0.20 \times 26 \times \$0)] \\ &= \$13,292.03 - \$1,708 - \$0 - \$4,366 - \$0 - \$0 \\ &= \$7,218.03 \end{aligned}$$

### Step 3

---

$$\begin{aligned} A &= \text{Income tax to be withheld for the pay period} \\ &= (Y / P) + L \\ &= (\$7,218.03 / 52) + \$0 \\ &= \$138.81 \end{aligned}$$



### 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 \$14,550, do not use these formulas. Simply withhold 8% income tax from the lump-sum payment.

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## Method 1

---

### Step 1 Calculating the annual income

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

#### 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.

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

$$= (0.06 \times D_1), \text{ up to a maximum of } (\$1,140 - H_1) / P$$

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  $B_2$ )

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

$G_1$  = 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.

$H_1$  = 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 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:

$$= (P \times J_2) / Pr$$

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 on the remuneration included in variable  $B_1$

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



If the result is negative, enter 0.

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

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



If the result is negative, enter 0.

### NOTE

In calculating variable  $Y_1$ , you must determine the income tax rate (variable  $T$ ) 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	\$42,705	16%	\$0
\$42,705	\$85,405	20%	\$1,708
\$85,405	\$103,915	24%	\$5,124
\$103,915		25.75%	\$6,942



- $I_1$  = 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 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 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 2016 multiplied by 1.0074;
  - the amount from line 7 of form TP-1015.3-V, for an individual who completed the 2017-01 version of the form;
  - \$11,635 (the basic amount for 2017), for an employee who began employment in 2017 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 2016 corresponds to the value of variable E for 2015, multiplied by the indexation factor for 2016.



$E_2$  = 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 2017-01 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 5.3.1 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 FTQ

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

**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.

### 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  $B_1$

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## Method 2

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### 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.

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

$$= (0.06 \times D), \text{ to a maximum of } \$1,140 / P$$

**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<sub>1</sub> = Gratuities, retroactive pay or similar lump-sum payments paid since the beginning of the year (excluding variable B<sub>2</sub>) (see note below)

B<sub>2</sub> = 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 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<sub>1</sub>), including those paid during the pay period (variable B<sub>2</sub>), you must reduce variables B<sub>1</sub> and B<sub>2</sub> 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

J<sub>3</sub> = 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:

$$= (P \times J_2) / Pr$$

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 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)	Constant (K)
More than	Equal to or less than		
\$0	\$42,705	16%	\$0
\$42,705	\$85,405	20%	\$1,708
\$85,405	\$103,915	24%	\$5,124
\$103,915		25.75%	\$6,942

$B_2$  = 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 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.





### 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. Each pay period, her employer withholds \$178.02 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

$$\begin{aligned} I &= \text{Annual taxable income} \\ &= [P \times (G - F - H)] + B_1 + B_2 - J - J_1 \\ &= [52 \times (\$2,000 - (\$200 + \$500) - \$21.92)] + \$0 + (\$4,000 - \$400) - \$0 - \$0 \\ &= (52 \times \$1,278.08) + \$0 + \$3,600 - \$0 - \$0 \\ &= \$66,460.16 + \$0 + \$3,600 - \$0 - \$0 \\ &= \$70,060.16 \end{aligned}$$

#### 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 \$898.02, that is, the income tax to be withheld from the retroactive pay (\$720) plus the income tax to be withheld from the salary (\$178.02).

## 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. 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 \$14,550, 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.

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 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  $\$1,140 / S_1$

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

▼  
 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	\$42,705	16%	\$0
\$42,705	\$85,405	20%	\$1,708
\$85,405	\$103,915	24%	\$5,124
\$103,915		25.75%	\$6,942

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



$$= \boxed{E_1 + E_2}$$



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 2016 multiplied by 1.0074;
- the amount from line 7 of form TP-1015.3-V, for an individual who completed the 2017-01 version of the form;
- \$11,635 (the basic amount for 2017), for an employee who began employment in 2017 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 2016 corresponds to the value of variable E for 2015, multiplied by the indexation factor for 2016.

$E_2$  = 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 2017-01 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 5.3.1 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 FTQ

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

**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.



### 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 (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 shown 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  $B_3$ )

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

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

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

#### 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 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<sub>1</sub> = Deduction for employment income from the gross salary or wages and the remuneration included in variable B<sub>3</sub>

$$= [0.06 \times (D_1 + B_3)], \text{ up to a maximum of } \$1,140 / S_1$$

**where**

D<sub>1</sub> = Gross salary or wages to the date the gratuity, retroactive pay or similar lump-sum payment was paid, **excluding variable B<sub>3</sub>**

B<sub>3</sub> = Variable B<sub>4</sub> **plus** the gratuities, retroactive pay or similar lump-sum payments paid during the pay period

S<sub>1</sub> = Annualization factor (the number of pay periods in the year, divided by the number corresponding to the current pay period)

H<sub>2</sub> = Deduction for employment income from the gross salary or wages and the remuneration included in variable B<sub>4</sub>

$$= [0.06 \times (D_1 + B_4)], \text{ up to a maximum of } \$1,140 / S_1$$



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 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

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

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

▼  
If the result is negative, enter 0.

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

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

▼  
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	\$42,705	16%	\$0
\$42,705	\$85,405	20%	\$1,708
\$85,405	\$103,915	24%	\$5,124
\$103,915		25.75%	\$6,942

$I_3$  = 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 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 2016 multiplied by 1.0074;
- the amount from line 7 of form TP-1015.3-V, for an individual who completed the 2017-01 version of the form;
- \$11,635 (the basic amount for 2017), for an employee who began employment in 2017 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 2016 corresponds to the value of variable E for 2015, multiplied by the indexation factor for 2016.

$E_2$  = 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 2017-01 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 5.3.1 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 FTQ

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

**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.





### 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 shown 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 QPP contribution

$$C = \text{Employee's QPP contribution to be withheld for the pay period}$$
$$= 0.054 \times [S_3 - (V / P)], \text{ up to a maximum of } M - A_5$$

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

#### 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 (\$2,797.20)

$A_5$  = 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 5.40% 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

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## 5.1 Employee premium

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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

$$= (0.00548 \times S_4), \text{ up to a maximum of } N - A_6$$

#### 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 (\$397.30)

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

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## 5.2 Employer premium (with respect to an employee)

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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)

$Ap_1$  = Employer's QPIP premium for the pay period with respect to the employee

$$= (0.00767 \times S_4), \text{ up to a maximum of } N_1 - A_7$$

#### NOTE

If variable  $Ap_1$  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 (\$556.08)

$A_7$  = 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.

As of 2017, the health services fund contribution rate will be reduced over a period of five years for employers whose total payroll for the year is less than \$5 million.

## Calculating the employer contribution to the health services fund

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

### 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.

### 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

For 2017, 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:

$$W(\%) = 0.8725 + (0.6775 \times S)$$

In all other cases, the contribution rate is calculated as follows:

$$W(\%) = 2.06 + (0.44 \times S)$$

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



**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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Montréal  
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Elsewhere  
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Direction principale des relations  
avec la clientèle des particuliers  
Revenu Québec  
C. P. 3000, succursale Place-Desjardins  
Montréal (Québec) H5B 1A4

#### Québec City and other regions

Direction principale des relations  
avec la clientèle des particuliers  
Revenu Québec  
3800, rue de Marly  
Québec (Québec) G1X 4A5

### Businesses, employers and agents for consumption taxes

#### Montréal, Laval, Laurentides, Lanaudière, Montérégie, Estrie and Outaouais

Direction principale des relations  
avec la clientèle des entreprises  
Revenu Québec  
C. P. 3000, succursale Place-Desjardins  
Montréal (Québec) H5B 1A4

#### Québec City and other regions

Direction principale des relations  
avec la clientèle des entreprises  
Revenu Québec  
3800, rue de Marly  
Québec (Québec) G1X 4A5

### Complaints – Bureau de la protection des droits de la clientèle

Revenu Québec  
3800, rue de Marly, secteur 3-4-5  
Québec (Québec) G1X 4A5