Chapter 8

Québec Legislation

Learning Objectives:

Upon completion of this chapter, you should be able to:

1. Describe the role of Revenu Québec (RQ)
2. Identify the following Québec Pension Plan components:
    - Who must contribute to the Québec Pension Plan
    - Types of employment subject to Québec Pension Plan contributions
    - Types of employment not subject to Québec Pension Plan contributions
    - Payments and benefits subject to Québec Pension Plan contributions
    - Payments and benefits not subject to Québec Pension Plan contributions
3. Calculate Québec Pension Plan contributions at an individual level
4. Calculate Employment Insurance premiums at an individual level
5. Identify the following Québec Parental Insurance Plan components:
    - Who must contribute to the Québec Parental Insurance Plan
    - Types of employment subject to Québec Parental Insurance Plan premiums
    - Types of employment not subject to Québec Parental Insurance Plan premiums
    - Payments and benefits subject to Québec Parental Insurance Plan premiums
    - Payments and benefits not subject to Québec Parental Insurance Plan premiums
6. Calculate Québec Parental Insurance Plan premiums at an individual level
7. Describe the purpose of the Québec Source Deductions Return – TP-1015.3-V
8. Determine Québec gross taxable income
9. Determine Québec net taxable income
10. Determine Québec provincial income tax withholding
11. Describe the reporting and remitting requirements of the following employer contributions:

- Health services fund
- Commission des normes, de l'équité, de la santé et de la sécurité du travail (CNESST) occupational health and safety and labour standards
- Workforce Skills Development and Recognition Fund (WSDRF)

12. Describe payroll's responsibilities under privacy legislation
13. Describe payroll's responsibilities under provincial pension and benefits legislation

Communication Objectives:

Upon completion of this chapter, you should be able to explain:

1. An employer's responsibilities under Revenu Québec
2. The requirements and calculations for Québec Pension Plan contributions
3. The requirements and calculations for Québec Parental Insurance Plan premiums
4. How to determine an individual's Québec income tax withholding
5. Payroll's responsibilities for the employer's contributions
6. Employee and employer responsibilities under privacy, pension and benefits legislation

Chapter Contents

Introduction

The main role of the payroll department is to pay employees accurately and on time, in compliance with government legislation, for a full annual payroll cycle. When dealing with employees in the province of Québec, employers must comply with the Québec provincial withholding, remittance and filing requirements, as well as the federal requirements. Québec is the only province that collects provincial income tax, pension plan contributions and parental insurance plan premiums directly from employers.

Revenu Québec (RQ)

Revenu Québec (RQ) is the Québec government ministry responsible for:

- the collection of income tax and consumption taxes, while ensuring that each person pays a fair share of the financing of public services
- the administration of the Support Payment Collection Program (Programme de perception des pensions alimentaires (PPPA)), to ensure that the support to which children and custodial parents are entitled is received regularly.
- the administration of taxation-related social programs, such as the shelter allowance program, the property tax refund and the work premium, as well as any other tax collection and redistribution program entrusted to it by the Québec government
- making recommendations to the Québec government concerning tax policy and other fiscal programs

The primary role of Revenu Québec (RQ) is to collect income and consumption taxes. Consumption taxes are amounts that are added to the purchase price of property or services, for example, Québec sales tax. As this activity generates approximately 80% of the funding required for government operations and most public services in the province, this role of RQ is essential for the Québec government.

Revenu Québec (RQ) carries out its mandate under several different statutes. Those that have an impact on payroll are the:

- *Taxation Act*
- *Act respecting the application of the Taxation Act*
- *Act respecting the Agence du revenu du Québec* (RQ)
- *Act respecting the Québec sales tax*
- *Act to facilitate the payment of support*
- *Act respecting labour standards*
- *Act respecting the Québec Pension Plan*

- *Act respecting parental insurance*
- *Act to promote workforce skills development and recognition*
- *Act respecting income support, employment assistance and social solidarity*

RQ, like the Canada Revenue Agency (CRA), is focused on ensuring compliance in the areas of filing, registration, remittance and reporting.

Filing – RQ closely monitors the filing of personal and business taxes using methods that are similar to the CRA.

Registration – Most businesses are required to register with Revenu Québec and are assigned business numbers that cover all payroll-related remittances, including source deductions, Goods and Services Tax (GST), Québec Sales Tax (QST), and corporate tax.

Remittance – RQ ensures that both personal and business remittances are done in a timely fashion.

Reporting – RQ captures information from many sources and measures the level of compliance around reporting through areas such as year-end reporting of RL-1 and RL-2 information slips.

Revenu Québec (RQ) administers the collection of the following payroll-related remittances:

- Québec Pension Plan (QPP) contributions
- Québec Parental Insurance Plan (QPIP) premiums
- Québec provincial income tax
- Contributions to the health services fund
- Commission des normes, de l'équité, de la santé et de la sécurité du travail (CNESST) premiums and contributions
- Contributions to the Workforce Skills Development and Recognition Fund (WSDRF)

RQ Compliance

Employers who fail to deduct, collect or pay the required amounts within the legislated time frame are liable for a penalty. The penalty rate is set according to the number of days during which an employer is late in meeting the *Taxation Act*'s requirements. If an employer remits the Québec provincial income taxes, QPP, QPIP, contributions to the health services fund or CNESST (CSST) premiums late, they could be subject to the following penalties:

- the penalty rate is 7% of the late amount from the first to the seventh late day
- the penalty rate is 11% of the late amount from the eighth to the fourteenth late day
- the penalty rate is 15% of the late amount as of the fifteenth late day

Determination of the Employee-Employer Relationship

Like the CRA, Revenu Québec may be required to determine the status of a worker as the income tax rules applicable to self-employed persons are different from those applicable to employees. Employers must know the status of the worker to determine whether they are subject to withholdings at source. This section contains details and the general criteria used by RQ to determine whether an individual is considered self-employed in the province of Québec.

In Québec, an employee is defined as:

- an individual who, under a written or verbal agreement, undertakes to carry out work for an employer in exchange for a salary or wages. An employee may be hired on a full-time or part-time basis, for a specified or undetermined period.

If an employee-employer relationship exists, the employer controls certain aspects of the employee's activities (for example, work location and hours of work), and provides initial and advanced training. Employees are entitled to the working conditions as legislated under labour standards and may also be eligible to receive benefits, such as group insurance coverage.

Québec provides the following definition of a self-employed person:

- a self-employed person is an individual who, under a verbal or written agreement, undertakes to provide a service or perform a task for a client in exchange for an agreed amount. Such an individual may also own a business or be a commissioned salesperson.

The relationship between the person who provides the work and the self-employed person is not one of subordination, as in the case of an employee-employer relationship.

As a rule, self-employed persons:

- cover their own work-related expenses
- assume the financial risks associated with their work
- provide their own tools or equipment
- are not obliged to perform the work themselves
- may hire employees or other self-employed persons to do the job
- may determine the location at which the work is to be carried out and the hours of work

In other words, they are independent of their clients.

Under the *Civil Code* of Québec:

- an employee is a person who undertakes to do work for a limited time for remuneration and under the direction or control of an employer
- a self-employed person determines the means of carrying out the contract and is not subordinate to the client concerning performance

Under fiscal law:

- the term 'self-employed person' is not defined in the Taxation Act. Consequently, RQ must determine status as a self-employed person based on jurisprudence and civil law
- for fiscal purposes, the self-employed person is an individual who operates a business with or without employees, intending to make a profit

The tax laws confer certain benefits and impose certain obligations on self-employed persons. Under these laws, self-employed persons may deduct business expenses and must make contributions to the Québec Pension Plan (QPP), the Québec Parental Insurance Plan (QPIP), Commission des normes, de l'équité, de la santé et de la sécurité du travail (CNESST) and the health services fund themselves.

To determine whether a worker is an employee or a self-employed person, the degree of subordination between the worker and the person who provides the work must be assessed. RQ has proposed six main criteria for this purpose. These criteria are interrelated and must be considered as a whole.

1. **Subordination in the performance of work**
   Subordination exists if the person who provides the work is in a position of authority concerning the worker. For example, the person who provides the work has the authority to:

   - determine the amount of work to be accomplished
   - supervise the work
   - control the worker's activities

   Subordination is the most important criterion and may be the crucial factor in determining whether a worker is an employee or is self-employed.

   A worker generally has the status of an employee, if the person who provides the work:

   - assigns the worker specific tasks
   - sets the schedule and where the work will be performed
   - explains the work to be accomplished and the responsibilities to be assumed
   - provides training or upgrading

If the worker is self-employed, the person who supplies the work does not ordinarily determine the hours of work or the work location or decide what methods are to be used to carry out the work. A self-employed individual can obtain help in performing the task assigned, hire a substitute to perform the task, and offer their services to more than one client.

2. **Financial or Economic Criterion**
   In an employee-employer relationship, the employer covers the operating costs of the business and assumes the financial risks; the employee does not assume any financial risk. The financial performance of an employer's business does not directly affect the remuneration of an employee. Employees are also entitled to annual vacation and paid leave.

   A self-employed individual, however, may make a profit or incur a loss and is responsible for operating costs (since the business is theirs).

3. **Ownership of tools**
   In an employee-employer relationship, the employer generally owns the tools, equipment and materials, provides everything necessary for the employee to carry out the work and covers the related operating costs.

   A self-employed worker ordinarily provides their own tools or equipment and covers the related operating costs.

4. **Integration of the Tasks Carried Out by the Worker**
   If the tasks carried out by the worker form an integral part of the activities of the employer's business, there is probably an employee-employer relationship.

   For example, a person who sells goods produced by a business is generally an employee, if selling is one of the business's commercial activities. On the other hand, an outside consultant is self-employed if the services they render to a business are not activities that the business normally engages in.

   As a rule, an employee derives work income principally from the work they carry out for a single employer, whereas a self-employed individual provides services to several clients.

5. **Specific Result of the Work**
   The services of a self-employed worker are, as a rule, retained to accomplish a specific task and the worker is free to determine the method that will be used to achieve the results. Once the specific task provided for in the contract is completed, the business relationship ends.

6. **The Parties' Attitude Regarding Their Relationship**
   This criterion refers to the agreement that may exist between the two parties concerning conditions of work. The following factors must be taken into consideration:

   - the fact that the employer pays the occupational health and safety premiums to the Commission des normes, de l'équité, de la santé et de la sécurité du travail (CNESST) on wages paid to the worker
   - the overall interpretation of the work contract and the terms governing its renewal
   - the worker's eligibility for the employer's group insurance plan
   - the payment of severance pay

While there is some crossover about the criteria used by the federal and Québec provincial governments, it is important to note that the employee-employer relationship must be determined by both governments independently.

Information on the factors to consider when determining whether an employee-employer relationship exists can be found in the Revenu Québec guide *Employee or Self-Employed Person?* – IN-301-V. RQ's Questionnaire to Determine the Status of an Employee or a Self-Employed Person – RR-65.A-V can be used by either a principal (employer or organization) or a worker to determine the status of an employee or a self-employed person. The Application for Determination of Status as an Employee or a Self-Employed Person – RR-65-V can be used by persons who wish to obtain a decision under section 65 of the *Act respecting the Québec Pension Plan*, as to whether they must make Québec Pension Plan contributions as an employee or as an employer for a given year.

The CRA's determination of a worker's employment status in Québec

The CRA uses a three-step approach to examine the relationship between the worker and the payer for relationships in the province of Québec.

Step 1:
The first step is to establish what the intent was when the worker and the payer entered into the working arrangement. Did they intend to enter into an employee-employer relationship (contract of service) or did they intend to enter into a business relationship (contract for service). The CRA must determine not only how the working relationship has been defined but why it was defined that way.

Step 2:
The CRA then looks to see if the employment meets the definition in the *Civil Code of Québec* of a contract of employment, or a business contract (contract for services) by considering the following factors:

- performance of work
- remuneration
- relationship of subordination

Each fact is analyzed in light of the specific context of the employment and the intent of the parties.

Performance of work

Whether or not there is an employer-employee relationship or a business relationship, the worker has to perform the work. It can be part-time or full-time for a specified or indeterminate period.

Remuneration

Remuneration means all considerations and benefits having a monetary value. Whether there is an employer-employee relationship or a business relationship, the worker will receive remuneration in exchange for work. The remuneration can be calculated by time, by the piece or in another manner.

Relationship of subordination

This factor helps distinguish the employer-employee relationship from a business relationship.

The relationship of subordination is the capacity, the authority or the right of a payer to exercise control over the worker's activities and how the work is done.

Degree of control or autonomy

The CRA will consider the degree of control held by the payer or the degree of autonomy held by the worker. The actual degree of control will vary with the type of work and the skills of the worker. When examining the factor of control, the CRA will focus on both the payer's control over the worker's daily activities and the payer's influence over the worker.

Payer's right to exercise control

Both the payer’s control over the worker’s daily activities and the payer’s influence over the worker will be examined. The relevant factor is the payer’s right to exercise control. Whether the payer exercises this right is irrelevant.

The following table provides indicators showing whether the worker could be considered an employee or self-employed.

INDICATORS THAT THE WORKER IS AN EMPLOYEE	INDICATORS THAT THE WORKER IS A SELF-EMPLOYED INDIVIDUAL
• The payer directs and controls many elements of how the work is performed (such as what, who, where, when and how). • The payer controls the worker's absences, such as sick leave or vacation leave. • The payer controls the worker concerning the results of the work and the method used to do the work. • The payer creates the work schedule and establishes the worker's rules of conduct. • The worker has to perform the work. • The worker has to remit activity reports to the payer. • The worker's activities are reserved to a single payer (exclusivity of services). • The payer can impose disciplinary actions on a worker. • The worker receives training or direction from the payer on how to perform the work. • The worker accepts integration in the payer's business to have the latter benefit from the work. • The parties have inserted a non-competition clause in their written contract.	• The worker is usually free to work when and for whom they choose and may provide their services to different payers at the same time. • The worker does not have to perform the services personally. They can hire another party to either complete the work or help complete the work. • The worker can generally choose the time and how the work will be performed. • The worker does not need to be at the payer's premises. • The worker can accept or refuse work from the payer. • The working relationship between the payer and the worker does **not** present a degree of continuity, loyalty, security, subordination, or integration, all of which are generally associated with an employer-employee relationship.

Step 3:
In the third step, the CRA compares each party's intentions with their actual working relationship. They confirm that the conditions of the working relationship meet the status that the parties have chosen and that they are consistent with the definitions of the *Civil Code of Québec*.

Retraite Québec

As of January 1, 2016, the Commission administrative des régimes de retraite et d'assurances (CARRA) and the Régie des rentes du Québec (RRQ) have been operating as one agency under the name of Retraite Québec. This agency continues to offer all of the services previously provided by the CARRA and the RRQ.

More specifically, Retraite Québec assumes the responsibility of administering the Québec Pension Plan, child assistance, public-sector pension plans as well as supplemental pension plans. It continues to ensure the continuation, development and conformity of supplemental pension plans and voluntary retirement savings plans.

Retraite Québec is responsible for applying the *Act respecting the Québec Pension Plan*. Its role is to administer the Québec Pension plan and promote financial planning for retirement. It also administers the pension plans established under various laws for employees in the public sector.

Another one of its responsibilities is applying the *Supplemental Pension Plans Act.* Its role in this regard is to ensure that supplemental pension plans operate and are administered following the Act. It has the power to undertake the provisional administration of a pension plan, and in certain cases, the administration of retirees' pensions.

Retraite Québec is also responsible for applying the provisions of the *Voluntary Retirement Savings Plans Act* incumbent upon it, ensuring these types of plans operate and are administered following the Act.

Ministère du Travail, de l'Emploi et de la Solidarité sociale (MTESS)

The Ministère du Travail, de l'Emploi et de la Solidarité sociale contributes to the social development and economic prosperity of Québec through its mission of:

- facilitating a balance between workforce supply and demand
- promoting the attainment of fair working conditions and harmonious labour relations
- promoting the economic and social inclusion of the most vulnerable members of society
- supporting community action and volunteering

It works with several government agencies to simplify access to public services for the labour force and persons wishing to enter the labour market, individuals and families whose resources are insufficient to cover their needs, businesses, new parents and community organizations.

Some of the payroll-related Acts administered in whole or in part by the Ministère include the:

- *Act to promote workforce skills development and recognition*
- *Act respecting Labour Standards*
- *Act respecting parental insurance*

The Ministère is responsible for administering the Québec Parental Insurance Plan, where it works closely with the Conseil de gestion de l'assurance parentale to fully exercise its role concerning the Plan.

The Conseil manages the Québec Parental Insurance Plan (QPIP) and, as trustee of the Parental Insurance Fund, ensures that work income replacement benefits are paid to new parents and advises the government on matters regarding parental insurance.

In keeping with that mission, the Conseil carries out the following responsibilities:

- Serves as trustee of the Parental Insurance Fund
- Manages the Québec Parental Insurance Plan
- Advises the government regarding parental insurance
- Supervises the Plan’s management and administration

Content Review

- Retraite Québec assumes the responsibility of administering the Québec Pension Plan, child assistance, public-sector pension plans as well as supplemental pension plans.
- Retraite Québec is responsible for applying the *Act respecting the Québec Pension Plan*.
- Its role concerning the *Supplemental Pension Plans Act* is to ensure that supplemental pension plans operate and are administered following the Act.
- Retraite Québec is also responsible for ensuring voluntary retirement savings plans operate and are administered following the *Voluntary Retirement Savings Plans Act*.
- The Ministère du Travail, de l'Emploi et de la Solidarité sociale works with government agencies to simplify access to public services for the labour force and persons wishing to enter the labour market.
- The Ministère is responsible for administering the Québec Parental Insurance Plan, where it works closely with the Conseil de gestion de l'assurance parentale.
- The Conseil manages the Québec Parental Insurance Plan (QPIP) ensures that benefits are paid to new parents and advises the government on matters regarding parental insurance.

Québec Pension Plan Requirements

The province of Québec administers its own pension program under the *Act respecting the Québec Pension Plan*. The Québec Pension Plan (QPP) operates almost identically to the federal Canada Pension Plan (CPP). Its purpose is to provide basic financial protection to contributors and their families in the event of retirement, death or disability.

Under Québec Pension Plan legislation, employers are required to deduct, remit and report pensionable earnings and contributions to Revenu Québec (RQ). The contributions collected by RQ are remitted to Retraite Québec. Retraite Québec enters the amount of the contributions and the employee's pensionable earnings in a Record of Contributors.

The Québec Pension Plan is a compulsory pension plan for Québec employees who have pensionable earnings.

In many ways, the requirements for QPP are similar to those of CPP, with the following differences:

- QPP, instead of CPP, contributions are deducted from employees reporting for work at an office of an employer located in Québec, or from employees who are not required to report for work at an establishment of the employer in Québec, but who are paid from an employer located in Québec
- QPP contributions are remitted to Revenu Québec, whereas CPP contributions are remitted to the Canada Revenue Agency
- employees who are 70 years or older and who are in pensionable employment are still subject to QPP contributions on their pensionable earnings, even if they receive a CPP/QPP retirement pension from either the Canada or Québec Pension Plan
- employees between the ages of 55 and 70 can reduce their work hours and continue contributing to the Québec Pension Plan as if their earnings had not been reduced. The phased retirement arrangement between the employee and employer must be approved by Retraite Québec.

QPP and CPP provide similar pensions and benefits. If employees pay into only one of the plans, they apply to that plan for their pension or benefits. If employees have contributed to both QPP and CPP, they apply to the QPP if they live in Québec when applying for a benefit and to the CPP if they live elsewhere in Canada when they apply.

Who Must Contribute to the Québec Pension Plan

The QPP is a contributory plan. This means that all costs are covered by the financial contributions paid by employees, employers and self-employed workers, and from revenue earned on QPP investments. The QPP is not funded through general tax revenues.

Québec Pension Plan contributions must be withheld from all workers aged 18 or older, who are in pensionable employment, including employees who are:

- in receipt of a retirement pension under the QPP or the CPP
- 70 years of age or older
- not deemed to be disabled by either Retraite Québec or Service Canada

1. QPP contributions must be withheld from employees who have reached the age of 18. Deductions start on the first pay of the month following the employee's 18th birthday.

Example:
Jeanne Blais has a summer job at a florist shop from May 1 through August 31. Jeanne will turn 18 in October. For the employment this summer, as the employee has not reached age 18, no QPP contributions will be withheld from earnings. Jeanne's friend Marie, who is 17 years old, has a summer job at the same shop and will turn 18 in July. The employer will start deducting QPP contributions on the first pay in August.

   Payroll software programs may use the date of birth to determine if QPP contributions must be withheld from an employee. On occasion, a payroll practitioner may make the mistake of entering the date of hire in the field used for the employee's birth date. The software program assumes the employee is only days old (under 18 years), and does not deduct any contributions for QPP. Part of your responsibility as a payroll practitioner is to check that information has been accurately entered and to verify that the system is calculating the contributions correctly.

2. QPP contributions must be withheld from employees who are in pensionable employment.

   Pensionable employment includes most employment in Québec under a contract of service. The types of employments that are not considered pensionable by RQ are provided in this chapter.

Example: Last year, Lisa Melo, who is 40 years old, worked as a mechanical engineer for Ball Elevators. Lisa was in pensionable employment and therefore the employer withheld the appropriate QPP contributions from pensionable earnings.

3. QPP contributions must be withheld from employees in pensionable employment who are receiving retirement benefits from Canada or Québec Pension Plans or who are over 70 years of age.

Example: Richard Lemay is 73 years old and receives a Québec Pension Plan retirement pension. Richard works part-time as a greeter at a local department store. Richard's employer is required to withhold QPP contributions from pensionable earnings.

4. Employers stop withholding QPP contributions from income paid to an employee the first pay of the month following the month in which the employee is deemed to be disabled by Retraite Québec or Service Canada.

Types of Employment Subject to Québec Pension Plan Contributions

Pensionable employment includes most employment in Québec under a contract of service (where an employee-employer relationship exists). Québec also has reciprocal social security agreements with other countries, whereby Québec employees working in other countries can continue to contribute to the Québec Pension Plan.

Types of Employment Not Subject to Québec Pension Plan Contributions

The following types of employment are excluded by legislation and therefore do not constitute pensionable employment. Payments arising from such employment are not subject to QPP contributions.

1. Employment in agriculture, an agricultural enterprise, horticulture, fishing, hunting, trapping, forestry, logging or lumbering for an employer who pays the employee less than $250 in a year in cash remuneration, or pays the employee cash remuneration for fewer than 25 working days in a year
2. Employment in a teaching position, further to an exchange, of a person from a country other than Canada
3. Employment, where the person employed, is the employer's child or dependent and no cash remuneration is paid
4. Employment conferring the right to a pension plan established by the Courts of Justice Act or the Judges Act (Statutes of Canada)

5. Employment as a member of the Canadian Forces or the Royal Canadian Mounted Police
6. Employment in Québec by an employer that, under a social security agreement, is exempted from paying QPP contributions
7. Employment in Québec by another government or by an international organization, other than employment covered by an agreement with Retraite Québec
8. Employment of a member of a religious order who has taken a vow of poverty and whose remuneration is paid to the order, either directly or by the member, provided an application was made in the prescribed manner before January 1, 1998
9. Casual or short term employment (fewer than seven days in a year) in a circus or show, excluding employment as an entertainer or performer
10. Casual or short-term employment carried out during a referendum or election on behalf of the federal government, a provincial government, a municipality or a school board, where the person does not work regularly for the employer, and where the person works fewer than 35 hours in the year on the referendum or election
11. Casual or short term employment carried out on the occasion of a disaster or under rescue operations if the worker is not regularly employed by that employer
12. Employment in Québec by an employer that does not have an establishment in Québec, unless the employer has an agreement with Retraite Québec regarding the payment of contributions in respect of the employment for its employees who are resident in Canada who receive remuneration from an establishment of the employer located outside Canada
13. Employment of a worker who is an Indian, if the income gives entitlement to the deduction for employment income situated on a reserve or premises

Determination of Pensionable Earnings

QPP contributions are based on pensionable employment income. While salaries are obvious sources of income, employees can also be compensated for their work through benefits, such as paid leaves, free rent and low-interest loans. Revenu Québec provides details on which payments and benefits are subject to, or not subject to, QPP contributions. This information can be found in the *Guide for Employers: Source Deductions and Contributions* – TP-1015.G-V, which is published by Revenu Québec.

Payments and Benefits Subject to Québec Pension Plan Contributions

The following payments and benefits are subject to QPP contributions.

1. Income from employment
2. Taxable benefits and allowances
3. Fees for service
4. Tips

5. Paid leave
6. Profit sharing

While general information is provided on each of these categories, payroll practitioners will most often deal with the QPP contribution requirements on income from employment and taxable benefits and allowances.

1. **Income from employment**

   This includes salary, wages, bonuses, reinstatement pay, commissions, vacation pay, overtime pay, advances, out-of-Canada living allowances, deferred salary or wages, and wages or salaries deemed to have been received during phased retirement by an agreement between the employee and employer and that has the approval of Retraite Québec (the office that administers the Québec Pension Plan).

2. **Taxable benefits and allowances**

   These include rent-free and low-rent housing, interest-free and low-interest loans, personal use of an automobile that an employer owns or leases, car allowances, certain gifts, prizes and awards, holiday trips, subsidized meals, employer contributions to an employee's Registered Retirement Savings Plan (RRSP), employer-paid group term life insurance premiums, and employer-paid private health insurance premiums. This also includes any taxable benefits paid in cash.

3. **Fees for service**

   These are fees paid to the members of a council or committee, and director's fees.

4. **Tips**

   These are tips and gratuities resulting from tippable sales, tips unrelated to tippable sales, tips considered service charges and allocated tips.

5. **Paid leave**

   This includes:

   a) amounts paid to an employee for the portion of the day of the accident the employee was unable to work
   b) amounts 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
   c) amounts paid during a self-funded leave of absence
   d) amounts paid for sabbatical leave or sick leave
   e) workers' compensation amounts paid over the amounts reimbursed by the Commission des normes, de l'équité, de la santé et de la sécurité du travail (CNESST)

6. **Profit sharing**

   These are amounts paid by the employer to a custodian under an employee benefit plan, or amounts paid by the employer to a trustee under a profit sharing plan or an employee trust.

For further information on specific cases, contact your local office of RQ.

Québec Pension Plan Contributions on Non-cash Taxable Benefits

If an employer provides employees with a non-cash taxable benefit, RQ requires that the value of the benefit be included in the employee's earnings as it is earned or enjoyed. One of the most common non-cash taxable benefits provided to employees is group term life insurance coverage. RQ requires that the amount of the premium the employer pays for the insurance, plus any applicable taxes, be included in the employee's pensionable earnings as it is enjoyed, that is, on a pay period basis. To calculate the amount of the premium to include in the employee's income, the pay period frequency is required.

Example:

Aliments Vichy, located in Gatineau, provides its employees with group term life insurance coverage of two times the employee's annual salary.

For Louise Dupont's coverage of $75,000.00, the organization pays an annual premium (including taxes) of $780.00. As Louise is paid on a bi-weekly basis, the non-cash taxable benefit to be included in the pensionable earnings each bi-weekly pay period is calculated as follows:

$$\text{Taxable Benefit} = \frac{\text{Annual employer-paid insurance premium}}{\text{Pay period frequency}}$$

$$= \frac{\$780.00}{26}$$

Taxable Benefit = $30.00 per bi-weekly pay period

The group term life insurance non-cash taxable benefit will show on Louise's pay statement and be included in the calculation of the QPP contributions and income tax withholdings.

Payments and Benefits Not Subject to Québec Pension Plan Contributions

The following amounts are not considered to be employment earnings and are, therefore, not subject to QPP contributions:

1. death benefits
2. pension benefits
3. certain payments at the end of employment
4. insurance benefits payments
5. payments linked to special conditions under the *Taxation Act*

Additional details on the payments and benefits that are not subject to QPP contributions are as follows:

1. **Death benefits**

> Example:
>
> Marie Gelinas passed away in June, after a lengthy illness. The employer provided the surviving spouse with a $10,000.00 death benefit. This was a discretionary payment made in recognition of Marie's service to the organization. It did not include any outstanding wages or vacation owing to the employee. There are no QPP contributions calculated on the $10,000.00 payment.

2. **Pension benefits**
   - pension payments

> Example:
>
> Len retired from Tire Wares, at age 55, after 30 years of service and receives a monthly pension of $1,500.00 from the organization's pension plan. Tire Wares asked Len to return to work as a guide for school tours of the plant. Len receives $2,000.00 a month for this work. Tire Wares does not include Len's pension income of $1,500.00 when it calculates Len's QPP contributions.

   - benefits paid under a deferred profit sharing plan (DPSP)

> Example:
>
> Lise Gordon, who is 36 years old, has been diagnosed with a terminal illness. The Deferred Profit Sharing Pension Plan allows for a lump-sum payment out of the plan due to the shorter than normal life expectancy. The lump-sum payment in these circumstances would be taxable, at the lump-sum tax rates, but not subject to QPP contributions.

   - death benefits paid under QPP or CPP

> Example:
>
> Under both the Québec and Canada Pension Plans, a one-time, lump-sum payment, up to a maximum of $2,500.00, is available to assist with the cost of funeral expenses. This payment is not subject to QPP contributions.

3. **Certain payments at the end of employment**
   - retiring allowances paid to an employee on or after retirement in recognition of long service or compensation for the loss of office or employment

Example: Mark's employment was terminated and a $3,500.00 retiring allowance was processed along with the final pay. There were no QPP contributions withheld on this payment.

   - wages in lieu of notice (wages in lieu of notice, in Québec, are treated as retiring allowances for QPP purposes; they are not subject to QPP contributions)

Example: Under labour standards, Mark received a payment of wages in lieu of notice, equivalent to four weeks' pay. There were no QPP contributions withheld on this payment.

   - payment for accumulated sick leave

Example: When Mark left employment he had $4,000.00 accumulated in sick leave credits owing. The company did not withhold any QPP contributions on the payment.

4. **Insurance benefits payments**
   - wage loss replacement benefits

Example: Anne's employer paid premiums to an insurer for wage loss replacement coverage for the employees. Anne was off work for three months and was paid benefits through the insurance company. The benefits Anne was paid by the insurer are not subject to QPP contributions at source.

5. **Payments linked to special conditions under the Taxation Act**
   - benefits provided to a partner (or to a related person) or to a shareholder who is not an employee (or a related person)
   - research grants and, as a rule, scholarships, bursaries or fellowships awarded to a person other than an employee or the child of an employee
   - patronage dividends
   - benefits from a RRSP, a RRIF or a Registered Education Savings Plan (RESP)

Content Review

- The primary role of Revenu Québec is to collect income and consumption taxes.
- Revenu Québec, like the Canada Revenue Agency, is focused on ensuring compliance in the areas of filing, registration, remittance and reporting.
- Revenu Québec administers the collection of the following payroll-related remittances:
  - Québec Pension Plan (QPP) contributions
  - Québec Parental Insurance Plan (QPIP) premiums
  - Québec provincial income tax
  - Contributions to the health services fund
  - Commission des normes, de l'équité, de la santé et de la sécurité du travail (CNESST) premiums and contributions
  - Contributions to the Workforce Skills Development and Recognition Fund (WSDRF)
- If an employer remits the Québec provincial income taxes, QPP, QPIP, contributions to the health services fund or CNESST (CSST) premiums late, they could be subject to the following penalties:
  - the penalty rate is 7% of the late amount from the first to the seventh late day
  - the penalty rate is 11% of the late amount from the eighth to the fourteenth late day
  - the penalty rate is 15% of the late amount as of the fifteenth late day
- To determine whether a worker is an employee or a self-employed person, the degree of subordination between the worker and the person who provides the work must be assessed.
- Revenu Québec has proposed six main criteria that are interrelated and must be considered as a whole to determine if a worker is an employee or a self-employed person:
  - subordination in the performance of work
  - financial or economic criterion
  - ownership of tools
  - integration of the tasks carried out by the worker
  - specific result of the work
  - the parties' attitude regarding their relationship
- The CRA uses a three-step approach to examine the relationship between the worker and the payer for relationships in the province of Québec.
- The Québec Pension Plan is a compulsory pension plan for Québec employees who have pensionable earnings.
- Québec Pension Plan contributions must be withheld from:
  - employees in pensionable employment who have reached the age of 18

  - employees in pensionable employment who are over age 70
  - employees who receive a QPP or CPP retirement pension
  - employees who are not deemed to be disabled by either Retraite Québec or Service Canada
- The following payments and benefits are subject to QPP contributions:
  - income from employment
  - taxable benefits and allowances
  - fees for service
  - tips
  - paid leave
  - profit sharing
- If an employer provides employees with a non-cash taxable benefit, RQ requires that the value of the benefit be included in the employee's earnings as it is earned or enjoyed.
- The following amounts are not considered to be employment earnings and are therefore not subject to QPP contributions:
  - death benefits
  - pension benefits
  - certain payments at the end of employment
  - insurance benefits payments
  - payments linked to special conditions under the *Taxation Act*

Review Questions

1. Which of the following payroll-related remittances is collected by Revenu Québec? (There may be more than one correct answer.)

   a. Québec provincial income tax
   b. Contributions to the health services fund
   c. Canada Pension Plan contributions
   d. Federal income tax
   e. Commission des normes, de l'équité, de la santé et de la sécurité du travail premiums and contributions

2. List the six criteria Revenu Québec uses to determine if a worker is an employee or a self-employed person.

3. Provide two differences between the requirements for the Québec Pension Plan (QPP) and the Canada Pension Plan (CPP).

4. From which of the following employees must Québec Pension Plan contributions be withheld?
(There may be more than one correct answer.)

    a. Employees in pensionable employment who have reached the age of 18
    b. All employees who are paid a salary
    c. Employees who are receiving a retirement pension from the Québec Pension Plan
    d. Employees who are deemed to be disabled according to Service Canada

5. Which of the following types of employment is (are) subject to Québec Pension Plan contributions? (There may be more than one correct answer.)

    a. Employment of a person over 18 who has pensionable earnings
    b. Employment as a member of the Royal Canadian Mounted Police
    c. Employment as a teacher on exchange from India
    d. Employment of a ticket taker who works for ten days at the summer fair

6. Which of the following payments is (are) not subject to Québec Pension Plan contributions? (There may be more than one correct answer.)

    a. Commissions
    b. Retiring allowances
    c. Employer-paid private health insurance premiums
    d. Death benefits

Québec Pension Plan Contribution Calculations

Québec Pension Plan (QPP) contributions are calculated on and deducted from, an employee's pensionable earnings (PE). Pensionable earnings include salary, wages, and other remuneration paid as well as any taxable benefits, taxable allowances and taxable expense reimbursements paid or provided to employees. Each year, Revenu Québec determines:

- a yearly maximum amount of pensionable earnings (YMPE) from which employers deduct QPP ($$64,900.00 for 2022)
- a yearly basic exemption (YBE), which is an amount employees are allowed to earn before QPP is required to be deducted ($3,500.00 for 2022)
- a contribution rate employers use to calculate the amount of QPP to deduct from employees (6.15% for 2022)

The yearly maximum pensionable earnings (YMPE) less the yearly basic exemption (YBE) are the contributory earnings the QPP contribution rate is applied to, for deduction purposes.

For 2022:

Yearly Maximum Pensionable Earnings (YMPE)	A	$64,900.00
Yearly Basic Exemption (YBE)	B	$3,500.00
Contributory Earnings (A – B)	C	$61,400.00
QPP Contribution Rate	D	6.15%
Yearly Maximum Employee Contribution to QPP (C x D)	E	$3,776.10
Yearly Maximum Employer Contribution to QPP (C x D)	F	$3,776.10

Once an employer has deducted the annual maximum QPP contribution from an employee, no further QPP deductions are to be withheld from the employee for that year.

Both employees and employers have to make QPP contributions. Employers match their employees' QPP contributions dollar for dollar and remit both portions to RQ.

The yearly basic exemption of $3,500.00 is divided by the number of pays in the year to determine the amount of the exemption that should be applied to the pensionable earnings for each pay period.

The pay period exemptions for 2022 are:

PAY PERIOD TYPE	YEARLY BASIC EXEMPTION	NUMBER OF PAYS PER YEAR	PAY PERIOD EXEMPTION
Weekly	$3,500.00	52	$67.30
Weekly	$3,500.00	53	$66.03
Bi-weekly	$3,500.00	26	$134.61
Bi-weekly	$3,500.00	27	$129.62
Semi-monthly	$3,500.00	24	$145.83
Monthly	$3,500.00	12	$291.66

These exemptions are calculated as follows:

Weekly exemption: 52 pay periods per year $\frac{\$3,500.00}{52} = \$67.30$*

Bi-weekly exemption: 26 pay periods per year $\frac{\$3,500.00}{26} = \$134.61$*

Semi-monthly exemption: 24 pay periods per year $\frac{\$3,500.00}{24} = \$145.83$*

Monthly exemption: 12 pay periods per year $\frac{\$3,500.00}{12} = \$291.66$*

*The calculations are not rounded, per RQ instructions. Rounding would result in a yearly basic exemption greater than $3,500.00.

Example:

Weekly exemption $\frac{\$3,500.00}{52} = \$67.3076$

If weekly exemption rounded $67.3076 rounded up to $67.31
$67.31 x 52 = $3,500.12

The annual exemption would be exceeded $3,500.12 is greater than $3,500.00

Every seven years the calendar days fall in such a way that there can be 53 weekly pays in the year, rather than 52, depending on which day of the week is the pay day. In this case, the basic exemption for each of the weekly pay periods will be:

$$\frac{\$3,500.00}{53} = \$66\ .03$$

Every eleven years, for the same reason, there will be 27 bi-weekly pays in the year, rather than 26. In this case, the basic exemption for each of the bi-weekly pay periods will be:

$$\frac{\$3,500.00}{27} = \$129.62$$

Regular Pay Periods

Québec Pension Plan contributions on regular earnings can be calculated using the following RQ-approved methods:

- *Source Deduction Tables for QPP Contributions* – TP-1015.TR-V
- WebRas
- mathematical formulas found in the *Guide for Employers: Source Deductions and Contributions* – TP-1015.G-V and the *Formulas to Calculate Source Deductions and Contributions* – TP-1015.F-V
- manual calculation

Payroll service providers and organizations that use an in-house payroll system will build the formulas for computer programs into their software. Payroll practitioners must be prepared to use WebRas or the manual calculation method if they need to produce a manual payroll cheque.

Source Deduction Tables for QPP Contributions

RQ annually publishes tables that provide the amounts to be withheld for QPP contributions. The *Source Deduction Tables for QPP Contributions* – TP-1015.TR.-V is used by employers with weekly, bi-weekly, semi-monthly or monthly pay period frequencies (Table A), as well as by employers who have employees in non-continuous employment (Table B).

Non-continuous employment refers to work performed for an employer that operates a business or has at least one full-time employee, where the work is performed by an employee whose pay period covers fewer than seven days or an employee who normally performs the same type of work for two or more employers in turn.

The tables are issued effective January 1 of each year; however, should there be a change during the year that affects the amounts reported in the tables, RQ will publish new tables, effective the date of the change. The tables can be downloaded from RQ's website.

Note:
The source deduction tables and online tools used as illustrations throughout this chapter are not necessarily those of the current year.

The following chart explains how to use the tables:

STEP	ACTION
1	Refer to the appropriate table for continuous (Table A) or non-continuous (Table B) employment.
2	Refer to the appropriate pay period table for your payroll frequency.
3	Look down the "Remuneration" column and find the range containing the employee's pensionable earnings for the pay period.
4	Locate the corresponding QPP deduction required.

Example:

Carole Gendron works in continuous employment for Salon Roy in Montréal, Québec. Carole is paid weekly. The pensionable earnings per pay are $430.00. Following the above steps:

1. Refer to Table A – continuous employment
2. Refer to the weekly pay period table
3. Look down the remuneration column for the range that contains $430.00. In this case, the range is $429.99 - $430.17
4. Locate the QPP contribution of $19.59

TABLE A: CONTINUOUS EMPLOYMENT — **52 pay periods per year**

Remuneration		Deduction	Remuneration		Deduction	Remuneration		Deduction	Remuneration		Deduction	Remuneration		Deduction
415.36 –	415.54	18.80	429.25 –	429.42	19.55	443.14 –	443.31	20.30	457.03 –	457.20	21.05	470.92 –	471.09	21.80
415.55 –	415.72	18.81	429.43 –	429.61	19.56	443.32 –	443.50	20.31	457.21 –	457.39	21.06	471.10 –	471.28	21.81
415.73 –	415.91	18.82	429.62 –	429.79	19.57	443.51 –	443.68	20.32	457.40 –	457.57	21.07	471.29 –	471.46	21.82
415.92 –	416.09	18.83	429.80 –	429.98	19.58	443.69 –	443.87	20.33	457.58 –	457.76	21.08	471.47 –	471.65	21.83
416.10 –	416.28	18.84	429.99 –	430.17	19.59	443.88 –	444.05	20.34	457.77 –	457.94	21.09	471.66 –	471.83	21.84

WebRas

WebRAS is a web based application program, based on the RQ'S mathematical formulas available on RQ's website. The tool can be used to calculate the employee's QPP contributions, QPIP premiums, Québec provincial income tax and employer QPP contributions, QPIP premiums and contributions to the health services fund.

Example:

Carole Gendron works in continuous employment for Salon Roy in Montréal, Québec. Carole is paid weekly. The pensionable earnings per pay are $430.00.

Entering the information into WebRAS will produce the following results:

Source deductions for the current pay period

Québec income tax to be withheld on gross income

$ 15.66

Contributions	Rate	Amount
QPP contributions		$ 21.40
QPIP premiums		$ 2.12

Note: this example is for illustration purposes and is not reflective of the current year rates.

Manual Calculation Method

The *Source Deduction Tables for QPP Contributions* have the pay period exemption built into the calculations for QPP contributions. In the situations below, the calculation must be done manually, rather than by using the tables:

- the employee's pensionable earnings are greater than the maximum in the tables
- the employee is paid on an irregular basis
- the employee is receiving more than one payment in the pay period

The method for manually calculating the QPP contribution follows.

Step 1: $\text{Pay Period Exemption} = \dfrac{\text{Yearly Basic Exemption}}{\text{Pay Period Frequency}}$

Calculate the basic pay period exemption that applies to the pay frequency. To do this, divide the yearly basic exemption, $3,500.00, by the number of pay periods in the year.

Step 2: Contributory Earnings = Pensionable Earnings – Pay Period Exemption

Subtract the result of Step 1 from the employee's pensionable earnings for the pay period.

Step 3: QPP contribution = Contributory Earnings x Contribution Rate

Multiply the result of Step 2 by the current year's QPP contribution rate, 6.15%. Make sure the accumulated annual contribution does not exceed the maximum for the year. The result is the amount of contributions you should withhold from the employee. As an employer, you have to pay the same amount as your employee.

Example:

An employee has semi-monthly pensionable earnings of $2,000.00 per pay. The QPP contribution calculation per pay period would be as follows:

Step 1:

QPP pay period exemption $= \dfrac{\text{Yearly Basic Exemption}}{\text{Pay Period Frequency}}$

$= \dfrac{\$3{,}500.00}{24}$

= $ 145.83

Step 2:

Contributory earnings = Pensionable Earnings - Pay Period Exemption
= $2,000.00 - 145.83
= $1,854.17

Step 3:

QPP contribution = Contributory Earnings x Contribution Rate
= $1,854.17 x 0.0615
= $114.03

In summary:

Pensionable earnings	$2,000.00
QPP pay period exemption ($3,500.00 ÷ 24)	- 145.83
Contributory earnings	$1,854.17
QPP contribution rate (6.15%)	× 0.0615
QPP contribution – employee	**$ 114.03**
QPP contribution – employer	**$ 114.03**

Employee Earning Over the Maximum Pay in the Tables

If an employee earns over the maximum dollar amount shown in the source deduction tables, the QPP contribution must be calculated using the manual method.

Example:

The employee's pensionable earnings for a bi-weekly pay period are $20,000.00, which is over the maximum in the source deduction tables. The QPP contribution would be manually calculated as follows:

Step 1:

QPP pay period exemption $= \dfrac{\text{Yearly Basic Exemption}}{\text{Pay Period Frequency}}$

$= \dfrac{\$3{,}500.00}{26}$

$= \$\ 134.61$

Step 2:

Contributory earnings = Pensionable Earnings - Pay Period Exemption
= $20,000.00 - 134.61
= $19,865.39

Step 3:

QPP contribution = Contributory Earnings x Contribution Rate
= $19,865.39 x 0.0615
= $1,221.72

In summary:

Pensionable earnings	$20,000.00
QPP pay period exemption ($3,500.00 ÷ 26)	- 134.61
Contributory earnings	$19,865.39
QPP contribution rate (6.15%)	x 0.0615
QPP contribution – employee	**$ 1,221.72**
QPP contribution – employer	**$ 1,221.72**

An employee is Paid on an Irregular Basis

If an employee's pay periods are irregular, the pay period exemption is equal to the higher of the following amounts:

- (the number of days since the last payment divided by the number of days in the year) multiplied by the annual exemption of $3,500.00
- $67.30

The number of days between payments is calculated from the day after the last payment to the day before the current payment. If the result is an amount with a fraction of a cent, do not take the fraction into account.

In the case of a leap year, 366 would be used as the number of days in the year. For this course, 365 days will be used.

Example:

Tracy Labonte is a salesperson for Logan Industries. Commission is paid based on sales of the organization's products. On June 1, Tracy was paid $2,465.00 in commissions; there were 73 days between this and the last commission payment.

QPP exemption $= \dfrac{\text{Days between payments}}{\text{Number of days in the year}} \times \text{Yearly basic exemption}$

$= \dfrac{73}{365} \times \$3,500.00$

$= 0.20 \times \$3,500.00$

$= \$\ 700.00$

Pensionable earnings	$2,465.00
QPP exemption	- 700.00
Contributory earnings	$1,765.00

When Tracy receives the next commission payment in the year, the exemption will be calculated based on the number of days since June 1. The exemption is not rounded.

If the last commission payment was in the previous year, the number of days between payments is limited to the number of days in the current year before the current payment.

Example:

Jason Jacobs is also a salesperson for Logan Industries. A commission payment of $4,800.00 was paid on December 19 of the previous year. Jason was paid $13,200.00 in commissions on May 27 of the current year. There were 146 days from January 1 to the date the commission was paid.

$$\text{QPP exemption} = \frac{\text{Days } \textbf{in the year} \text{ prior to the current payment}}{\text{Number of days in the year}} \times \text{Yearly basic exemption}$$

$$= \frac{146}{365} \times \$3{,}500.00$$

$$= 0.40 \times \$3{,}500.00$$

$$= \$1{,}400.00$$

Pensionable Earnings	$13,200.00
QPP Exemption	- 1,400.00
Contributory Earnings	$11,800.00

Although Jason received a commission payment in December of the previous year, the number of days is limited to the number of days in the current year before the current payment.

More Than One Payment per Pay Period

The figures contained in the source deduction tables already have the QPP pay period exemption built into them. For this reason, if issuing more than one payment within the same pay period, use the tables to calculate the QPP contribution for the first payment only. Calculate the QPP contribution for the second payment by multiplying the pensionable earnings by the QPP rate, without applying an exemption. This will ensure that only one pay period exemption is applied for each pay period and that the yearly basic exemption is not exceeded.

If, however, the second payment is for a future pay period, for example, advance vacation pay, the exemption should be applied as usual.

Example:

An employee whose employment has been terminated is owed one week's vacation pay of $500.00, in addition to their regular pay. The QPP contribution on the separate payment of vacation pay would be calculated as follows:

Pensionable earnings	$ 500.00
QPP contribution rate (6.15%)	x 0.0615
QPP contribution – employee	**$ 30.75**
QPP contribution – employer	**$ 30.75**

Another option would be to add the two payments together and then either use the Source Deduction Tables or WebRas to determine the QPP contribution or manually calculate the contribution by reducing the total pensionable earnings by the pay period exemption and then applying the contribution rate.

Example:

An employee is paid a bonus of $2,000.00 along with the regular semi-monthly pay of $3,980.00. There is also a semi-monthly non-cash taxable benefit of $20.00. The QPP contribution would be manually calculated as follows:

Regular pay	$3,980.00
Non-cash taxable benefit	20.00
Bonus	2,000.00
Pensionable earnings	$6,000.00
QPP pay period exemption ($3,500.00 ÷ 24)	- 145.83
Contributory earnings	$5,854.17
QPP contribution rate (6.15%)	x 0.0615
QPP contribution – employee	**$ 360.03**
QPP contribution – employer	**$ 360.03**

Annual Maximum Contribution

Once the maximum contribution for the year has been withheld from the employee, no further QPP contributions would be required for the current year. It is important to monitor your payroll system to make sure QPP contributions stop once the employee has reached the maximum contribution for the year. If issuing an off-cycle manual payment to the employee, be sure to check the year-to-date QPP deductions so that you do not withhold any amounts over the maximum.

Example:

The employee's pensionable earnings for a bi-weekly pay period is $3,150.00. The QPP contribution would be calculated manually as follows:

Step 1:

QPP pay period exemption = Yearly Basic Exemption / Pay Period Frequency

= $3,500.00 / 26

= $134.61

Step 2:

Contributory earnings = Pensionable Earnings - Pay Period Exemption

= $3,150.00 - 134.61

= $3,015.39

Step 3:

QPP contribution = Contributory Earnings x Contribution Rate

= $3,015.39 x 0.0615

= $185.45

In summary:

Pensionable earnings	$3,150.00
QPP pay period exemption ($3,500 ÷ 26)	- 134.61
Contributory earnings	$3,015.39
QPP contribution rate (6.15%)	x 0.0615
QPP contribution – employee	**$ 185.45**
QPP contribution – employer	**$ 185.45**

After 20 pays, this employee will have contributed $3,709.00, close to the annual maximum contribution of $3,776.10. We must calculate the amount of QPP contributions on the twentieth pay so that the employee does not contribute over the annual maximum.

QPP contributions on the first twenty pays ($185.45 x 20)	$3,709.00
QPP contribution on the twenty first pay ($3,776.10 -3,709.00)	67.10
	$3,776.10

This employee and the employer will each only contribute $67.10 in QPP contributions on the twenty first pay. No further QPP contributions from this employee would be required this year.

Content Review

- Pensionable earnings include salary, wages, and other remuneration paid, as well as any taxable benefits, taxable allowances and taxable expense reimbursements paid or provided to employees.
- Once an employer has deducted the annual maximum Québec Pension Plan (QPP) contribution from an employee, no further QPP deductions are to be withheld from the employee for that year.
- Both employees and employers are required to make QPP contributions. Employers match their employees' QPP contributions dollar for dollar and remit both portions to Revenu Québec (RQ).
- The *Source Deduction Tables for QPP Contributions* have the pay period exemption built into the calculations for QPP contributions; for this reason, in certain situations, the calculation must be done manually.

Review Questions

7. Lily was handed a list of new hires and was asked to calculate the bi-weekly Québec Pension Plan contributions for each worker, where applicable. Complete the questions, using the worksheets provided.

NAME	AGE	BI-WEEKLY INCOME	JOB STATUS
Michael	25	$5,100	full-time
Steven	17	$ 500	part-time
Frank	32	$2,800	independent contractor
Jerry	72	$ 750	part-time, receives a QPP retirement pension
Ed	53	$1,500	permanent, part-time
John	40	$4,000	full-time and receives a CPP disability benefit

a. For which of the workers listed must the employer deduct Québec Pension Plan contributions? Why or why not?

	CONTRIBUTE		REASON
	YES	NO	
Michael			
Steven			
Frank			
Jerry			
Ed			
John			

b. Calculate the employee and employer Québec Pension Plan (QPP) contributions for each employee who has pensionable earnings.

	MICHAEL	STEVEN	FRANK
Pensionable earnings			
QPP pay period exemption ($3,500.00÷ 26)			
Contributory earnings			
QPP contribution rate (6.15%)			
Employee’s QPP contribution			
Employer’s QPP contribution			

	JERRY	ED	JOHN
Pensionable earnings			
QPP pay period exemption ($3,500.00÷ 26)			
Contributory earnings			
QPP contribution rate (6.15%)			
Employee's QPP contribution			
Employer's QPP contribution			

c. Assume that this is the 12th pay of the year for each of these employees. They have earned the same pensionable earnings in each pay period of the current year. Calculate the employer and employee Québec Pension Plan contributions for each employee for this pay, their 12th of the year (the current annual maximum employee Québec Pension Plan contribution is $3,776.10).

		MICHAEL	STEVEN	FRANK
QPP contributions per pay	A			
Number of previous pays this year	B			
Total QPP contributions to date (A x B)	C			
Balance to reach maximum ($3,776.10 for 2022 – YTD contributions)				
Employee QPP contribution this pay	D			
Employer QPP contribution this pay	E			

		JERRY	ED	JOHN
QPP contributions per pay	A			
Number of previous pays this year	B			
Total QPP contributions to date (A x B)	C			
Balance to reach maximum ($3,776.10 for 2022 – YTD contributions)				
Employee QPP contribution this pay	D			
Employer QPP contribution this pay	E			

8. Joel Tremblay sells hockey equipment and is paid by commission only. On August 31st, Joel received a commission payment of $24,800.00. There were 146 days between this payment and Joel's last commission payment.

   Calculate Joel's and the employer's Québec Pension Plan (QPP) contributions for this pay, showing all work. Joel will not reach the annual maximum for QPP with this payment.

Non-Regular Situations

The following situations require special consideration when calculating an employee's Québec Pension Plan (QPP) contributions:

- prorating the annual QPP maximum contribution
- employees hired during the year
- mergers and acquisitions

Prorating the Québec Pension Plan Maximum Contribution

Prorating is the process required to calculate QPP contributions based on pensionable employment for only part of the year. The annual QPP maximum contribution for the year must be prorated when the employee:

- turns 18
- is deemed to be disabled (as determined by Retraite Québec)
- dies

The employee turns 18

When an employee turns 18, the employer must begin withholding QPP contributions the first pay of the month following the month in which the employee's 18^{th} birthday falls.

The maximum contribution for the year has to be prorated for employees turning 18 to reflect only those months that they were eligible to contribute.

Example:

Lisa turned 18 on August 15 of the current year. The maximum annual QPP contribution would be the current year's maximum, ($3,776.10), divided by 12 months, multiplied by the 4 months that the employee was eligible to contribute (September to December).

$$\text{Prorated QPP contribution} = \frac{\text{Current annual maximum contribution limit}}{12} \times \text{Number of months eligible to contribute}$$

$$= \frac{\$3,776.10}{12} \times 4$$

$$= \$\ 314.68 \times 4$$

$$= \$1,258.72$$

Once Lisa has had $1,258.72 in QPP contributions withheld, no further QPP contributions should be deducted.

The employee is deemed to be disabled

Employers must stop withholding QPP contributions the first pay of the month following the month the employee is deemed to be disabled (as determined by Retraite Québec). The year's maximum QPP contribution for these employees must be prorated to reflect only those months that the employee was eligible to contribute.

Example:

Retraite Québec deemed that Frank Salvatore became disabled in August. Frank brought the letter from Retraite Québec to the employer on receipt. Frank's QPP contributions were stopped on the first pay in September. The maximum QPP contribution for the year would be the current year's maximum, \$3,776.10, divided by 12 months, multiplied by the 8 months (January to August) that the employee was eligible to contribute.

$$\text{Prorated QPP contribution} = \frac{\text{Current annual maximum contribution limit}}{12} \times \text{Number of months eligible to contribute}$$

$$= \frac{\$3{,}776.10}{12} \times 8$$

$$= \$\,314.68 \times 8$$

$$= \$2{,}517.44$$

If Frank had more than \$2,517.44 in QPP contributions withheld from pay during the period January to August, the over-contribution must be refunded to him. The employer could also recover its overpayment to RQ by reducing its next remittance.

The employee dies

When an employee dies, the maximum yearly contribution is prorated over the number of months before and including the month of the death. Any refund owing to the deceased employee resulting from this prorating is made payable to the estate of the employee.

Example:

Helen Turner died on September 30th. The maximum yearly contribution of $3,776.10 had already been contributed. The maximum yearly contribution must be prorated over the 9 months up to and including the month of death (January to September).

$$\text{Prorated QPP contribution} = \frac{\text{Current annual maximum contribution limit}}{12} \times \text{Number of months eligible to contribute}$$

$$= \frac{\$3,776.10}{12} \times 9$$

$$= \$314.68 \times 9$$

$$= \$2,832.12$$

Helen's contribution	$3,776.10
Prorated maximum contribution	- 2,832.12
Helen's over-contribution	$ 943.98

Helen's over-contribution of $943.98 must be refunded to the estate. The employer could also recover its overpayment to Revenu Québec by reducing its next remittance.

Québec Pension Plan (QPP) contributions for a new hire

If an employee leaves one employer during the year to start work with another employer, the new employer has to deduct QPP contributions without taking into account what the employee's previous employer had withheld. This applies even if the employee had already paid the maximum amount during the previous employment. When the employee files their income tax return the following year, they will receive a refund of any over-contribution. The new employer, however, is not entitled to any refund of their employer portion based on the employee's overpayment.

Mergers and Acquisitions

In Québec, where an employer immediately succeeds another employer under the formation or dissolution of a partnership or the acquisition of the majority or a distinct portion of the assets of a business, without interruption of an employee's service, the new employer must take into account the amounts already deducted from the employee's remuneration for the Québec Pension Plan since the beginning of the year by the previous employer. In this way, there are no excess contributions to be refunded by RQ.

As a rule, a corporation resulting from an amalgamation does not constitute a new employer for QPP contributions, provided the amalgamation took place:

- under Part 1A of the *Companies Act*, between corporations governed by the act
- under the *Canada Business Corporations Act* (Statutes of Canada)
- under a statute of another Canadian province, where the new corporation is to continue the corporate existence of any of the corporations it replaces

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

The new corporation must not withhold QPP contributions from remuneration paid to employees, who, before the amalgamation, had already contributed the maximum annual amount of QPP.

An employee transferred from one employer to another

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

- a municipality
- a metropolitan community
- a school board
- a CEGEP
- a public institution or private institution under agreement within the meaning of the *Act respecting health services and social services* or the *Act respecting health services and social services for Cree Native persons*

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

Content Review

- The annual Québec Pension Plan (QPP) maximum contribution for the year must be prorated when the employee:
  - turns 18
  - is deemed to be disabled (as determined by Retraite Québec)
  - dies
- If an employee leaves one employer during the year to start work with another employer, the new employer has to deduct QPP contributions without taking into account what the employee's previous employer had withheld.
- Employers are not required to re-start the employee's QPP contributions in the case of a merger or acquisition.

Review Questions

9. Janine Morris turned 18 on May 15, of the current year and has been employed since September of the prior year.

    a. When will Janine's Québec Pension Plan (QPP) contributions begin?

    b. Calculate Janine's prorated annual maximum QPP contribution, showing all work.

10. Louise Latour received a letter from Retraite Québec confirming the date of disability as of November of the current year.

    a. When will Louise's Québec Pension Plan contributions stop?

    b. Calculate Louise's prorated annual maximum Québec Pension Plan contribution, showing all work.

Employment Insurance Requirements

Québec employees' insurable earnings are also subject to Employment Insurance (EI) premiums. The premiums are calculated on, and deducted from, a Québec employee's insurable earnings, which are insurable salary, wages, taxable allowances and other remuneration paid to an employee, up to their **maximum insurable earnings (MIE)**, as discussed earlier in this material.

Employment Insurance premiums are required under government legislation or statutes; therefore they are statutory deductions.

Insurable Earnings and Rates

Each year, Employment and Social Development Canada (ESDC) determines:

- an annual maximum insurable earnings (MIE) amount ($60,300.00 for 2022) on which the employer calculates Employment Insurance premiums
- a premium rate employers use to calculate the amount of Employment Insurance to deduct from employees (1.20% for 2022, in Québec)

The Employment Insurance premium rate for Québec employees is lower than the EI premium rate for employees in the rest of the country. Québec employees pay both Employment Insurance premiums and Québec Parental Insurance Plan (QPIP) premiums. Information on the QPIP follows this section.

Both employees and employers must pay EI premiums. The employee's premium is calculated by multiplying the insurable earnings by the annual premium rate (1.20% for 2022). The employer rate is 1.4 times the employees' premiums, or 1.680% (1.4 x 1.20%) of the employees' insurable earnings unless the employer has a reduced rate. Employers remit both portions to the CRA.

Additional information on EI requirements and the calculation of EI premiums were covered previously in this course.

Québec Parental Insurance Plan Requirements

The Québec Parental Insurance Plan (QPIP) came into effect on January 1, 2006. The QPIP is a social program legislated under the *Act respecting parental insurance,* Bill 140, passed by the Québec government in 2001. On March 1, 2005 the governments of Québec and Canada agreed to the funding and implementation of the QPIP.

This new program marked the first time in history that a portion of the Employment Insurance (EI) program had been transferred over to provincial jurisdiction. In this case, the portion of the EI program that transferred over to the Québec government was the benefits applicable to the maternity and parental leave provisions of the EI program (including adoption leave).

On June 17th, 2005, the Québec Government passed Bill 108, *An Act to amend the Parental Insurance Plan Act*. The amendments included clarifications that outlined the fact that the benefits would be calculated based on the provisions that are outlined in the *Employment Insurance Act* for insurable earnings.

The plan provides for the payment of benefits to a Québec resident who takes maternity, paternity, adoption or parental leave during which they have an interruption of earnings.

Similar to Employment Insurance benefits, Québec Parental Insurance Plan benefits are paid as a percentage of insurable earnings for a period of weeks, subject to an earnings cap. However, QPIP benefits differ from EI benefits in several ways:

- the maximum earnings cap is higher under the QPIP than under EI
- the benefit rate is based on a higher percentage of insurable earnings
- there is no waiting period to receive the first benefit payment
- fathers can receive five weeks of paternity leave in addition to the regular parental leave, which may be taken by either parent or shared between them

The following chart compares the benefits under EI and QPIP.

	EI	QPIP
Maximum Insurable Earnings	$60,300.00	$88,000.00
Choice of Payments	Yes	Yes
Maternity Leave	15 weeks at 55%	18 weeks at 70% or 15 weeks at 75%
Paternity Leave	N/A	5 weeks at 70% or 3 weeks at 75%
Parental Leave or Adoption Leave	Shareable Up to 40 weeks at 55% but one parent cannot receive more than 35 weeks or Shareable Up to 69 weeks at 33% but one parent cannot receive more than 61 weeks	Shareable 32 weeks (First 7 weeks at 70% and next 25 weeks at 55% of earnings) Four additional benefit weeks once eight shareable parental benefit weeks have been paid to each parent – 55% of earnings or Shareable 25 weeks at 75% of earnings Three additional benefit weeks once six shareable parental benefit weeks have been paid to each at 75% of earnings
Parental for Multiple Births	N/A	Non-shareable 5 weeks to each parent at 70% of earnings or Non-shareable 3 weeks to each parent at 75% of earnings
Additional Adoption Leave	N/A	Non-shareable 5 weeks to each parent at 70% of earnings or Non-shareable 3 weeks to each parent at 75% of earnings
Adoption-Related Welcome and Support	N/A	Shareable 13 weeks at 70% of earnings or Shareable 12 weeks at 75% of earnings
Multiple Adoption	N/A	Non-shareable 5 weeks to each parent at 70% of earnings or Non-shareable 3 weeks to each parent at 75% of earnings
Waiting Period	1 week	N/A

The QPIP maximum insurable earnings are set by regulation through the Québec *Workers Compensation Act*.

The Québec Parental Insurance Plan is funded by:

- employees who pay premiums through payroll deductions
- employers who pay premiums based on the employees' QPIP insurable earnings
- premiums paid by self-employed persons

The Québec Parental Insurance Plan is administered by the Ministère du Travail, de l'Emploi et de la Solidarité sociale. QPIP serves as a replacement for maternity and parental benefits currently received by employees in other provinces or territories across Canada through the Employment Insurance (EI) program administered by Service Canada. The Québec Parental Insurance Plan (QPIP) offers more benefits to a wider group of individuals. The benefit qualification periods also vary from those currently available through the EI program.

Payroll is responsible for the collection of QPIP premiums and for remitting these premiums, along with the employer's portion, to Revenu Québec (RQ). In this material, you will learn the criteria that determine the QPIP insurable earnings, how to calculate the premiums required on these earnings and how to calculate the employer's portion of the remittances. QPIP premiums are remitted by employers to RQ along with their regular remittances for QPP contributions, Québec provincial tax, contributions to the health services fund and CNESST occupational health and safety premiums. RQ remits the employee and employer QPIP premiums to the parental insurance fund, the Ministère du Travail, de l'Emploi et de la Solidarité sociale then pays benefits to the claimant from this fund.

Who Must Pay Québec Parental Insurance Plan Premiums

All employees and employers must pay QPIP premiums on insurable earnings and allowances from insurable employment. Most allowances given to employees (for example, a car allowance) are also insurable.

Insurable earnings are subject to QPIP premiums if the amount is paid to an employee who:

- reports for work at an employer's establishment located in Québec
- is not required to report for work at any of the employer's establishments (in Québec or elsewhere), but is paid from one of the employer's establishments located in Québec

Example:

Klassen Inc.'s headquarters is located in Joliette, Québec; 250 employees work at this office. Klassen also has 2 salespeople who work from their homes in New Brunswick, but are paid from the office in Joliette. The remuneration paid to the salespeople is subject to QPIP premiums, as is the remuneration paid to the employees who work at the organization's headquarters.

Types of Employment Subject to Québec Parental Insurance Plan Premiums

QPIP insurable employment includes most employment in Québec under a contract of service (where an employee-employer relationship exists). Some employment outside Québec is also insurable.

Information describing the types of employment not subject to QPIP premiums follows. This information can also be found in the *Guide for Employers: Source Deductions and Contributions* – TP-1015.G-V which is published by RQ.

Types of Employment Not Subject to Québec Parental Insurance Plan Premiums

On November 2, 2005, the Québec government published the *Regulation under the Act respecting parental insurance*. Under this regulation, the following employment categories are excluded from the application of the Québec Parental Insurance Plan:

1. The employment of a member of a religious order who has taken a vow of poverty and whose remuneration is paid directly, or by the member, to the order.
2. Employment in Québec of a Canadian resident by another government or by an international organization, unless that government or organization agrees to the employment being included.
3. Employment that constitutes an exchange of work or services.
4. Employment in agriculture, an agricultural enterprise or horticulture if the employee is not regularly employed by the employer in that employment and is employed by that employer for fewer than 7 days in a year.
5. Employment by the Government of Canada, the government of a province, a municipality or a school board in connection with a referendum or election, if the person is not regularly employed by that employer and is employed by that employer for fewer than 35 hours for such referendum or election.
6. Employment, other than as an entertainer, in a circus, show, fair, parade, carnival, exposition, exhibition or other like activity, if the person is not regularly employed by the employer in that employment and is employed by that employer for fewer than 7 days in a year.

7. Employment for a rescue operation, if the person is not regularly employed by the employer in that employment and is employed by that employer for fewer than 7 days in a year.
8. Employment as part of an exchange program, if the employee receives remuneration from an employer not resident in Canada.
9. Casual employment not performed in the course of the employer's business or usual trade.

The office of judge or justice of the peace, under the *Courts of Justice Act* or the *Act respecting municipal courts*, will become subject to the Québec Parental Insurance Plan upon the establishment of a supplementary plan following the requirements of Part VI.4 of the *Courts of Justice Act*. An order in council will determine the date as of which the office of judge or justice of the peace will become subject to the plan.

Determination of Québec Parental Insurance Plan Insurable Earnings

Employees and employers must pay QPIP premiums on insurable earnings, which include salaries, wages, cash taxable benefits and taxable allowances. Insurable earnings are established based on the provisions in the federal *Employment Insurance Act* and the Québec regulation, *Regulation under the Act respecting parental insurance*.

Unlike QPP, there are no age restrictions on the withholding of QPIP premiums. As a result, regardless of an employee’s age, QPIP premiums are withheld on all insurable earnings earned through insurable employment.

Payments and Benefits Subject to Québec Parental Insurance Plan Premiums

As a rule, payments and benefits subject to federal Employment Insurance premiums are also subject to QPIP premiums. Most earnings and allowances that you pay totally or partly in cash to an employee are insurable. The following are some of the more common payments and benefits subject to QPIP premiums, further information can be obtained from the RQ’s *Guide for Employers: Source Deductions and Contributions* – TP-1015.G-V:

- salaries or wages
- bonuses and reinstatement pay
- commissions
- director’s fees paid to residents or non-residents
- wages in lieu of notice
- deferred salary or wages when earned
- cash taxable benefits
- vacation pay

- taxable and non-taxable portions of municipal councillor's allowances
- taxable and non-taxable portions of emergency service volunteer payments

Payments and Benefits Not Subject to Québec Parental Insurance Plan Premiums

An employer is not required to withhold or pay QPIP premiums for the following types of remuneration:

- salary or wages paid to an employee
    - for excepted employment, as detailed earlier
    - after the maximum annual premium has been reached
- taxable benefits in kind (that is, other than in cash), other than:
    - a taxable benefit for board and lodging granted to the employee for a pay period in which the employee receives cash remuneration
    - employer contributions to an employee's RRSP when the funds are available to the employee before termination or retirement
- allocated tips
- amounts paid during a self-funded leave of absence (these amounts are subject to Québec Parental Insurance Plan premiums in the year in which they are earned, not the year in which they are paid)
- wage loss replacement benefits paid under a wage loss replacement plan to which the employer contributed
- the deferred portion of salary or wages paid under a salary deferral arrangement, as QPIP was withheld when it was earned
- benefits paid under a supplementary unemployment benefit plan for maternity and/or parental top-up payments

Similarly, employers are not to withhold or pay Québec Parental Insurance Plan premiums from the following types of remuneration as they are not considered income from employment in Québec:

- certain amounts paid further to an industrial accident
- retiring allowances, other than wages in lieu of notice
- death benefits
- retirement benefits
- patronage dividends

Additional, less common, types of payments and benefits not subject to QPIP premiums can be found in RQ's *Guide for Employers: Source Deductions and Contributions* – TP-1015.G-V.

Content Review

- Québec employees' insurable earnings are also subject to Employment Insurance (EI) premiums. The premiums are calculated on, and deducted from, a Québec employee's insurable earnings.
- The Québec Parental Insurance Plan (QPIP) provides for the payment of benefits to a Québec resident who takes maternity, paternity, adoption or parental leave during which they have an interruption of earnings.
- QPIP benefits differ from Employment Insurance (EI) benefits in several ways:
  - the maximum earnings cap is higher under the QPIP than under EI
  - the benefit rate is based on a higher percentage of insurable earnings
  - there is no waiting period to receive the first benefit payment
  - fathers can receive five weeks of paternity leave in addition to the regular parental leave, which may be taken by either parent or shared between them
- The Québec Parental Insurance Plan is funded by:
  - employees who pay premiums through payroll deductions
  - employers who pay premiums based on the employees' QPIP insurable earnings
  - premiums paid by self-employed persons
- QPIP premiums are remitted by employers to Revenu Québec (RQ) along with their regular remittances for Québec Pension Plan (QPP), Québec provincial tax, contributions to the health services fund and Commission des normes, de l'équité, de la santé et de la sécurité du travail (CNESST) occupational health and safety premiums.
- All employees and employers have to pay QPIP premiums on insurable earnings and allowances from insurable employment.
- Insurable earnings are subject to QPIP premiums if the amount is paid to an employee who:
  - reports for work at an employer's establishment located in Québec
  - is not required to report for work at any of the employer's establishments (in Québec or elsewhere), but is paid from one of the employer's establishments located in Québec
- Insurable earnings include salaries, wages, cash taxable benefits and taxable allowances.
- The following payments and benefits are subject to QPIP premiums:
  - salaries or wages
  - bonuses and reinstatement pay
  - commissions
  - director's fees paid to residents or non-residents
  - wages in lieu of notice

  - deferred salary or wages when earned
  - cash taxable benefits
  - vacation pay
  - taxable and non-taxable portions of municipal councillor's allowances
  - taxable and non-taxable portions of emergency service volunteer payments
- The following payments and benefits are not subject to QPIP premiums:
  - salary or wages paid to an employee
    - for excepted employment, as detailed earlier
    - after the maximum annual premium has been reached
  - taxable benefits in kind (that is, other than in cash), other than
    - a taxable benefit for board and lodging granted to the employee for a pay period in which the employee receives cash remuneration
    - employer contributions to an employee's RRSP when the funds are not available to the employee before termination or retirement
  - allocated tips
  - amounts paid during a self-funded leave of absence (these amounts are subject to Québec Parental Insurance Plan premiums in the year in which they are earned, not the year in which they are paid)
  - wage loss replacement benefits paid under a wage loss replacement plan to which the employer contributed
  - the deferred portion of salary or wages paid under a salary deferral arrangement, as QPIP was withheld when it was earned
  - benefits paid under a supplementary unemployment benefit plan for maternity and/or parental top-up payments
- The following amounts are not considered income from employment and are therefore not subject to QPIP premiums:
  - certain amounts paid further to an industrial accident
  - retiring allowances, other than wages in lieu of notice
  - death benefits
  - retirement benefits
  - patronage dividends

Review Questions

11. Which of the following leaves is (are) covered by the Québec Parental Insurance Plan? (There may be more than one correct answer.)

    a. Parental
    b. Sickness
    c. Maternity
    d. Child care
    e. Adoption

12. Provide two ways Québec Parental Insurance Plan benefits differ from Employment Insurance benefits.

13. How is the Québec Parental Insurance Plan funded?

14. What is payroll's responsibility concerning Québec Parental Insurance Plan premiums?

15. Which of the following categories of employment is (are) not subject to Québec Parental Insurance Plan premiums? (There may be more than one correct answer.)

    a. Employment of a member of a religious order who has taken a vow of poverty and whose remuneration is paid directly or by the member to the order.
    b. Employment as an entertainer in a circus
    c. Employment for a rescue operation, if the person is not regularly employed by the employer in that employment and is employed by that employer for fewer than 7 days in a year.
    d. Employment as part of an exchange program, if the employee receives remuneration from an employer not resident in Canada.

16. Indicate in the following table if the payment or benefit is subject to Québec Parental Insurance Plan premiums.

PAYMENT OR BENEFIT	YES	NO
Commissions		
Cash taxable benefits		
Allocated tips		
Wages in lieu of notice		
Retiring allowances		
Death benefits		
Taxable benefits in kind		
Deferred salary when earned		
Deferred salary when paid		

Québec Parental Insurance Plan Premium Calculations

Québec Parental Insurance Plan premiums are calculated on an employee's insurable earnings from insurable employment. Insurable earnings include salary, wages and other remuneration paid as well as any cash taxable benefits and taxable allowances.

The employee's premium is calculated by multiplying the insurable earnings by the annual rate (0.494% for 2022). The employer's portion is calculated by multiplying the employee's insurable earnings by the employer's annual rate (0.692% for 2022).

The employee and employer premium rates are determined by the Conseil de gestion de l'assurance parentale. QPIP premiums must be withheld from employees from the first insurable dollar earned to the maximum insurable earnings ($88,000.00 for 2022); there is no exemption for QPIP purposes. Once an employer has deducted the maximum premiums for the year ($ 434.72 for 2022), no further QPIP premiums should be withheld from the employee for that year.

For 2022:

Maximum Insurable Earnings (MIE)	A	$88,000.00
Employee's QPIP premium rate	B	0.494%
Employee's maximum premium (A x B)	C	$434.72
Employer's QPIP premium rate	D	0.692%
Employer's maximum premium per employee (A x D)	E	$608.96

Québec employees pay both Québec Parental Insurance Plan premiums and Employment Insurance (EI) premiums. The EI premium rate for Québec employees (1.20%) is lower than the EI premium rate for employees in the rest of the country (1.58%).

The EI maximum insurable earnings and annual maximum premiums for Québec employees and employers are as follows:

For 2022:

Maximum Insurable Earnings (MIE)	A	$60,300.00
Employee EI Premium Rate in Québec	B	1.20%
Annual Maximum Employee Premium for EI (A x B)	C	$723.60
Employer Rate to apply to Employee Premium	D	1.4
Annual Maximum Employer Premium for EI (C x D)	E	$1,013.04

Regular Pay Periods

QPIP premiums on regular earnings can be calculated using the following methods:

- *Table for Québec Parental Insurance Plan Premiums* – TP-1015.TA-V
- WebRAS
- manual calculation
- mathematical formulas provided by RQ

Payroll service providers and organizations that use an in-house payroll system will build the formulas for computer programs into their software. Payroll practitioners must be prepared to use the source deductions tables, WebRAS or the manual calculation method if they need to produce a payroll cheque.

Note:
The tables and online tools used as illustrations throughout this chapter are not necessarily those of the current year

Table for Québec Parental Insurance Plan Premiums

RQ annually publishes the tables that provide the amounts to be withheld for QPIP contributions. The tables are issued effective January 1 of each year; however, should there be a change during the year that affects the amounts reported in the tables, RQ will publish new tables, effective the date of the change. The tables can be downloaded from RQ's website.

The following steps explain how to use the *Table for Québec Parental Insurance Plan Premiums*:

STEP	ACTION
1	Look down the "Insurable Salary or Wages" column and find the range containing the employee's insurable earnings.
2	Locate the corresponding QPIP employee and employer premium required. Be careful not to confuse the employee's premium with the employer's premium.

Example:

George Roy works part-time for Café Hubert and is paid weekly. For this pay period, George has $212.00 in QPIP insurable earnings. Following the above steps:

a) Look down the "Eligible Salary or Wages" column and find the range that contains $212.00. In this case, the range is $211.96 - $213.86.
b) Locate the QPIP employee premium of $1.12
c) Locate the QPIP employer premium of $1.57

QPIP PREMIUMS

Eligible salary or wages	Employee premium	Employer premium	Eligible salary or wages	Employee premium	Employer premium	Eligible salary or wages	Employee premium	Employer premium
0.01 – 2.83	0.01	0.02	105.50 – 107.39	0.56	0.79	210.06 – 211.95	1.11	1.56
2.84 – 4.73	0.02	0.03	107.40 – 109.29	0.57	0.80	211.96 – 213.86	1.12	1.57
4.74 – 6.63	0.03	0.05	109.30 – 111.19	0.58	0.82	213.87 – 215.76	1.13	1.59
6.64 – 8.53	0.04	0.06	111.20 – 113.10	0.59	0.83	215.77 – 217.66	1.14	1.60
8.54 – 10.43	0.05	0.08	113.11 – 115.00	0.60	0.85	217.67 – 219.56	1.15	1.62

WebRas

WebRas can be used to calculate the employee's QPP contributions, QPIP premiums and Québec provincial income tax and the employer contributions to the health services fund.

Manual Calculation Method

Employee QPIP premiums can also be manually calculated by multiplying the employee's insurable earnings, up to the annual maximum insurable earnings for the year ($88,000.00 for 2022), by the QPIP rate. The employee rate for 2022 is 0.494%; the employer rate is 0.692%.

Example:

Terri Fraser has QPIP insurable earnings of $800.00 for the week.

Insurable earnings	$ 800.00
Employee QPIP premium rate (0.494%)	x 0.00494
Employee QPIP premiums ($800.00 x 0.494%)	**$ 3.95**
Insurable earnings:	$ 800.00
Employer QPIP premium rate (0.692%)	x 0.00692
Employer QPIP premiums ($800.00 x 0.692%)	**$ 5.54**

Example:

Frank Lasalle works 75 hours each bi-weekly pay period and earns $30.00 an hour. A $100.00 taxable car allowance is also paid each pay. Québec Parental Insurance Plan premium calculations are the same, regardless of the pay period frequency.

Wages (75 hours x $30.00)	$2,250.00
Car allowance	+ 100.00
Total insurable earnings	$2,350.00
Employee QPIP rate (0.494%)	x 0.00494
Employee QPIP premiums ($2,350.00 x 0.494%)	**$ 11.61**
Total insurable earnings	$2,350.00
Employer QPIP rate (0.692%)	x 0.00692
Employer QPIP premiums ($2,350.00 x 0.692%)	**$ 16.26**

Annual Maximum Premium

Once the maximum premium for the year has been withheld from the employee, no further QPIP premium deductions would be required for the current year. It is important to monitor your payroll system to make sure QPIP premiums stop once the employee reaches the maximum deduction for the year.

Example:

Jean Lamont has weekly insurable earnings of $2,690.00.

The year-to-date (YTD) insurable earnings are $86,080.00 (32 weeks in 2022) and the year-to-date QPIP premiums deducted are $425.28 ($2,690.00 x 0.494% = $13.29 x 32 = $ 425.28).

The employer's year-to-date QPIP premiums paid are $595.52 ($2,690.00 x 0.692% = $18.61 x 32 = $595.52).

2022 QPIP employee annual premium maximum	$434.72
Employee YTD premiums	- 425.28
Balance to reach maximum	$9.44

Jean will only pay QPIP premiums of $9.44 on the next pay to reach the annual maximum premium.

2022 QPIP employer annual premium maximum	$ 608.96
Employer YTD premiums	- 595.52
Balance to reach maximum	$13.44

Jean's employer will only pay QPIP premiums of $13.44 for Jean's next pay to reach the annual maximum premium.

If issuing a manual payroll cheque to an employee between regular payrolls, be sure to check the year-to-date QPIP premiums so that you do not withhold any amounts over the maximum.

Non-Regular Situations

Québec Parental Insurance Plan (QPIP) premiums for a new hire

Similar to QPP, if an employee leaves one employer during the year to start work with another employer, the new employer has to deduct QPIP premiums without taking into account what the employee's previous employer had withheld. This applies even if the employee had already paid the maximum amount during the previous employment. When the employee files their income tax return the following year, they will receive a refund of any overpaid premiums. The new employer, however, is not entitled to any refund of their employer portion based on the employee's overpayment.

Successive Employers

Where, during the year, an employer immediately succeeds another employer, the new employer must take into account the QPIP premiums that the previous employer deducted following:

- the formation or winding-up of a corporation
- the acquisition of a major portion of the property of an undertaking or of a separate part of an undertaking and there was no interruption of the employees' service

Corporate amalgamation

The amalgamation of two or more corporations does not affect their obligations to the Québec Parental Insurance Plan. The new corporation may keep the corporate name of one of the original corporations or adopt a new name but must get a new identification number from RQ. Also, the new corporation must file an application with Revenu Québec to have the funds in accounts that are to be closed transferred to its active account. A copy of the new articles of incorporation must be enclosed with the application.

As a rule, a corporation resulting from the amalgamation of two or more corporations does not constitute a new employer for Québec Parental Insurance Plan if the corporations are amalgamated:

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

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

The new corporation must not withhold Québec Parental Insurance Plan premiums from the salaries or wages paid to employees who, before the amalgamation, had already paid the maximum annual premium.

Content Review

- Québec Parental Insurance Plan premiums are calculated on an employee’s insurable earnings from insurable employment. Insurable earnings include salary, wages and other remuneration paid as well as any cash taxable benefits and taxable allowances.
- The employee’s premium is calculated by multiplying the insurable earnings by the annual rate.
- The employer’s portion is calculated by multiplying the employee’s insurable earnings by the employer's annual rate.
- Québec employees pay both Québec Parental Insurance Plan premiums and Employment Insurance (EI) premiums. The EI premium rate for Québec employees is lower than the EI premium rate for employees in the rest of the country.
- Once the maximum premium for the year has been withheld from the employee, no further QPIP premium deductions would be required for the current year.
- Employers are not required to re-start QPIP premiums if they are a successive employer provided there was no interruption of the employee’s service.

Review Questions

17. Jean-Philippe earns $2,000.00 in insurable earnings weekly. Calculate the Québec Parental Insurance Plan (QPIP) premiums to be withheld from the next pay as well as the employer's premium. Jean-Philippe will not reach the maximum annual QPIP premiums on this pay.

18. Keith has had $ 428.68 deducted in Québec Parental Insurance Plan (QPIP) premiums to date (28 pays). What would the withholding for QPIP premiums be on the next weekly pay of $3,100.00? The employer has paid $ 600.60 in QPIP premiums for Keith's pay. What would the employer's premium be?

19. Joanne Keating, who is paid $2,200.00 bi-weekly, also receives the following in addition to the regular salary each pay: a group term life insurance non-cash taxable benefit of $6.50 and a taxable cash car allowance of $250.00. Calculate both Joanne's and the employer's Québec Parental Insurance Plan premiums assuming the annual maximum has not been reached.

Québec Provincial Income Tax

Québec is the only jurisdiction that collects its own provincial income tax. Therefore, there are two separate income tax deductions withheld from employees working in Québec - one federal and one provincial. The federal portion is remitted to, and administered by, the Canada Revenue Agency (CRA); the provincial portion is remitted to and administered by, Revenu Québec (RQ). The federal income tax and Québec provincial income tax withholdings are shown as separate line items on the employee's pay statement.

Québec provincial income tax is withheld from employees who:

- report to work at an establishment of the employer located in Québec
- do not report to an establishment of the employer but are paid from the employer's establishment located in Québec

Example: Aciers Leroux has locations throughout Québec with its head office located in Vaudreuil, Québec. While most of Leroux's employees report to work at a location in Québec, they also have salespeople who live in New Brunswick and Ontario, who work out of their homes. Although the salespeople do not report to one of Leroux's Québec locations, they are paid from their head office in Vaudreuil and have Québec provincial income tax withheld from their pay.

Remuneration Subject to Québec Income Tax

Québec provincial income tax deductions at source are withheld from the following types of remuneration:

- salary or wages, which may include the following amounts as well as any similar payment made to an employee:
    - fees, commissions, overtime pay
    - reinstatement payments, advances, bonuses
    - tips
    - taxable benefits
    - amounts paid after an employee's death
- single payments, such as a retiring allowance or the taxable portion of a death benefit
- an amount indicated by a self-employed fisher

The total of these types of remuneration is the employee's pensionable earnings.

Example:

Claire Rose received the following remuneration from the Québec employer on September 30.

Monthly salary	$3,500.00
Bonus	250.00
Group term life insurance non-cash taxable benefit	+ 40.00
The pensionable earnings for September are	$3,790.00

The following tax deductible amounts are subtracted from pensionable earnings before Québec income taxes are applied to an employee's remuneration:

- employee contributions to a registered pension plan (RPP)
- contributions to a Registered Retirement Savings Plan (RRSP)
- a deduction for living in a prescribed zone as claimed on the employee's Source Deductions Return – TP-1015.3-V
- an amount stated in a letter of authority from Revenu Québec (taxpayers who expect to receive a large tax refund when they file their provincial tax return may apply to RQ to receive tax relief during the year instead of waiting until they file their return)

The deduction of these amounts from the employee's pensionable earnings results in their net taxable income, which is used as the basis for the Québec provincial income tax calculation. In Québec, union dues are not deducted from pensionable earnings to arrive at net taxable income, as they are federally.

Example:

Claire's pensionable earnings	$3,790.00
Claire's RPP contribution	- 450.00
Net taxable income	$3,340.00

Claire's federal and Québec provincial income tax will be calculated on the net taxable income of $3,340.00.

Québec TP-1015.3-V Source Deductions Return

In addition to the federal tax credits claimed on a federal Personal Tax Credits Return – TD1, Québec employees are entitled to provincial tax credits, which reduce the amount of income subject to Québec provincial income tax at source. For 2022, the basic personal amount of income on which no Québec provincial tax is payable is $16,143. Employees can reduce the amount of income subject to Québec provincial tax at source by completing the RQ's Source Deductions Return - TP-1015.3-V. Employees who do not fill out and submit a TP-1015.3-V are considered to be only claiming the basic personal amount.

In addition to the amounts an employee can claim, as outlined on the TP-1015.3-V form, the employee can request to have additional Québec provincial tax deducted or apply for a reduction in income tax.

Employees must fill out a TP-1015.3-V:

- when they start work with an employer
- within 15 days after an event that will reduce the amounts claimed on a previously completed form
- when they want an additional amount of Québec income tax withheld
- to request an exemption from source deductions of income tax from their remuneration for the year because their total employment income will be less than a certain amount

A copy of the 2022 TP-1015.3-V follows.

Note:
The forms and examples are not necessarily based on the current year. The method of determining the tax credits does not change, however, the credit amounts would change each year.

REVENU QUÉBEC

TP-1015.3-V (2022-01)
1 of 6

Source Deductions Return 2022

Complete this form and give it to your employer or payer so that they can determine how much income tax to withhold from the amounts they pay you. Be sure to read the instructions before you start.

1 Information about the employee or beneficiary (please print)

Last name

First name

Employee or beneficiary number

Date of birth Y Y Y Y M M D D

Social insurance number

2 Personal tax credits

Basic personal amount. Enter $16,143. If you have more than one employer or payer in 2022 and have already claimed this amount, go to line 10 and enter 0.		1	
Amount transferred from one spouse to the other			
Maximum amount respecting a spouse	1a $16,143		
Your spouse's estimated taxable income for 2022	– 1b		
Subtract line 1b from line 1a. If the result is negative, enter 0.	=	+	2	
Amount for dependants (Work Chart 1)	+	3	
Amount for a severe and prolonged impairment in mental or physical functions	+	5	
Age amount, amount for a person living alone and amount for retirement income (Work Chart 2)	+	6	
Add lines 1 through 6.	=	7	
Amount for career extension (Work Chart 3)	+	9	
Add lines 7 and 9. **Personal tax credits**	=	10	

3 Additional income tax to be withheld

Enter the additional amount that you would like withheld from each paycheque. **Additional income tax to be withheld** 11

4 Deductions

Enter the deductions that your employer or payer must take into account to calculate your source deductions.

Housing deduction for residents of designated remote areas		14	
Deductible support payments	+	15	
Add lines 14 and 15. (Your employer or payer will distribute the amount evenly among the pay periods remaining in the year.) **Deductions**	=	19	

5 Exemption

Check box 20 to request an exemption from **source deductions of income tax** with respect to your employment income for 2022. 20 ☐

6 Signature

I certify that the information provided in this return is accurate and complete.

Signature

Date

Work Chart 1 – Amount for dependants (see the instructions for line 3)

If you are claiming an amount for more than two children under 18 enrolled in post-secondary studies or more than two other dependants, attach another sheet containing the requested information and enter the result of your calculations on line 60.

			Children under 18 on December 31, 2022		Other dependants (18 or older)	
			1st child	2nd child	1st person	2nd person
Amount for children under 18 enrolled in postsecondary studies. Enter $3,101 per completed term that was started in 2022 (**maximum: two terms per child**).		40			**$4,519**	**$4,519**
Reduction of the amount for other dependants who turned 18 in 2022. Enter the result of the following calculation: **$377** × number of months in the year up to and including the month of the dependant's birthday	–	42	**N/A**	**N/A**		
Subtract line 42 from line 40. If the result is negative, enter 0.	=	45				
Estimated net income[1] of the child or dependant for 2022	–	47				
Subtract line 47 from line 45. If the result is negative, enter 0.	=	50				

Add all the amounts on line 50. Carry the result to line 3. **Amount for dependants** 60

Work Chart 2 – Age amount, amount for a person living alone and amount for retirement income (see the instructions for line 6)

Age amount							
Enter $3,395 for each person (you and your spouse) who will be 65 or older in 2022.						70	
Amount for a person living alone				75			
Additional amount for a person living alone (single-parent family)		76					
$190 × number of months in 2022 in which you are entitled to the family allowance	–	77					
Subtract line 77 from line 76.	=			+ ▶ 78			
Add lines 75 and 78.				=		+ ▶ 79	
Amount for retirement income (maximum: $3,017)						+ 80	
Amount for retirement income for your spouse on December 31, 2022 (maximum: $3,017)						+ 81	
Add lines 70, and 79 to 81.						= 85	
Estimated net family income							
Add your estimated net income and that of your spouse on December 31, 2022				90			
				– 91	$36,590		
Subtract line 91 from line 90. If the result is negative, enter 0.				= 92			
				× 93	18.75%		
Multiply line 92 by **18.75%**.				=		▶ 95	
Subtract line 95 from line 85. If the result is negative, enter 0.						= 96	
Amount from line 6 of your spouse's TP-1015.3-V form						– 97	
Subtract line 97 from line 96. Carry the result to line 6. **Age amount, amount for a person living alone and amount for retirement income**						= 98	

1. Do not take into account the amount of the deduction for residents of designated remote areas or any scholarships, bursaries or similar financial assistance. If the child or dependant was not resident in Canada throughout the year, take into account all of their income, including any income earned while they were not resident in Canada.

+

Work Chart 3 – Amount for career extension (see the instructions for line 9)

Estimated eligible work income					110	
Portion of the income on line 110 that you expect to earn before turning 60 **or** that is related to a previous year (retroactive amount)				–	111	
Subtract line 111 from line 110. If you were born in 1957, go to line 118. Otherwise, continue the calculation.				=	112	
				–	114	$5,000
Subtract line 114 from line 112 (**maximum: $11,000** if you were born before January 1, 1957, or **$10,000** if you were born after 1957 but before 1963). Carry the result to line 135 and follow the instructions for that line.				=	115	
Complete lines 118 through 130 only if you were born in 1957.						
Amount from line 112					118	
Portion of the income on line 112 that you expect to earn before your 65th birthday				–	119	
Subtract line 119 from line 118.				=	120	
		121	$5,000			
Amount from line 119	–	122				
Subtract line 122 from line 121. If the result is negative, enter 0.	=			– ▶	125	
Subtract line 125 from line 120.				=	126	
Amount from line 119		127				
	–	128	$5,000			
Subtract line 128 from line 127 (**maximum: $10,000**). If the result is negative, enter 0.				+ ▶	129	
Add lines 126 and 129 (**maximum: $11,000**).				=	130	
Amount from line 115 or line 130, as applicable. If you were born before January 1, 1951, and the amount on line 135 does not exceed $4,000, carry it to line 9. Otherwise, continue the calculation.					135	
Amount from line 110		140				
	–	141	$36,590			
Subtract line 141 from line 140. If the result is negative, enter 0.	=	142				
	×		33.33%			
Multiply line 142 by 33.33%.	=			– ▶	144	
Subtract line 144 from line 135. If the result is negative, enter 0. Carry the result to line 9, **unless** you were born before January 1, 1951, in which case you must either carry the amount from line 145 or enter $4,000, **whichever is greater**. **Amount for career extension**				=	145	

Instructions

Are you required to complete this form?

Complete this form and give it to your employer or payer so that they can determine how much income tax to withhold from the salaries, wages, commissions, pension income, parental insurance benefits, Employment Insurance benefits, wage loss replacement benefits or any other remuneration they pay you. If you do not complete this form, your employer or payer will only take into account the basic personal amount to determine the income tax to be withheld. The deduction code will remain in effect until you give your employer or payer a new duly completed copy of this form.

You are not required to complete this form each year to benefit from the annual indexation of the income tax system.

The personal tax credits and deductions that appear on this form may be subject to a limit if you are not resident in Canada or if you become a non-resident during the year. In such cases, contact us.

This form is available on our website at **revenuquebec.ca**.

Filing deadline

You must give this form, duly completed, to your employer or payer:

- on the day you take up employment, if it is an employer who pays the remuneration;
- before a payer (other than an employer) pays you remuneration for the first time;
- within 15 days after an event that results in a reduction of the amounts entered on the previously completed copy of form TP-1015.3-V.

You can also give a duly completed copy of this form to your employer or payer at any time to:

- have your employer or payer take into account any tax credits and deductions to which you are entitled when calculating the amount of income tax to withhold;
- have an additional amount of income tax withheld; or
- apply for an exemption from source deductions of Québec income tax from your employment income.

Reduction in source deductions of income tax

If you are entitled to tax credits and deductions that do not appear on this form, complete the *Application for a Reduction in Source Deductions of Income Tax* (form TP-1016-V) so that we can authorize your employer or payer to reduce the income tax that is withheld.

Line 1 Basic personal amount

If you are filing this form with a second employer or payer, enter "0" on line 10 so that the basic personal amount is not taken into account twice. However, if you no longer work for the employer or no longer receive amounts from the payer with whom you claimed this amount, file a new copy of this form with your current employer or payer.

Line 2 Amount transferred from one spouse to the other

If you expect to have a **spouse on December 31, 2022**, you can claim the amount transferred from one spouse to the other. However, you cannot claim the amount if your spouse receives indemnities further to an industrial accident, a precautionary cessation of work, a traffic accident or an act of good citizenship, or because they were the victim of a crime.

To calculate your spouse's estimated taxable income, refer to lines 101 through 299 of their income tax return for 2021. To claim the amount transferred from one spouse to the other, you and your spouse must each file an income tax return for 2022.

Spouse

The person to whom you are married, with whom you are living in a civil union or who is your de facto spouse.

De facto spouse

A person of the opposite sex or of the same sex who, at any time in 2022:

- is living in a conjugal relationship with you and is the biological or adoptive parent (legally or in fact) of at least one of your children; or
- has been living in a conjugal relationship with you for at least 12 consecutive months (the 12-month period is considered to have been uninterrupted if you live apart because of the breakdown of your relationship for a period of less than 90 days).

Spouse on December 31, 2022

The person:

- who was your spouse at the end of that day and **from whom you were not living separate and apart** at that time **because of the breakdown of your relationship**. If, on December 31, 2022, you and your spouse were separated because of the breakdown of your relationship and your separation lasted fewer than 90 days, you are considered to have had a spouse on December 31, 2022; or
- who was your spouse at the time of their death in 2022, provided you and your spouse had not been living separate and apart for 90 days or more at that time because of the breakdown of your relationship and you did not have a new spouse on December 31, 2022.

Line 3 Amount for dependants

Amount for a child under 18 enrolled in post-secondary studies

If you expect to be supporting at least one **child under 18 enrolled in post-secondary studies** on December 31, 2022, complete Work Chart 1.

If the child transfers the unused portion of their credits to their spouse, you cannot claim the amount for a child under 18 enrolled in post-secondary studies with respect to that child.

Child under 18 enrolled in post-secondary studies

A person born after December 31, 2004, who, in 2022, is a full-time student pursuing vocational training at the secondary level or postsecondary studies, and whom you are supporting. The person may be:

- your or your spouse's child;
- a person of whom you or your spouse has the custody and supervision (legally or in fact);
- your child's spouse;
- the spouse of your spouse's child.

Amount for other dependants

If you expect to be supporting at least one **other dependant** who is 18 or older in 2022, complete Work Chart 1.

Other dependant

A person who meets **all three** of the following conditions:

- The person is 18 or older in 2022.
- The person is related to you by blood, marriage or adoption.
- The person **ordinarily lives with you** and is supported by you.

The person is not your spouse, is not a person who transfers the unused portion of their credits to their spouse and is not a child who is transferring an amount for a child 18 or over enrolled in post-secondary studies.

Line 5 Amount for a severe and prolonged impairment in mental or physical functions

If, in 2022, you or your spouse is entitled to claim the amount for a severe and prolonged impairment in mental or physical functions, you can enter **$3,584** for each person with such an impairment, as certified by a health professional. For more information, refer to the *Certificate Respecting an Impairment* (form TP-752.0.14-V).

Line 6 Age amount, amount for a person living alone and amount for retirement income

The age amount, amount for a person living alone and amount for retirement income can be reduced on the basis of your estimated net family income. To calculate your estimated net family income, refer to lines 101 through 275 on your income tax return and, if applicable, on your spouse's return.

Note that you cannot claim this amount if your estimated net family income is more than $78,261 and you have a spouse on December 31, 2022, or if your estimated net family income is more than $56,245 and you do not have a spouse on December 31, 2022.

Amount for a person living alone (line 75 of Work Chart 2)

If, **throughout** 2022, you expect to maintain and ordinarily live in a **dwelling** in which you live **alone or only** with one or more people under 18, or one or more of your children, grandchildren or great-grandchildren 18 or over who are full-time students pursuing vocational training at the secondary level or post-secondary studies, enter **$1,850**.

Additional amount for a person living alone
(single-parent family) (line 76 of Work Chart 2)

You can enter **$2,284** if you are entitled to the amount for a person living alone for 2022 and:

- you live, **at some time in 2022**, with one or more of your children 18 or older who are full-time students pursuing vocational training at the secondary level or post-secondary studies; and
- you are not entitled to the family allowance for the month of December 2022.

Amount for retirement income (line 80 of Work Chart 2)

Enter the lesser of the following amounts:

- the amount of income you expect to receive in 2022 that qualifies for the retirement income amount, multiplied by 1.25;
- $3,017.

Amount for retirement income for your spouse on December 31, 2022 (line 81 of Work Chart 2)

Enter the lesser of the following amounts:

- the amount of income your spouse on December 31, 2022, expects to receive in 2022 that qualifies for the retirement income amount, multiplied by 1.25;
- $3,017.

Line 9 Amount for career extension

You can claim the amount for career extension if you meet the following conditions:

- You expect to be resident in Québec on December 31, 2022.
- You will be 60 or older on December 31, 2022.
- Your estimated **eligible work income** is more than $5,000.

To calculate the amount, complete Work Chart 3.

Eligible work income

Employment income, net business income, the net amount of research grants, Wage Earner Protection Program payments and amounts received under a work-incentive project. The following types of income are excluded:

- employment income that consists solely of taxable benefits relating to previous employment;
- employment income from an employer with whom you are not dealing at arm's length, or from an employer that is a partnership in which you and one of the members are not dealing at arm's length;
- amounts deducted in the calculation of your taxable income (for example, the amounts deducted on lines 293 and 297 of the income tax return).

Line 11 Additional income tax to be withheld

You can request that an additional amount of income tax be withheld to avoid owing an amount when you file your income tax return. Before you determine how much additional income tax should be withheld, you must estimate the amount that you will owe for the year. To do this, you can:

- base your estimate on the amount you owed when you filed last year's income tax return; or
- use form TP-1026-V, *Calculation of Instalment Payments to Be Made by Individuals*.

Once you have estimated the amount you will owe, divide it by the number of pay periods left in the year.

If you would like to change or cancel the amount of additional income tax being withheld, you must complete a new copy of this form and give it to your employer or payer.

Line 14 Housing deduction for residents of designated remote areas

If you expect to live in a prescribed **northern zone** or a prescribed **intermediate zone** for a period of at least six consecutive months beginning or ending in 2022, you can enter the lesser of the following amounts:

- 20% of your estimated net income for 2022 (do not take into account the amount of the deduction for residents of designated remote areas);
- 100% (50% for an **intermediate zone**) of one of the following amounts:
  - $22 multiplied by the number of days in 2022 you expect to live in such a zone, if no other person living in the same dwelling claims this deduction, or
  - $11 multiplied by the number of days in 2022 you expect to live in such a zone, in all other cases.

For more information, consult guide TP-350.1.G-V, *Deduction for Residents of Designated Remote Areas*.

Line 15 Deductible support payments

If, in 2022, you expect to make support payments to your spouse or former spouse, to the mother or father of your child, or to a third party for the benefit of your child or one of the aforementioned people, you can enter the amount of support on line 15, provided, as a rule, you meet the following conditions:

- The support is paid as a periodic allowance further to an order or a written agreement for the maintenance of the recipient, the maintenance of one of the recipient's children, or the maintenance of the recipient and the child, and you are living apart from the recipient at the time the payments are made.
- The support payments are not subject to the measures concerning the tax treatment of support payments.

For further information, refer to *The Tax Effects of Separation and Divorce* (IN-128-V).

Box 20 Exemption from source deductions of income tax

You can ask your employer to not withhold income tax from your employment income if you expect the total of your income from all sources to be less than the result of the following calculation: the amount on line 10, **plus** the amount on line 19. Note that this exemption cannot be requested for remuneration that is not employment income. This request is valid only for 2022.

Once the employee's tax deduction amounts are totalled, a corresponding deduction code can be established using the following chart, which is found on the Source Deductions Return.

DEDUCTION CODES FOR 2022	
AMOUNT ($)	**CODE**
Nil	O
1 - $16,143	A
$16,144 - $17,182	B
$17,183 - $18,222	C
$18,223 - $19,261	D
$19,262 - $20,300	E
$20,301 - $21,340	F
$21,341 - $22,379	G
$22,380 - $23,418	H
$23,419 - $24,458	I
$24,459 - $25,497	J
$25,498 - $26,537	K
$26,538 - $27,575	L
$27,576 - $28,615	M
$28,616 - $29,655	N

If an employee's total income for the year will be less than their total deductions as claimed on the TP-1015.3-V, no Québec provincial tax is withheld from their pay. However, these employees may still be subject to deductions for QPP, EI and QPIP.

An employee who works for more than one employer and who has already claimed the basic amount should use the deduction code O.

If the employer calculates the employee's tax liability using the pay period *Source Deduction Tables* published by RQ, the deduction code is a required element. If the employer calculates the tax using the formulas found in the *Formulas to Calculate Source Deductions and Contributions* – TP-1015.F-V, the actual amount of the total claim on the source deductions return is required.

Québec employees are also required to fill out a federal Personal Tax Credits Return – TD1 as they are subject to both federal and Québec income tax withholdings. The completion of the federal TD1 form was discussed earlier in the course.

Example:

Michel Martin started employment with Magasins Métro in Montréal in August 2022. As part of the new hire process, Michel filled out the TP-1015.3-V. Michel's situation is as follows:

- Eligible to claim the basic amount
- A single parent who can claim the 'Amount for a person living alone' on line 6 by completing Work chart 2 on page 2 of the Source Deductions Return
- Has a daughter Anne who is 19 and was in full-time post-secondary studies for two terms in 2022
- Estimated annual income is $25,000.00

Michel's completed TP-1015.3-V is shown on the following page.

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Notice

TP-1015.3-V (2022-01)
1 of 6
E

Source Deductions Return 2022

Erase

Complete this form and give it to your employer or payer so that they can determine how much income tax to withhold from the amounts they pay you. Be sure to read the instructions before you start.

1 Information about the employee or beneficiary

Last name	First name
MARTIN	MICHEL

Employee or beneficiary number	Date of birth (YYYYMMDD)	Social insurance number
	19630522	264334988

2 Personal tax credits

Basic personal amount. Enter $16,143. If you have more than one employer or payer in 2022 and have already claimed this amount, go to line 10 and enter 0. To include such an amount in the calculation, check this box. ☐		1	16 143
Amount transferred from one spouse to the other			
Maximum amount respecting a spouse	1a: $16,143		
Your spouse's estimated taxable income for 2022	– 1b:		
Subtract line 1b from line 1a. If the result is negative, enter 0.	=	+ 2	
Amount for dependants (Work Chart 1)		+ 3	4 519
Amount for a severe and prolonged impairment in mental or physical functions		+ 5	
Age amount, amount for a person living alone and amount for retirement income (Work Chart 2)		+ 6	4 134
Add lines 1 through 6.		= 7	24 796
Amount for career extension (Work Chart 3)		+ 9	
Add lines 7 and 9. **Personal tax credits**		= 10	24 796

3 Additional income tax to be withheld

Enter the additional amount that you would like withheld from each paycheque. Additional income tax to be withheld	11	

4 Deductions

Enter the deductions that your employer or payer must take into account to calculate your source deductions.

Housing deduction for residents of designated remote areas	14	
Deductible support payments	+ 15	
Add lines 14 and 15. (Your employer or payer will distribute the amount evenly among the pay periods remaining in the year.) **Deductions**	= 19	0

5 Exemption

Check box 20 to request an exemption from source deductions of income tax with respect to your employment income for 2022. 20 ☐

6 Signature

I certify that the information provided in this return is accurate and complete.

Michel Martin

Signature   Date

Work Chart 1 – Amount for dependants (see the instructions for line 3)

If you are claiming an amount for more than two children under 18 enrolled in post-secondary studies or more than two other dependants, attach another sheet containing the requested information and enter the result of your calculations on line 60.

		Line	Children under 18 on December 31, 2022 – 1st child	Children under 18 on December 31, 2022 – 2nd child	Other dependants (18 or older) – 1st person ☑	Other dependants (18 or older) – 2nd person ☐
Amount for children under 18 enrolled in postsecondary studies. Enter $3,101 per completed term that was started in 2022 (**maximum: two terms per child**).		40	0	0	$4,519	$4,519
Reduction of the amount for other dependants who turned 18 in 2022. Enter the result of the following calculation: $377 × number of months in the year up to and including the month of the dependant's birthday	–	42	N/A	N/A		
Subtract line 42 from line 40. If the result is negative, enter 0.	=	45	0	0	4 519	
Estimated net income[1] of the child or dependant for 2022	–	47				
Subtract line 47 from line 45. If the result is negative, enter 0.	=	50	0	0	4 519	

Add all the amounts on line 50. Carry the result to line 3. **Amount for dependants** 60 4 519

Work Chart 2 – Age amount, amount for a person living alone and amount for retirement income (see the instructions for line 6)

Age amount Enter $3,395 for each person (you and your spouse) who will be 65 or older in 2022.					70	
Amount for a person living alone		75	1 850			
Additional amount for a person living alone (single-parent family)	76	2 284				
$190 × number of months in 2022 in which you are entitled to the family allowance	– 77	0				
Subtract line 77 from line 76.	=	2 284	+ 78	2 284		
Add lines 75 and 78.			=	4 134	+ 79	4 134
Amount for retirement income (maximum: $3,017)					+ 80	
Amount for retirement income for your spouse on December 31, 2022 (maximum: $3,017)					+ 81	
Add lines 70, and 79 to 81.					= 85	4 134

Estimated net family income Add your estimated net income and that of your spouse on December 31, 2022		90				
	–	91	$36,590			
Subtract line 91 from line 90. If the result is negative, enter 0.	=	92	0			
	×	93	18.75%			
Multiply line 92 by **18.75%**.	=		0	▶	95	0
Subtract line 95 from line 85. If the result is negative, enter 0.				=	96	4 134
Amount from line 6 of your spouse's TP-1015.3-V form				–	97	
Subtract line 97 from line 96. Carry the result to line 6. **Age amount, amount for a person living alone and amount for retirement income**				=	98	4 134

1. Do not take into account the amount of the deduction for residents of designated remote areas or any scholarships, bursaries or similar financial assistance. If the child or dependant was not resident in Canada throughout the year, take into account all of their income, including any income earned while they were not resident in Canada.

Content Review

- Québec is the only jurisdiction that collects its own provincial income tax; there are two separate income tax deductions withheld from employees working in Québec - one federal and one provincial.
- Québec provincial tax is remitted to, and administered by, Revenu Québec (RQ).
- Remuneration subject to Québec income tax includes salary and wages, single payments, such as a retiring allowance, and amounts indicated by self-employed fishers.
- The following tax deductible amounts are subtracted from pensionable earnings to determine the employee's net taxable income, which is the basis for tax calculations.
    - employee contributions to a registered pension plan (RPP)
    - contributions to a Registered Retirement Savings Plan (RRSP)
    - a deduction for living in a prescribed zone as claimed on the employee's Source Deductions Return – TP-1015.3-V
    - an amount stated in a letter of authority from Revenu Québec (taxpayers who expect to receive a large tax refund when they file their provincial tax return may apply to RQ to receive tax relief during the year instead of waiting until they file their return)
- In addition to the federal tax credits claimed on a federal TD1, Québec employees are entitled to provincial tax credits, which reduce the amount of income subject to Québec provincial income tax at source.

Review Questions

20. List two of the four tax deductible amounts that are deducted from Québec taxable income before Québec provincial income taxes are applied to an employee's remuneration.

21. Gilles Lemoine receives a bi-weekly salary of $3,500.00 and contributes 4% of the bi-weekly salary to the organization's registered pension plan (RPP). The employee also pays $15.00 in union dues each pay. Calculate Gilles' net federal and net Québec taxable income.

Methods of Calculation

Similar to federal income tax, there are various methods a payroll practitioner can use to determine the amount of Québec provincial tax to be withheld from an employee. The methodsare as follows:

- *Source Deduction Table for Québec Income Tax* – TP-1015.TI-V
- WebRAS
- Formula method

Note:
The payroll deduction tables and online tools used as illustrations throughout this chapter are not necessarily those of the current year

Source Deduction Table for Québec Income Tax Method

Revenu Québec (RQ) publishes the *Source Deduction Table for Québec Income Tax* – TP-1015.TI- V and the *Formulas to Calculate Source Deductions and Contributions* – TP-1015-F-V, which contain the withholding requirements for Québec income tax. RQ publishes the table on January 1st each year. New tables may be published on July 1st as well, due to mid-year changes to tax rates, as changes are traditionally announced for January 1st and July 1st. As the pay period frequency impacts the deductions for income tax withholdings, the tables provide the withholdings by the following pay period frequencies:

- weekly (52 or 53 pays)
- bi-weekly (26 or 27 pays)
- semi-monthly (24 pays)
- monthly (12 pays)

To calculate the required Québec income tax deduction using the *Source Deduction Table*, follow the steps outlined in the chart that follows. Sample Québec semi-monthly tax tables are included in your Student Information Guide and provided in this material.

When the employer calculates the employee's Québec tax liability using the *Source Deduction Table*, the exemption amount determined by the employee's TP-1015.3-V total amount is required.

STEP	ACTION	EXAMPLE
1	Michel earns $2,500.00 semi-monthly and also receives a semi-monthly taxable car allowance of $75.00. The employee contributes $100.00 per pay to the registered pension plan (RPP); this RPP contribution reduces pensionable earnings. Determine the employee's net taxable income subject to tax withholdings at source for the pay period – the sum of the employee's earnings, taxable allowances, taxable expense reimbursements, taxable benefits, less: • The employee’s contributions to a registered pension plan • RRSP contributions • Deductions for residing in a designated remote area as claimed on the TP-1015.3-V form • Deductions authorized by RQ	Salary $2,500.00 Taxable car allowance 75.00 Pensionable earnings $2,575.00 **LESS:** RPP contribution - 100.00 Net taxable income subject to tax withholdings at source $2,475.00
2	In the ‘Remuneration subject to source deductions’ column in the semi-monthly tax tables, find the range containing the employee’s net Québec taxable income of $2,475.00. Follow the line across to the deduction code column that corresponds to the deduction code established.	Range: $2,465.00 - $2,484.99 Deduction Code: J

QUÉBEC INCOME TAX – Table 35 **24** pay periods per year

Remuneration subject to source deductions. Use the appropriate bracket.	Deduct from each pay the amount in the column corresponding to the deduction code on the employee’s TP-1015.3-V form.														
	0	A	B	C	D	E	F	G	H	I	J	K	L	M	N	Z*
2,385.00 – 2,404.99	495.83	420.45	411.04	397.16	375.88	367.59	362.04	354.61	343.14	327.42	312.95	300.27	288.72	278.77	270.71	4.48
2,405.00 – 2,424.99	500.83	425.45	416.04	402.16	380.88	372.59	367.04	359.61	348.14	332.42	317.95	305.27	293.72	283.77	275.71	4.48
2,425.00 – 2,444.99	505.83	430.45	421.04	407.16	385.88	377.59	372.04	364.61	353.14	337.42	322.95	310.27	298.72	288.77	280.71	4.48
2,445.00 – 2,464.99	510.83	435.45	426.04	412.16	390.88	382.59	377.04	369.61	358.14	342.42	327.95	315.27	303.72	293.77	285.71	4.48
2,465.00 – 2,484.99	515.83	440.45	431.04	417.16	395.88	387.59	382.04	374.61	363.14	347.42	332.95	320.27	308.72	298.77	290.71	4.48

STEP	ACTION	EXAMPLE
3	The amount shown at this intersection is the Québec income tax to be deducted.	$332.95

WebRAS

WebRAS is a web based application program, based on the RQ'S mathematical formulas available on RQ's website. The WebRAS online program lets you calculate source deductions on a regular salary, wages and bonus payments for Québec income tax, the Québec Pension Plan (QPP), and the Québec Parental Insurance Plan, and employer contributions to the Québec Pension Plan, the Québec Parental Insurance Plan and the health services fund.

WebRAS must be used in conjunction with the *Guide for Employers: Source Deductions and Contributions* – TP-1015.G-V and the *Formulas to Calculate Source Deductions and Contributions* – TP-1015.F-V. These guides give instructions on how to deduct, remit and report source deductions and employer contributions. WebRAS is updated, as tax changes occur, for January 1 and for July 1 of each taxation year.

When the employer calculates the employee's tax liability using WebRAS, the total claim amount determined by the employee's TP-1015.3-V is required.

All calculations are based on the information input on the various screens in the online program. Some information is mandatory and some is optional.

Using Michel Martin as an example, as we did earlier with the tax table, we will illustrate using WebRAS to determine the withholding. WebRas uses multiple screens to enter the payroll information, we will show you the results.

The following illustration shows the steps used to determine the employee's statutory withholdings. Note: The example is not reflective of the current year withholding rates and is intended for illustration purposes only.

STEP	WHAT TO DO	EXAMPLE
1	Open WebRas	To use this service Access service
2	Choose salary or wages as the type of remuneration.	Type of remuneration ● Salary or wages ○ Salary or wages, plus gratuities, retroactive pay or other lump-sum payments ○ Commissions
3	Enter the employee's name	Employee's name MICHEL MARTIN
4	Choose the tax reporting period for the payment.	Period ○ From 01 January 20xx to 01 December 20xx
5	Choose the pay frequency and the current pay period being processed from the drop-down list. Click Next	Number of pay periods in the year Twice-monthly payments (24) Current pay period 16 Cancel Next
6	Enter the employee's gross earnings and any taxable benefit values. Click Next.	Salary or wages $ 2,575.00 Taxable benefits (optional) $ Back Next

STEP	WHAT TO DO	EXAMPLE
7	The deduction for employment income is automatically allocated. Enter any other deductions that impact income tax. Click Next	Deduction for employment income $ 50.21 Contribution to a registered pension plan (RPP) (optional) $ 100.00 Back Next
8	Enter the employee's TP-1015.3-V claim Click Next	Did the employee complete form TP-1015.3-V? Yes (selected) No Amount from line 7 $ 23,857 Back Next
9	Indicate if the employee has already reached the maximum QPP for the year. If no enter the current year-to-date amount. If any earnings are exempt from QPP in the current pay indicate the amount.	Has the employee's QPP maximum annual contribution been reached? Yes No (selected) QPP contributions withheld since the start of the year $ 1,500.00 Income not subject to QPP contributions for the current pay period $
10	Indicate if the employee has already reached the maximum QPIP for the year. If no enter the current year-to-date amount.	Has the employee's QPIP maximum annual premium been reached? Yes No (selected) QPIP premiums withheld since the start of the year $ 125.50

STEP	WHAT TO DO	EXAMPLE
	If any earnings are exempt from QPIP in the current pay indicate the amount	Income not subject to QPIP premiums for the current pay period $
11	Enter the amount of the organization's total payroll (global). Click Next	Total payroll (including unreimbursed indemnities further to an industrial accident) $ 10,000,000.00 Back Next
12	The required Quebec withholding will then be displayed	Québec income tax to be withheld on gross income $ 241.89 Contributions / Rate / Amount QPP contributions / % / $ 143.32 QPIP premiums / % / $ 12.72

WebRAS use the exact net taxable income to determine the tax deduction, while the Source Deduction Table for Québec Income Tax uses the mid-point of the net taxable income range. Each of these results is correct, but the WebRas method of determining the withholding amount is more precise.

The Formula Method

The formula method is used by organizations that process their payrolls using in-house software programs. It is also the method used by payroll service providers to process their clients' payrolls. RQ publishes approved formulas in the *Formulas to Calculate Source Deductions and Contributions* – TP-1015-F-V.

If the employer uses an external payroll service provider or an in-house payroll software system to process their payroll, the total claim amount from the Source Deductions Return – TP-1015.3-V, will be used to calculate the tax deductions.

Content Review

- Revenu Québec (RQ) publishes the *Source Deduction Table for Québec Income Tax* – TP-1015.TI-V and the *Formulas to Calculate Source Deductions and Contributions* – TP-1015-F-V, which contain the withholding requirements for Québec income tax.
- The *Source Deduction Table for Québec Income Tax* provides the statutory deduction withholdings for weekly, bi-weekly, semi-monthly and monthly pay period frequencies.
- The WebRAS web based programs let you calculate source deductions on a regular salary, wages and bonus payments for Québec income tax, the Québec Pension Plan and the Québec Parental Insurance Plan, and employer contributions to the Québec Pension Plan, the Québec Parental Insurance Plan and the health services fund.
- The formula method is used by organizations that process their payrolls using in-house software programs. It is also the method used by payroll service providers to process their clients' payrolls.

Payroll Calculation Template

Now that the calculation of Québec Pension Plan (QPP) contributions, Québec Parental Insurance Plan (QPIP) premiums and Québec provincial income tax have been illustrated, the concept of net pay can be expanded. The steps in this template will assist with the calculation of an employee's net pay.

Exhibit 8-1

Step One: Determine Gross Earnings		
Gross Earnings (GE)	=	Earnings + taxable allowances + non-taxable allowances + cash taxable benefits
Step Two: Determine Non-Cash or Near-Cash Taxable Benefits		
Taxable Benefits	=	Non-cash taxable benefits + near-cash taxable benefits
Step Three: Determine Canada/Quebec Pension Plan (C/QPP) contribution		
Pensionable Earnings (PE)	=	Earnings + taxable allowances + cash taxable benefits + non-cash taxable benefits + near-cash taxable benefits
C/QPP contribution	=	(PE – pay period exemption) x annual C/QPP rate
Step Four: Determine Employment Insurance (EI) premium		
Insurable Earnings (IE)	=	Earnings + taxable allowances + cash taxable benefits
EI premium	=	IE x annual EI rate
Step Five: Determine Quebec Parental Insurance Plan (QPIP) premium		
Insurable Earnings (IE)	=	Earnings + taxable allowances + cash taxable benefits
QPIP premium	=	IE x annual QPIP rate
	=	
Step Six: Determine Federal Income Tax		
Net Federal Taxable Income	=	Earnings + taxable allowances + cash taxable benefits + non-cash taxable benefits + near-cash taxable benefits – authorized deductions • Employee contribution to an RPP • Contributions to an RRSP • Union dues • Deduction for living in a prescribed zone • CRA authorized deductions

Step Seven: Determine Provincial Income Tax		
Net Provincial Taxable Income (Quebec)	=	Earnings + taxable allowances + cash taxable benefits + non-cash taxable benefits + near-cash taxable benefits – authorized deductions • Employee contribution to an RPP • Contributions to an RRSP • Deduction for living in a prescribed zone • RQ authorized deductions
Step Eight: Total Deductions		
Total Deductions	+	C/QPP contributions
	+	EI premiums
	+	QPIP premiums
	+	Federal income tax
	+	Quebec provincial income tax
	+	Other deductions
Step Nine: Net Pay		
Net Pay	=	Gross Earnings – Total Deductions

Net Pay Calculations

Use this complete template to calculate net pay.

Example:

Boardright has an office in Québec. The hourly employees are paid weekly.

Erica Gill is paid $17.50 per hour and worked 40 hours in this pay period. Erica's federal TD1 claim code is 1 and the deduction code is A.

Regular earnings	= Hourly rate x pay period regular hours worked
	= $17.50 x 40 = $700.00

Step One: Determine Gross Earnings		
Gross Earnings (GE)	=	Earnings + taxable allowances + non-taxable allowances + cash taxable benefits
	=	$700.00 + $0.00 + $0.00 + $0.00
	=	$700.00
Step Two: Determine Non-Cash or Near-Cash Taxable Benefits		
Taxable Benefits	=	Non-cash taxable benefits + near-cash taxable benefits
	=	$0.00 + $0.00
	=	$0.00
Step Three: Determine Canada/Quebec Pension Plan (C/QPP) contribution		
Pensionable Earnings (PE)	=	Earnings + taxable allowances + cash taxable benefits + non-cash taxable benefits + near-cash taxable benefits
	=	$700.00 + $0.00 + $0.00 + $0.00 + $0.00
	=	$700.00
C/QPP contribution	=	(PE – pay period exemption) x annual C/QPP rate
	=	($700.00 – $67.30) x 0.0615
	=	$38.91

Step Four: Determine Employment Insurance (EI) premium		
Insurable Earnings (IE)	=	Earnings + taxable allowances + cash taxable benefits
	=	\$700.00 + \$0.00 +\$0.00
	=	\$700.00
EI premium	=	IE x annual EI rate
	=	\$700.00 x 0.0120
	=	\$8.40
Step Five: Determine Quebec Parental Insurance Plan (QPIP) premium		
Insurable Earnings (IE)	=	Earnings + taxable allowances + cash taxable benefits
	=	\$700.00 + \$0.00 + \$0.00
	=	\$700.00
QPIP premium	=	IE x annual QPIP rate
	=	\$700.00 x 0.00494
	=	\$3.46
Step Six: Determine Federal Income Tax		
Net Federal Taxable Income	=	Earnings + taxable allowances + cash taxable benefits + non-cash taxable benefits + near-cash taxable benefits – authorized deductions • Employee contribution to an RPP • Contributions to an RRSP • Union dues • Deduction for living in a prescribed zone • CRA authorized deductions
	=	\$700.00 + \$0.00 + \$0.00 + \$0.00 + \$0.00 – \$0.00
	=	\$700.00
		Using the federal tax table for a Quebec employee, weekly payroll, claim code 1
	=	\$73.65

Step Seven: Determine Provincial Income Tax

Net Provincial Taxable Income (Quebec) = Earnings + taxable allowances + cash taxable benefits + non-cash taxable benefits + near-cash taxable benefits – authorized deductions

- Employee contribution to an RPP
- Contributions to an RRSP
- Deduction for living in a prescribed zone
- CRA authorized deductions

= $700.00 + $0.00 + $0.00 + $0.00 + $0.00 – $0.00

= $700.00

Using the Quebec tax tables, weekly payroll, claim code A

= $101.33

Step Eight: Total Deductions

Total Deductions

+ C/QPP contributions
+ EI premiums
+ QPIP premiums
+ Federal income tax
+ Quebec provincial income tax
+ Other deductions

$38.91	(QPP)
8.40	(EI)
3.46	(QPIP)
73.65	(Federal income tax)
101.33	(Quebec income tax)
$225.75	

Step Nine: Net Pay

Net Pay = Gross Earnings – Total Deductions

= $700.00 – $225.75

= $474.25

Review Questions

22. For the following Québec employees, fill in the chart provided with the employee's gross earnings, pensionable earnings, insurable earnings, federal net taxable income, and Quebec net taxable income.

    Frank Stringer earns $750.00 weekly and also receives a group term life insurance non-cash taxable benefit of $4.50 per week. Frank is on-call for the employer and receives on-call pay of $30.00 per week.

GROSS EARNINGS	PENSIONABLE EARNINGS	INSURABLE EARNINGS	FEDERAL NET TAXABLE INCOME	QUEBEC NET TAXABLE INCOME

c. Melissa Leblanc works 80 hours per bi-weekly pay period and earns $10.50 per hour. In this pay period, Melissa worked 7 hours of overtime and will be paid $15.75 for each hour of overtime. Melissa is a member of the union and pays $7.00 per pay for union dues.

GROSS EARNINGS	PENSIONABLE EARNINGS	INSURABLE EARNINGS	FEDERAL NET TAXABLE INCOME	QUEBEC NET TAXABLE INCOME

d. Paula Girard is paid a salary of $4,000.00 per month and receives a monthly $400.00 taxable car allowance. The organization's pension plan allows Paula to contribute 6% of the monthly salary to the organization's registered pension plan. Paula contributes the full amount possible to the pension plan.

GROSS EARNINGS	PENSIONABLE EARNINGS	INSURABLE EARNINGS	FEDERAL NET TAXABLE INCOME	QUEBEC NET TAXABLE INCOME

23. A clothing manufacturer, located in Québec, has both salaried and hourly paid employees, who are paid weekly.

    Lise Michaud earns $25.00 per hour and works 40 hours per pay. Lise's federal TD1 claim code is 1 and the TP-1015.3-V deduction code is A.

    Calculate Lise's net pay.

Employer Contributions

In addition to employee and employer Québec Pension Plan contributions, employee and employer Québec Parental Insurance Plan premiums and employee Québec provincial income tax withholdings, the following employer contributions and premiums must be remitted to RQ:

- Health services fund contributions
- Commission des normes, de l'équité, de la santé et de la sécurité du travail (CNESST) premiums; CNESST is a new agency that administers the activities of the former:
    - Commission de la santé et de la sécurité du travail (CSST) and
    - Commission des normes du travail (CNT)
- Workforce Skills Development and Recognition Fund (WSDRF) contributions

As of January 1, 2016, the Commission de la santé et de la sécurité du travail (CSST), the Commission des normes du travail (CNT) and the Commission de l'équité salariale (CES) merged into one organization, the Commission des normes, de l'équité, de la santé et de la sécurité du travail (CNESST). This new organization provides employers and workers with an integrated source of labour related expertise.

All CSST, CNT and CES-labelled documents received are considered official CNESST communication documents. All services provided by the three previous organizations will be maintained and employers' contribution methods for the former CNT and CSST remain the same.

Health Services Fund

The province of Québec funds its health care system through employer contributions, which are based on the amount of total wages paid to:

- employees reporting to an establishment in Québec
- employees who do not report to any establishment but are paid from an establishment in Québec

Wages include all remuneration received from an office or employment and include salaries and related amounts paid to employees by a third party under an employee benefit plan.

The health services fund contributions are remitted directly to Revenu Québec (RQ) at the same time as the remittances for Québec provincial taxes, Québec Pension Plan contributions, Québec Parental Insurance Plan premiums and the Commission des normes, de l'équité, de la santé et de la sécurité du travail (CNESST) occupational health and safety premiums.

The following types of remuneration are excluded from the calculation:

- retiring allowances
- superannuation
- pension benefits
- non-taxable payments to Indians
- remuneration paid to employees working at an International Finance Centre

The contribution rate varies from 1.25% to 4.26%; the rate is determined by the type of employer and the employer's **total worldwide payroll**. An employer's total worldwide payroll for a calendar year is the total salaries and wages paid during the year by the employer and any other associated businesses operating anywhere in the world. The rules outlined in the *Taxation Act* are used to determine whether two or more employers are considered to be associated. The rate is applied to the employer's Québec payroll.

The health services fund contributions reconciliation at year-end may indicate that an employer's payroll is more than was originally estimated to establish the correct contribution rate. Employers are then expected to modify their rate and make any required adjustments, before the last remittance of the year. Failure to do so may incur interest and penalties.

TOTAL PAYROLL	PRIMARY AND MANUFACTURING	OTHER EMPLOYERS	PUBLIC SECTOR
$1 million or less	1.25%	1.65%	
Over $1 million, but less than $7 million	0.7483 + (0.5017 x S*)	1.2150 + (0.4350 x S*)	4.26%
$7 million or more	4.26%	4.26%	

*The value for 'S' is total payroll divided by $1 million

Example:

Total worldwide payroll $3,750,000

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

$$S = \frac{\$3{,}750{,}000}{\$1{,}000{,}000}$$

$$S = 3.75$$

Contribution rate (%)
= 1.2150 + [0.4350 x S]
= 1.2150 + [0.4350 x 3.75]
= 1.2150 + 1.6323
= **2.8473%**
= 2.85%

Contribution rates are rounded to the second decimal place.

Wages subject to the contribution $3,750,000

Contribution $3,750,000 x 2.85%
$106,875.00

The following public-sector employers are not entitled to a reduction in their health services fund contribution rate; their rate is 4.26% regardless of the total amount of their worldwide payroll:

- federal, provincial or municipal governments and their agents
- Canadian public sector bodies (e.g. school boards that carry out government duties and are exempt from income tax at any time in the calendar year)
- corporations or any other entities referred to in one of the paragraphs 149(1)(d) to (d.6) of the *Income Tax Act* (Statutes of Canada)

Commission des normes, de l'équité, de la santé et de la sécurité du travail (CNESST)

Santé et sécurité du travail (Health and Safety)

An organization operating an establishment in Québec that has at least one worker, whether full-time or not, must register with CNESST within 60 days of hiring its first worker. It must also supply, within 60 days, all the necessary information about the nature of its activities and the wages it expects to pay out during the year. The CNESST then uses this information to determine the premium the organization must pay. This mandatory insurance service protects the organization against the risk of having to bear a major financial burden that could be caused by an employment injury.

The CNESST administers the Occupational Health and Safety Plan. It is concerned, for example, with preventing employment injuries; however, it also acts as a public insurer for both workers and employers, providing them with the services to which they are entitled. As the plan administrator, the CNESST funds the Plan through the premiums it collects from employers.

In the area of prevention, the CNESST (CSST):

- promotes occupational health and safety
- supports workers and employers in their efforts to achieve a healthier, risk-free work environment
- inspects work premises

In the area of compensation, it:

- compensates workers who sustain an injury as a result of an industrial accident or occupational disease
- ensures that workers receive the medical assistance they require in light of their condition
- sees to it that workers who suffer permanent physical or mental impairment due to an employment injury benefit from rehabilitation services

Normes du travail (Labour standards)

Employers who have employees working in Québec have been subject to the labour standards contribution since 1980. Revenues from these contributions are used to defray the cost of administering the legislation associated with the *Act respecting Labour Standards*.

The contribution is calculated at a rate of 0.06% (60 cents per $1,000) of the total Québec payroll, to annual maximum earnings per employee ($88,000.00 for 2022). The contribution is due at the end of February with the Employment and Other Income – RL-1 and Summary filing. Some employers require an accrual for this liability throughout the year for budgeting purposes.

Earnings paid by the following employers are subject to the CNESST (CNT) contribution at reduced rates of 0.02% for 2022, 0.03% for 2023 and 0.05% for 2024. From 2025 onwards the rate will be the same for all employers:

- metropolitan communities;
- municipalities;
- public transit authorities;
- school service centres;
- school boards;
- the Comité de gestion de la taxe scolaire de l'île de Montréal;
- educational institutions;
- day care centres;
- public institutions within the meaning of the Act respecting health services and social services

The following earnings are exempt from an employer's contribution to the labour standards contribution:

- retirement benefits
- retiring allowances
- employment financed under the *Act Respecting Labour Relations*, vocational training, and manpower management in the construction industry
- domestics
- employment financed under the *Act Respecting Health Services and Social Services for Cree Native Persons*
- employment financed under the Act Respecting Health Services and Social Services
- 50 percent of the earnings of an employee who furnishes their own truck, tractor, loader, skidder, or other heavy equipment
- home care workers, other than those employed by a for-profit business
- students, under a job induction program approved by the Ministère de l'Éducation, who work during the school year for an employer selected by a school
- directors' fees

Note:
Earnings over the annual maximum are exempt.

Employers exempt from the contribution

Earnings paid by the following employers are not subject to the CNESST contribution:

- businesses whose labour relations are governed by the Canada Labour Code (such as banks, airlines and radio station)
- charitable and religious institutions
- manufacturers
- corporations of trustees for the erection of churches
- Government of Canada and its agents under the *Canada Labour Code* (CLC)

Further information on CNESST premium and contribution remittances and reporting will be provided in *Payroll Fundamentals 2*.

Workforce Skills Development and Recognition Fund (WSDRF)

The objective of the *Act to promote workforce skills development and recognition* is to improve manpower skills, thus promoting employment, labour market adaptation and integration, as well as manpower mobility.

The act requires that all employers with annual Québec payrolls over $2 million invest an amount representing 1% of their total annual Québec payroll in eligible training expenditures and file a return to that effect with Revenu Québec (RQ).

Training can be provided by a training service, provided it is registered with the Ministère de la Solidarité sociale. Employers with an in-house training department that is responsible for organizing all in-house training activities for their employees can request accreditation for their training department from the Ministère de la Solidarité sociale. Certain conditions apply to receive accreditation. Further information can be obtained from Emploi Québec.

Employers who fail to invest one percent in eligible expenditures will have to pay the difference between what they should have invested and what they invested when they file their Summary of Source Deductions and Employer Contributions – RLZ-1.S-V.

In other words, any employer who fails to invest one percent of their total annual payroll in eligible training expenditures will owe the Québec government a payment covering the difference. The payment to Revenu Québec will be due by the end of February in the following year when the employer files their RLZ-1.S-V.

This contribution is not paid throughout the year but must be reconciled and paid (if any amount is owing) with the filing of the year-end documentation. Although the remittance is only required at year-end, some employers require an accrual for this liability each month throughout the year for budgeting purposes.

Québec Privacy Legislation

In the province of Québec, an *Act respecting the protection of personal information in the private sector* has been in place since 1994.

The provincial legislation has been deemed substantially similar to Bill C-6 (*PIPEDA*) by the Federal Privacy Commissioner. The privacy legislation covers provincially regulated organizations in the province of Québec.

The right to the protection of personal information is stated in the *Act respecting the protection of personal information in the private sector.* Personal information is information that relates to a person and allows that person to be identified. It is confidential and, except in rare circumstances, cannot be communicated without the consent of the person concerned.

To protect personal information, the act imposes a certain number of obligations on private sector enterprises concerning the collection, storage and communication of personal information.

For example:

- before collecting information of a personal nature, a private enterprise must tell the person concerned how that information will be used and who will have access to it and must make sure the person is aware that they have a right of access and correction
- the information must be up-to-date, accurate and complete
- proper security measures must be taken to ensure that the information remains confidential

In principle, only the person to whom the information relates may have access to their file. If the file contains information that is inaccurate, incomplete or ambiguous, the person may demand that it be corrected.

Individuals wishing to access or correct personal information must submit a written request to the enterprise holding that information. A person who applies unsuccessfully to a private sector enterprise for access to their file may exercise a right of recourse before the Commission d’accès à l’information (CAI) du Québec.

The CAI, in one notable ruling in the last two years, stated that a Social Insurance Number must not be collected or used by a commercial organization for any purpose that is not in accord with the purpose for which the SIN was created – namely tax reporting and social benefits.

Pension and Benefits Legislation

In Québec, supplemental pension plans are governed by the *Supplemental Pension Plans Act.* Supplemental pension plans (private plans) are retirement plans set up by employers, separate from the Québec Pension Plan. They include traditional and simplified pension plans.

A traditional supplemental pension plan is a written contract registered with Retraite Québec. Under the contract, the employer, or the employer and the employees, agree(s) to make periodic payments into a pension fund to accumulate a retirement pension.

A simplified pension plan is a defined contribution plan, that is, a plan that predetermines the employer contributions and the member contributions (if any). The simplified pension plan was designed by Retraite Québec in 1994 to meet the needs of small businesses. Simplified pension plans are set up and administered by financial institutions; the employer's administrative duties are minor.

Certain supplemental pension plans are not subject to the act. They include provincial and federal public sector plans, and plans whose employees' activities fall under federal jurisdiction, for example, in the areas of banking, air transportation and telecommunications.

Supplemental pension plans, in their traditional or simplified form, are under the supervision of Retraite Québec. In this capacity, Retraite Québec must:

- ensure that the plans are administered and run following the act
- register plan texts and any subsequent amendments
- examine the annual information returns and actuarial valuations
- inform plan administrators, members, beneficiaries, employers and any other interested persons
- encourage the establishment and improvement of pension plans

The *Voluntary Retirement Savings Plans Act* establishes a type of retirement plan called a voluntary retirement savings plan (VRSP) to promote retirement savings and provides a legal framework for the establishment and administration of such a plan. The legislation deals with plan registration and administration, members, contributions and plan termination.

While the establishment of a plan is mandatory for employers meeting certain criteria, these plans are called voluntary because membership is optional. Members determine their contribution to the plan and employer contributions are not required.

Information on Provincial Government Legislation

The following table contains information on various pieces of Québec provincial legislation.

LEGISLATION	HISTORY	EMPLOYER REGISTRATION	COMPLIANCE RULES
Québec Income Tax Act	Québec administers its own personal income tax system.	Employer registration occurs when a payroll source deduction account is established.	Employers are required to remit on a pre-determined schedule.
Commission des normes, de l'équité, de la santé et de la sécurité du travail (CNESST) *Workers' Compensation Act*	Québec has enacted legislation to provide compensation to workers who have sustained personal injury in the course of their employment.	Every employer is required to register.	Earnings to an annual maximum are assessed on a pre-determined basis.
Commission des normes, de l'équité, de la santé et de la sécurité du travail (CNESST) *Act respecting labour standards*	Established to provide minimum standards to protect employees' rights in the province of Québec.	There is no formal registration under this act; however, if an employee files a complaint, the agency will investigate and determine any monies owing.	Rules vary; the appropriate act should be consulted.
Québec Provincial Pension Act *Supplemental Pensions Plan Act (1990)*	This act establishes minimum levels for employer pension plans in areas such as portability and vesting for the province of Québec.	Employers must register their plans with RQ to obtain maximum tax advantage.	Employers are required to file annual returns.
Québec Privacy legislation *Act respecting the protection of personal information in the private sector*	An extension of the federal legislation in Québec.	None.	Accountability through complaints lodged and potential fines levied.
Commission des normes, de l'équité, de la santé et de la sécurité du travail (CNESST) *Pay Equity Act*	The purpose of this act is to redress differences in compensation due to the systemic gender discrimination suffered by persons who occupy positions in predominantly female job classes.	No registration is required.	Pay equity is enforced by a complaint system. A complaint must be filed to trigger enforcement.
Québec Provincial Jury Act *Jurors Act*	This act deals with changes to terms of employment for employees who are required to be jurors.	No registration is required.	Various penalties apply to employers who do not comply.

Content Review

- Employer contributions to the health services fund are based on the amount of total wages paid to:
  - employees reporting to an establishment in Québec
  - employees who do not report to any establishment but are paid from an establishment in Québec
- The health services fund contribution rate varies from 1.25% to 4.26%; the rate is determined by the employer's total worldwide payroll.
- An organization operating an establishment in Québec which has at least one worker, whether full-time or not, must register with the Commission des normes, de l'équité, de la santé et de la sécurité du travail (CNESST/CSST) within 60 days of hiring its first worker.
- The Commission des normes, de l'équité, de la santé et de la sécurité du travail (CNESST/CNT) labour standards contribution is calculated on the employer's total Québec payroll, to an annual maximum earnings per employee. The contribution is due at the end of February with the RL-1 forms and summary filing.
- All employers with annual Québec payrolls over $2 million must invest an amount representing 1% of their total annual Québec payroll in eligible training expenditures and file a return to that effect with Revenu Québec (RQ).
- In the province of Québec, an *Act respecting the protection of personal information in the private* sector has been in place since 1994.
- To protect personal information, the *Act respecting the protection of personal information in the private sector* imposes a certain number of obligations on private sector enterprises concerning the collection, storage and communication of personal information.
- In Québec, supplemental pension plans are governed by the *Supplemental Pension Plans Act*. Supplemental pension plans (private plans) are retirement plans set up by employers, separate from the Québec Pension Plan. They include traditional and simplified pension plans.
- While the establishment of a plan is mandatory for employers meeting certain criteria, these plans are called voluntary because membership is optional. Members determine their contribution to the plan and employer contributions are not required.

Review Questions

24. How is an employer's health services fund contribution rate determined?

25. How does the Commission des normes, de l'équité, de la santé et de la sécurité du travail (CNESST) fund the Occupational Health and Safety Plan?

26. How is the labour standards contribution calculated?

27. List three employers who are exempt from the labour standards contributions to the Commission des normes, de l'équité, de la santé et de la sécurité du travail (CNESST/CNT) for earnings paid.

28. What is the objective of Québec's *Act to promote workforce skills development and recognition*?

29. Which employers are required to comply with the *Act to promote workforce skills development and recognition* and what is the compliance requirement?

30. Explain the term 'personal information' according to Québec privacy legislation.

31. What are supplemental pension plans?

Chapter Review Questions and Answers

1. Which of the following payroll-related remittances is/are collected by Revenu Québec? (There may be more than one correct answer.)

   a. Québec provincial income tax
   b. Contributions to the health services fund
   c. Canada Pension Plan contributions
   d. Federal income tax
   e. Commission des normes, de l'équité, de la santé et de la sécurité du travail premiums and contributions

2. List the six criteria Revenu Québec uses to determine if a worker is an employee or a self-employed person.

   - subordination in the performance of work
   - financial or economic criterion
   - ownership of tools
   - integration of the tasks carried out by the worker
   - specific result of the work
   - the parties' attitude regarding their relationship

3. Provide two differences between the requirements for the Québec Pension Plan (QPP) and the Canada Pension Plan (CPP).

   - QPP, instead of CPP, contributions are deducted from employees reporting for work at an office of an employer located in Québec, or from employees not required to report for work at an establishment of the employer in Québec, but paid from an employer in Québec
   - QPP contributions are remitted to Revenu Québec, whereas CPP contributions are remitted to the Canada Revenue Agency
   - employees who are 70 years or older and who are in pensionable employment are still subject to QPP contributions on their pensionable earnings even if they receive a CPP/QPP retirement pension from either the Canada or Québec Pension Plan
   - employees between age 55 and 70 can reduce their work hours and continue contributing to the Québec Pension Plan as if their earnings had not been reduced. The phased retirement arrangement between the employee and employer must be approved by Retraite Québec

4.

4. From which of the following employees must Québec Pension Plan contributions be withheld? (There may be more than one correct answer.)

   a. Employees in pensionable employment who have reached the age of 18
   b. All employees who are paid a salary
   c. Employees who are receiving a retirement pension from the Québec Pension Plan
   d. Employees who are deemed to be disabled according to Service Canada

5. Which of the following types of employment is (are) subject to Québec Pension Plan contributions? (There may be more than one correct answer.)

   a. Employment of a person over 18 who has pensionable earnings
   b. Employment as a member of the Royal Canadian Mounted Police
   c. Employment as a teacher on exchange from India
   d. Employment of a ticket taker who works for ten days at the summer fair

6. Which of the following payments is (are) not subject to Québec Pension Plan contributions? (There may be more than one correct answer.)

   a. Commissions
   b. Retiring allowances
   c. Employer-paid private health insurance premiums
   d. Death benefits

7. Lily was handed a list of new hires and was asked to calculate the bi-weekly Québec Pension Plan contributions for each worker, where applicable. Complete the questions, using the worksheets provided.

NAME	AGE	BI-WEEKLY INCOME	JOB STATUS
Michael	25	$5,100	full-time
Steven	17	$ 500	part-time
Frank	32	$2,800	independent contractor
Jerry	72	$ 750	part-time, receives a QPP retirement pension
Ed	53	$1,500	permanent, part-time
John	40	$4,000	full-time and receives a CPP disability benefit

a. For which of the workers listed must the employer deduct Québec Pension Plan contributions? Why or why not?

	CONTRIBUTE		REASON
	YES	NO	
Michael	✓		**Over 18**
Steven		✓	**Younger than 18**
Frank		✓	**Is an independent contractor and not a regular employee**
Jerry	✓		**Over 18**
Ed	✓		**Over 18**
John		✓	**In receipt of a disability benefit**

b. Calculate the employee and employer Québec Pension Plan (QPP) contributions for each employee who has pensionable earnings.

	MICHAEL	STEVEN	FRANK
Pensionable earnings	$5,100.00		
QPP pay period exemption ($3500 ÷ 26)	- 134.61		
Contributory earnings	4,965.39		
QPP contribution rate (6.15%)	x 0.0615		
Employee's QPP contribution	**$305.37**		
Employer's QPP contribution	**$305.37**		

	JERRY	ED	JOHN
Pensionable earnings	$750.00	$1,500.00	
QPP pay period exemption ($3500 ÷ 26)	- 134.61	- 134.61	
Contributory earnings	615.39	1,365.39	
QPP contribution rate (6.15%)	x 0.0615	x 0.0615	
Employee's QPP contribution	**$37.85**	**$83.97**	
Employer's QPP contribution	**$37.85**	**$83.97**	

c. Assume that this is the 12th pay of the year for each of these employees. They have earned the same pensionable earnings in each pay period of the current year. Calculate the employer and employee Québec Pension Plan contributions for each employee for this pay, their 12th of the year (the current annual maximum employee Québec Pension Plan contribution is $3,776.10.

		MICHAEL	STEVEN	FRANK
QPP contributions per pay	A	$ 305.37		
Number of previous pays this year	B	x 11		
Total QPP contributions to date (A x B)	C	$3,359.07		
Balance to reach maximum ($3,776.10 for 2022 – YTD contributions)		$417.03		
Employee QPP contribution this pay	**D**	**$417.03**		
Employer QPP contribution this pay	**E**	**$417.03**		

		JERRY	ED	JOHN
QPP contributions per pay	A	$ 37.85	$ 83.97	
Number of previous pays this year	B	x 11	x 11	
Total QPP contributions to date (A x B)	C	$ 416.35	$ 923.67	
Balance to reach maximum ($3,776.10 for 2022 –YTD contributions)		$3,359.75	$2,852.43	
Employee QPP contribution this pay	**D**	**$37.85**	**$83.97**	
Employer QPP contribution this pay	**E**	**$37.85**	**$83.97**	

8. Joel Tremblay sells hockey equipment and is paid by commission only. On August 31st, Joel received a commission payment of $24,800.00. There were 146 days between this payment and Joel's last commission payment.

   Calculate Joel's and the employer's Québec Pension Plan (QPP) contributions for this pay, showing all work. Joel will not reach the annual maximum for QPP with this payment.

QPP exemption $= \dfrac{\textbf{Days between the payments}}{\textbf{Number of days in the year}} \times \textbf{Yearly basic exemption}$

$= \dfrac{146}{365} \times \$3{,}500.00$

$= 0.40 \times \$3{,}500.00$

$= \$1{,}400.00$

Pensionable Earnings	**$24,800.00**
QPP exemption	**- $1,400.00**
Contributory earnings	**$23,400.00**

QPP contribution = Contributory Earnings x Contribution Rate
= $23,400.00 x 0.0615
= $1,439.10

QPP contribution – employee $1,439.10
QPP contribution – employer $1,439.10

9. Janine Morris turned 18 on May 15, of the current year and has been employed since September of the prior year.

   a. When will Janine's Québec Pension Plan (QPP) contributions begin?

      QPP contributions will begin the first pay of June.

   b. Calculate Janine's prorated annual maximum QPP contributions, showing all work.

$$\textbf{Prorated QPP} = \frac{\textbf{Current annual maximum contribution limit}}{\textbf{12}} \times \textbf{Number of months eligible to contribute contribution}$$

$$= \frac{\$3{,}776.10}{12} \times 7$$
$$= \$314.68 \times 7$$
$$= \$2{,}202.76$$

10. Louise Latour received a letter from Retraite Québec confirming the date of disability as of November of the current year.

    a. When will Louise's QPP contributions stop?

       QPP contributions will stop the first pay of December.

b. Calculate Louise's prorated annual maximum QPP contribution, showing all work.

$$\textbf{Prorated QPP contribution} = \frac{\textbf{Current annual maximum contribution limit}}{\textbf{12}} \times \textbf{Number of months eligible contribute}$$

$$= \frac{\$3{,}776.10}{12} \times 11$$

$$= \$314.68 \times 11$$

$$= \$3{,}461.48$$

11. Which of the following leaves is (are) covered by the Québec Parental Insurance Plan? (There may be more than one correct answer.)

    a. Parental
    b. Sickness
    c. Maternity
    d. Child care
    e. Adoption

12. Provide two ways Québec Parental Insurance Plan benefits differ from Employment Insurance benefits.

    - **the maximum earnings cap is higher under the QPIP than under EI**
    - **the benefit rate is based on a higher percentage of insurable earnings**
    - **there is no waiting period to receive the first benefit payment**
    - **fathers can receive five weeks of paternity leave in addition to the regular parental leave, which may be taken by either parent or shared between them**

13. How is the Québec Parental Insurance Plan funded?

    The Québec Parental Insurance Plan is funded by:

    - **employees who pay premiums through payroll deductions**
    - **employers who pay premiums based on the employees' QPIP insurable earnings**
    - **premiums paid by self-employed persons**

14. What is payroll's responsibility concerning Québec Parental Insurance Plan premiums?

Payroll is responsible for the collection of QPIP premiums and for remitting these premiums, along with the employer's portion, to Revenu Québec.

15. Which of the following categories of employment is (are) not subject to Québec Parental Insurance Plan premiums? (There may be more than one correct answer.)

a. Employment of a member of a religious order who has taken a vow of poverty and whose remuneration is paid directly, or by the member, to the order
b. Employment as an entertainer in a circus
c. Employment for a rescue operation, if the person is not regularly employed by the employer in that employment and is employed by that employer for fewer than 7 days in a year
d. Employment as part of an exchange program, if the employee receives remuneration from an employer not resident in Canada

16. Indicate in the following table if the payment or benefit is subject to Québec Parental Insurance Plan premiums.

PAYMENT OR BENEFIT	YES	NO
Commissions	**X**	
Cash taxable benefits	**X**	
Allocated tips		**X**
Wages in lieu of notice	**X**	
Retiring allowances		**X**
Death benefits		**X**
Taxable benefits in kind		**X**
Deferred salary when earned	**X**	
Deferred salary when paid		**X**

17. Jean-Philippe earns $2,000.00 in insurable earnings on a weekly basis. Calculate the Québec Parental Insurance Plan (QPIP) premiums to be withheld from the next pay as well as the employer's premium. Jean-Philippe will not reach the maximum annual QPIP premiums on this pay.

    Employee premium:

Insurable earnings	**$2,000.00**
Employee QPIP premium rate (0.494%)	**x 0.00494**
Employee QPIP premiums ($2,000.00 x 0.494%)	**$ 9.88**

    Employer premium:

Insurable earnings	**$2,000.00**
Employer QPIP premium rate (0.692%)	**x 0.00692**
Employer QPIP premiums ($2,000.00 x 0.692%)	**$ 13.84**

18. Keith has had $428.68 deducted in Québec Parental Insurance Plan (QPIP) premiums to date (28 pays). What would the withholding for QPIP premiums be on the next weekly pay of $3,100.00? The employer has paid $600.60 in QPIP premiums for Keith's pay. What would the employer's premium be?

    Employee premium:

QPIP employee annual premium maximum	**$434.72**
Employee YTD premiums	**$428.68**
Balance to reach maximum	**$ 6.04**

    Keith will pay $6.04 in QPIP premiums on the next pay and will have reached the annual maximum premium.

    Employer premium:

QPIP employer annual premium maximum	**$608.96**
Employer YTD premiums	**$600.60**
Balance to reach maximum	**$ 8.36**

    Keith's employer will pay $8.36 in QPIP premiums for Keith's next pay as the employer will have reached the annual maximum premium.

19. Joanne Keating, who is paid $2,200.00 bi-weekly, also receives the following in addition to the regular salary each pay: a group term life insurance non-cash taxable benefit of $6.50 and a taxable cash car allowance of $250.00. Calculate both Joanne's and the employer's Québec Parental Insurance Plan premiums assuming the annual maximum has not been reached.

Employee premium:	
Salary	**$2,200.00**
Car allowance	**+ 250.00**
Total insurable earnings	**$2,450.00**
Employee QPIP premium rate (0.494%)	**x 0.00494**
Employee QPIP premiums ($2,450.00 x 0.494%)	**$ 12.10**
Employer premium:	
Total insurable earnings	**$2,450.00**
Employer QPIP premium rate (0.692%)	**x 0.00692**
Employer QPIP premiums ($2,450.00 x 0.692%)	**$ 16.95**

20. List two of the four tax deductible amounts that are deducted from Québec taxable income before Québec provincial income taxes are applied to an employee's remuneration.

- **employee contributions to a registered pension plan (RPP)**
- **contributions to a Registered Retirement Savings Plan (RRSP)**
- **a deduction for living in a prescribed zone as claimed on the employee's Source Deductions Return –TP-1015.3-V**
- **an amount stated in a letter of authority from Revenu Québec (RQ) (taxpayers who expect to receive a large tax refund when they file their provincial tax return may apply to RQ to receive tax relief during the year instead of waiting until they file their return)**

21. Gilles Lemoine receives a bi-weekly salary of $3,500.00 and contributes 4% of the bi-weekly salary to the organization's registered pension plan (RPP). The employee also pays $15.00 in union dues each pay. Calculate Gilles' net federal and net Québec taxable income.

Pesnionable earnings	**$3,500.00**	
RPP contribution (4%)		**$3,500.00**
		x 0.04
		$ 140.00
Union dues		**$15.00**
Federal taxable income		**$3,500.00**
RPP contribution		**- 140.00**
Union dues		**- 15.00**
Federal net taxable income		**$3,345.00**
Québec taxable income		**$3,500.00**
RPP contribution		**- 140.00**
Québec net taxable income		**$3,360.00**

Federal tax will be withheld on federal net taxable income of $3,345.00.

Québec tax will be withheld on Québec net taxable income of $3,360.00.

32. For the following Québec employees, fill in the chart provided with the employee's gross earnings, pensionable earnings, insurable earnings, federal net taxable income, and Quebec net taxable income.

a. Frank Stringer earns $750.00 weekly and also receives a group term life insurance non-cash taxable benefit of $4.50 per week. Frank is on-call for the employer and receives on-call pay of $30.00 per week.

GROSS EARNINGS	PENSIONABLE EARNINGS	INSURABLE EARNINGS	FEDERAL NET TAXABLE INCOME	QUEBEC NET TAXABLE INCOME
$780.00	**$784.50**	**$780.00**	**$784.50**	**$784.50**

Calculations:

Weekly salary	$750.00
Call-in pay	30.00
Gross earnings	**$780.00**
Weekly salary	$750.00
Call-in pay	30.00
Non-cash taxable benefit	4.50
Pensionable earnings	**$784.50**
Weekly salary	$750.00
Call-in pay	30.00
Insurable earnings	**$784.50**
Weekly salary	$750.00
Call-in pay	30.00
Non-cash taxable benefit	4.50
Federal net taxable income	**$784.50**
Weekly salary	$750.00
Call-in pay	30.00
Non-cash taxable benefit	4.50
Quebec net taxable income	**$784.50**

b. Melissa Leblanc works 80 hours per bi-weekly pay period and earns $10.50 per hour. In this pay period, Melissa worked 7 hours of overtime and will be paid $15.75 for each hour of overtime. Melissa is a member of the union and pays $7.00 per pay for union dues.

GROSS EARNINGS	PENSIONABLE EARNINGS	INSURABLE EARNINGS	FEDERAL NET TAXABLE INCOME	QUEBEC NET TAXABLE INCOME
$950.25	**$950.25**	**$950.25**	**$943.25**	**$950.25**

Calculations:

Bi-weekly earnings (80 x $10.50)	$840.00
Overtime (7 x $15.75)	110.25
Gross earnings	**$950.25**
Bi-weekly earnings	$840.00
Overtime	110.25
Pensionable earnings	**$950.25**
Bi-weekly earnings	$840.00
Overtime	110.25
Insurable earnings	**$950.25**
Bi-weekly earnings	$840.00
Overtime	110.25
Union dues	(7.00)
Federal net taxable income	**$943.25**
Bi-weekly earnings	$840.00
Call-in pay	110.25
Quebec net taxable income	**$950.25**

c. Paula Girard is paid a salary of $4,000.00 per month and receives a monthly $400.00 taxable car allowance. The organization's pension plan allows Paula to contribute 6% of the monthly salary to the organization's registered pension plan. Paula contributes the full amount possible to the pension plan.

GROSS EARNINGS	PENSIONABLE EARNINGS	INSURABLE EARNINGS	FEDERAL NET TAXABLE INCOME	QUEBEC NET TAXABLE INCOME
$4,400.00	**$4,400.00**	**$4,400.00**	**$4,160.00**	**$4,160.00**

Calculations:

Monthly salary	$4,000.00
Taxable car allowance	400.00
Gross earnings	**$4,400.00**
Monthly salary	$4,000.00
Taxable car allowance	400.00
Pensionable earnings	**$4,400.00**
Monthly salary	$4,000.00
Taxable car allowance	400.00
Insurable earnings	**$4,400.00**
Monthly salary	$4,000.00
Taxable car allowance	400.00
RPP contribution ($4,000.00 x 0.06)	(240.00)
Federal net taxable income	**$4,160.00**
Monthly salary	$4,000.00
Taxable car allowance	400.00
RPP contribution ($4,000.00 x 0.06)	(240.00)
Quebec net taxable income	**$4,160.00**

23. A clothing manufacturer, located in Québec, has both salaried and hourly paid employees, who are paid weekly.

    Lise Michaud earns $25.00 per hour and works 40 hours per pay. Lise's federal TD1 claim code is 1 and the Québec deduction code is A.

    Calculate Lise's net pay.

    Regular earnings = Hourly rate x pay period regular hours worked
    = $25.00 x 40
    = $1,000.00

Step One: Determine Gross Earnings		
Gross Earnings (GE)	=	**Earnings + taxable allowances + non-taxable allowances + cash taxable benefits**
	=	**$1,000.00 + $0.00 + $0.00 + $0.00**
	=	**$1,000.00**
Step Two: Determine Non-Cash or Near-Cash Taxable Benefits		
Taxable Benefits	=	**Non-cash taxable benefits + near-cash taxable benefits**
	=	**$0.00 + $0.00**
	=	**$0.00**
Step Three: Determine Canada/Quebec Pension Plan (C/QPP) contribution		
Pensionable Earnings (PE)	=	**Earnings + taxable allowances + cash taxable benefits + non-cash taxable benefits + near-cash taxable benefits**
	=	**$1,000.00 + $0.00 + $0.00 + $0.00 + $0.00**
	=	**$1,000.00**
C/QPP contribution	=	**(PE – pay period exemption) x annual C/QPP rate**
	=	**($1,000.00 – $67.30) x 0.0615**
	=	**$57.36**
Step Four: Determine Employment Insurance (EI) premium		
Insurable Earnings (IE)	=	**Earnings + taxable allowances + cash taxable benefits**
	=	**$1,000.00 + $0.00 + $0.00**
	=	**$1,000.00**
EI premium	=	**IE x annual EI rate**
	=	**$1,000.00 x 0.0120**
	=	**$12.00**

Step Five: Determine Quebec Parental Insurance Plan (QPIP) premium		
Insurable Earnings (IE)	=	**Earnings + taxable allowances + cash taxable benefits**
	=	**\$1,000.00 + \$0.00 + \$0.00**
	=	**\$1,000.00**
QPIP premium	=	**IE x annual QPIP rate**
	=	**\$1,000.00 x 0.00494**
	=	**\$4.94**
Step Six: Determine Federal Income Tax		
Net Federal Taxable Income	=	**Earnings + taxable allowances + cash taxable benefits + non-cash taxable benefits + near-cash taxable benefits – authorized deductions** • **Employee contribution to an RPP** • **Contributions to an RRSP** • **Union dues** • **Deduction for living in a prescribed zone** • **CRA authorized deductions**
	=	**\$1,000.00 + \$0.00 + \$0.00 + \$0.00 + \$0.00 – \$0.00**
	=	**\$1,000.00**
		Using the federal tax table for a Quebec employee, weekly payroll, claim code 1
	=	**\$128.00**
Step Seven: Determine Provincial Income Tax		
Net Provincial Taxable Income (Quebec)	=	**Earnings + taxable allowances + cash taxable benefits + non-cash taxable benefits + near-cash taxable benefits – authorized deductions** • **Employee contribution to an RPP** • **Contributions to an RRSP** • **Deduction for living in a prescribed zone** • **CRA authorized deductions**
	=	**\$1,000.00 + \$0.00 + \$0.00 + \$0.00 + \$0.00 – \$0.00**
	=	**\$1,000.00**
		Using the Quebec tax tables, weekly payroll, claim code A
	=	**\$168.96**

Step Eight: Total Deductions		
Total Deductions	+	**C/QPP contributions**
	+	**EI premiums**
	+	**QPIP premiums**
	+	**Federal income tax**
	+	**Quebec provincial income tax**
	+	**Other deductions**
		$57.36 (QPP)
		12.00 (EI)
		4.94 (QPIP)
		128.00 (Federal income tax)
		168.96 (Quebec income tax)
		$371.26
Step Nine: Net Pay		
Net Pay	=	**Gross Earnings – Total Deductions**
	=	**$1,000.00 – $371.26**
	=	**$628.74**

24. How is an employer's health services fund contribution rate determined?

The rate is determined by the employer's total worldwide payroll. An employer's total worldwide payroll for a calendar year is the total salaries and wages paid during the year by the employer and any other associated businesses.

25. How does the Commission des normes, de l'équité, de la santé et de la sécurité du travail premiums and contributions fund the Occupational Health and Safety Plan?

The CNESST funds the Plan through the premiums it collects from employers.

26. How is the labour standards contribution calculated?

The labour standards contribution is calculated at a rate of 0.06% (60 cents per $1,000) of the total Québec payroll, to annual maximum earnings per employee.

27. List three employers who are exempt from the labour standards contributions to the Commission des normes, de l'équité, de la santé et de la sécurité du travail (CNESST/CNT) for earnings paid.

    - **urban and municipal governments**
    - **public transit corporations**
    - **school boards, including the Conseil scolaire de l'Île de Montréal**
    - **parish or vestry councils**
    - **charitable, religious, and educational institutions**
    - **day care centres**
    - **Commission de la construction du Québec**
    - **parity committees established under the *Act Respecting Collective Agreement Decrees***
    - **Québec government employers, including all appointments made under the *Public Service Act*, wholly owned Crown corporations, or employers wholly financed by the public sector**
    - **employers subject to a decree where the parity committee pays the contribution**

28. What is the objective of Québec's *Act to promote workforce skills development and recognition*?

    The objective of the *Act to promote workforce skills development and recognition* is to improve manpower skills, thus promoting employment, labour market adaptation and integration, as well as manpower mobility.

29. Which employers are required to comply with the *Act to promote workforce skills development and recognition* and what is the compliance requirement?

    Employers with annual Québec payrolls over $2 million must invest 1% of their total annual Québec payroll in eligible training expenditures.

30. Explain the term 'personal information' according to Québec privacy legislation.

    Personal information is information that relates to a person and allows that person to be identified. It is confidential and, except in rare circumstances, cannot be communicated without the consent of the person concerned.

31. What are supplemental pension plans?

    Supplemental pension plans (private plans) are retirement plans set up by employers, separate from the Québec Pension Plan.