Canada Revenue Agency / Agence du revenu du Canada

T4032-QC, Payroll Deductions Tables – EI, and income tax deductions – Quebec

Effective January 1, 2016

Canada

What's new as of January 1, 2016

The major changes made to this guide since the last edition are outlined.

This guide reflects some income tax changes recently announced which, if enacted as proposed, would be effective January 1, 2016. At the time of publishing, some of these proposed changes not law. We recommend that you use the new payroll deductions tables in this guide for withholding starting with the first payroll in January 2016.

The changes to the federal income tax rates and thresholds for January 1, 2016 are:

a tax rate of 20.5% for the income threshold of $45,282.01 to $90,563.00;

a tax rate of 33% for the income threshold of $200,000.01 and over.

The federal income tax thresholds have been indexed for 2016.

The federal Canada employment credit has been indexed to $1,161 for 2016.

The federal basic personal amount, the spouse or common-law partner amount and the amount for an eligible dependant have been indexed to $11,474 for 2016.

Payroll Deductions Tables

You can download guides T4008, *Payroll Deductions Supplementary Tables,* and T4032, *Payroll Deductions Tables*, from our webpage at **www.cra.gc.ca/payroll**. You can also choose to print only the pages or information that you need.

Guide T4032, *Payroll Deductions Tables*, is also available on CD for use on any computer with or without Internet access. You can order a copy at **www.cra.gc.ca/orderforms** or by calling **1-800-959-5525**.

Paper copies remain available for employers who do not use a computer. To get a copy, call us at **1-800-959-5525**.

Payroll Deductions Online Calculator

For your 2016 payroll deductions, you can use our Payroll Deductions Online Calculator (PDOC). The online calculator makes it easier to calculate payroll deductions. PDOC is available at **www.cra.gc.ca/pdoc**.

PDOC calculates your payroll deductions. It calculates deductions for any pay period, province (except Quebec) and territory. The calculation is based on exact salary figures.

Let us notify you

We provide an electronic service that can notify you immediately, **free of charge**, of any changes for payroll deductions.

To subscribe, visit our webpage at **www.cra.gc.ca/lists** and enter your business's email address for each mailing list that you want to join.

Special Notice

Payroll Deductions Tables (T4032)

Effective with the January 1, 2017 edition, the Canada Revenue Agency will no longer publish the paper and CD versions of the guide T4032, *Payroll Deductions Tables*. The electronic version of the guide will continue to be available on our website at **www.cra.gc.ca/payroll**. For employers who do not have access to a computer, please call **1-800-959-5525** to receive a copy of the guide

Table of contents

This guide uses plain language to explain the most common tax situations. If you need more help, contact your tax services office.

Who should use this guide?

This guide is intended for the employer and the payer. It contains tables for federal and provincial tax deductions, CPP contributions and EI premiums. It will help you determine the payroll deductions for your employees or pensioners.

For information on deducting, remitting, and reporting payroll deductions, see the following employers' guides:

Employers' Guide – Payroll Deductions and Remittances

Employers' Guide – Taxable Benefits and Allowances

Employee or Self-employed?

Employers' Guide – Filing the T4 Slip and Summary

Deducting Income Tax on Pension and Other Income, and Filing the T4A Slip and Summary

These guides are available on our website at **www.cra.gc.ca**. You can also get the guides by filling out the order form available on our website or by calling **1-800-959-2221**.

Note
You may want to keep the 2015 edition of *Payroll Deductions Tables* until the end of 2016. That edition may help you to resolve any pensionable and insurable earnings review (PIER) deficiencies that we identify in processing your 2015 T4 return.

What if your pay period is not in this guide?

This guide contains the most common pay periods: weekly, biweekly (every two weeks), semi-monthly, and monthly. If you have unusual pay periods, such as daily (240 working days), or 10, 13, or 22 pay periods a year, see the Guide T4008, *Payroll Deductions Supplementary Tables,* or the Payroll Deductions Online Calculator (PDOC) to determine tax deductions.

Which provincial or territorial tax table should you use?

Before you decide which tax table to use, you have to determine your employee's province or territory of employment. This depends on whether or not you require the employee to report for work at your place of business.

If the employee reports for work at your place of business, the province or territory of employment is considered to be the province or territory where your business is located. To withhold payroll deductions, use the tax table for that province or territory of employment.

If you do not require the employee to report for work at your place of business, the province or territory of employment is the province or territory in which your business is located and from which you pay your employee's salary.

For more information and examples, see Chapter 1, "General Information" in guide T4001, *Employers' Guide – Payroll Deductions and Remittances.*

Federal tax for 2016

Indexing for 2016

For 2016, the federal income thresholds, the personal amounts and the Canada employment credit have been increased based on changes in the consumer price index.

The federal indexing factor for January 1, 2016 is 1.3%. The tax credits corresponding to the claim codes in the tables have been indexed accordingly. Employees will automatically receive the indexing increase, whether or not they file Form TD1, *2016 Personal Tax Credits Return*.

Tax rates and income thresholds

For 2016, the tax rates and income thresholds are:

Chart 1 – 2016 federal tax rates and income thresholds

Annual taxable income ($)	Federal tax rate (%)	Constant ($)
From – To	R	K
0.00 to 45,282.00	15%	0

45,282.01 to 90,563.00	20.5%	2,491
90,563.01 to 140,388.00	26%	7,471
140,388.01 to 200,000.00	29%	11,683
200,000.01 and over	33%	19,683

Canada employment credit

The non-refundable Canada employment credit is built into the federal payroll deductions tables. The federal Canada employment amount is the lesser of the following amounts:

$1,161; and

the individual's employment income for the year.

The maximum annual non-refundable tax credit is $174.15.

Pension income in not eligible for this credit. If you are paying pension income, use the Payroll Deductions Online Calculator to find the tax deduction.

Personal amounts

Most of the federal personal amounts for 2016 are revised.

Basic personal amount $11,474

Spouse or common-law partner amount $11,474

Amount for an eligible dependant $11,474

For more detailed information on the personal amounts, see Form TD1.

Employment Insurance (EI) premiums for 2016

Quebec Parental Insurance Plan

This plan replaces and enhances the measures provided to new parents under the Employment Insurance program administered by Employment and Social Development Canada (ESDC).

The Canada Revenue Agency (CRA) administers the requirements relating to Employment Insurance (EI) premiums. The Quebec Parental Insurance Plan (QPIP) references in this guide are only for clarifying EI requirements. All QPIP requirements should be confirmed with Revenu Québec, which administers the provincial plan.

Employers will use the EI rate corresponding to the province of employment. A **reduced EI** rate applies when the province of employment is Quebec and the **regular EI** rate applies when the province of employment is other than Quebec.

For more information on province of employment, refer to the section "Which provincial or territorial tax table should you use?"

Employers who have employees working in Quebec will use an EI deduction table specific to employees in Quebec. The deductions, remittances, reporting and the applicable new non-refundable tax credit will be based on the **reduced EI rate**. Employers should also track the QPIP information for T4 reporting.

The EI maximum insurable earnings will remain the same for all provinces and territories and will continue to be set by the federal government.

Employee premiums

You withhold EI premiums beginning with the first dollar of insurable earnings. You stop deducting premiums when you reach the employee's maximum annual insurable earnings.

When you use the table in this guide to determine the EI premiums, look up the insurable earnings for the period, not the gross remuneration.

Employment Insurance Premiums

Maximum annual insurable earnings	$50,800
Premium rate in Quebec only (%)	1.52
Maximum annual employee premium in Quebec	$772.16

You stop deducting EI when the employee reaches the maximum annual premium.

Note
As an employer, you have to remit these deductions along with your share of EI premiums.

For more information, see Chapter 3, "Employment Insurance premiums" in Guide T4001, *Employer's Guide – Payroll Deductions and Remittances.*

Quebec Parental Insurance Premium

Maximum annual insurable QPIP earnings	$71,500
QPIP premium rate (%)	0.548
Maximum annual employee QPIP premium in Quebec	$391.82

Note
QPIP premiums and the related employer portion are paid to Revenu Québec, not to the Canada Revenue Agency.

Changes to reporting

New fields to be kept for payroll records and reported on the T4 slip

These reporting changes are province dependent. For now, these fields will only be filled when the province of employment is Quebec.

The T4 slip will have new fields for the three data elements that must be saved and reported. They are:

Provincial Parental Insurance Plan (PPIP) premium;

PPIP insurable earnings; and

PPIP exempt code (leave blank – no exemptions for the first year).

The names are generic to accommodate future plans. The province of employment **will be the key** to applying the appropriate EI rate and maximum premium.

The QPIP fields will be reported on the T4 slip in the new PPIP premiums and insurable earnings boxes, located below the existing fixed boxes 52 and 50. The **new numeric codes** are box 55 for PPIP premiums and box 56 for PPIP insurable earnings. The new PPIP exempt code box will be created next to the CPP/QPP and EI exempt boxes as part of box 28.

Note
For all information on QPIP regarding the implementation, administration, rates, maximum insurable earnings, payments of benefits or how to complete the Quebec information slips, visit the Revenu Québec website at **www.revenu.gouv.qc.ca**.

Deducting and remitting obligations for Employment Insurance (EI)

The EI deductions will decrease for employees working in Quebec, but the method of remitting to the Canada Revenue Agency does not change.

It is possible that some employers' federal remittance frequency could change if the reduction of EI for Quebec employees changes the threshold for the employer, however this is unlikely for large employers.

For information on how and when to remit QPIP premiums, visit the Revenu Québec website at **www.revenu.gouv.qc.ca**.

When an employee changes province of employment with the same employer during the year, the maximum premium for the year will vary based on the province where **the first $50,800** of insurable earnings are paid.

Example

An employee makes $30,000 of insurable earnings in Ontario;

The same employee changes his province of employment to Quebec and makes an additional $40,000 with the same employer. The employee's maximum premium is calculated as follows:

In Ontario:	$30,000 × 1.88%	= $564.00
In Quebec:	$20,800 × 1.52%	= $316.16
Totals:	$50,800	= $880.16

Canada Revenue Agency and Revenu Québec will reconcile adjustments to EI and QPIP premiums for trans-border employees. It is anticipated that adjustments between the EI and QPIP deductions will be resolved through the filing of the income tax return and an annual year-end adjustment process.

For detailed information concerning federal requirements, refer to the CRA payroll webpage at **www.cra.gc.ca/payroll**.

Quebec tax abatement

The Quebec tax abatement rate remains at 16.5% for 2016.

Personal tax credits return (TD1 form)

You may have to ask your employees or your pensioners to complete a federal personal tax credits return using a federal Form TD1.

For more information, see Chapter 5, "Deducting income tax" in Guide T4001, *Employers' Guide – Payroll Deductions and Remittances.*

Claim codes

The total personal amount an employee claims on a TD1 form will determine which claim code you will use. See Chart 2.

Explanation of claim codes

Claim code 0

This code represents **no claim amount** This code may also be used if the employee indicated they have more than one employer or payer at the same time and have entered "0" on the front page of Form TD1 for 2016.

Claim codes 1 to 10

The claim code amounts do not appear on either the federal or the provincial TD1 form.

You match the "Total claim amount" reported on your employee's or pensioner's TD1 form with the appropriate claim codes. Then, you look up the tax for the employee's pay under the claim code in the federal tax tables for the pay period.

Indexing of federal claim codes amounts

The credits that apply to each federal claim code have been automatically increased in the tax tables by the indexing factor for the current year. If your employee did not complete the federal and provincial TD1 forms for 2016, you continue to deduct income tax using the same claim code that you used last year.

Chart 2 – 2016 federal claim codes

Total claim amount ($)	Claim code
No claim amount	0
11,474.00	1
11,474.01 to 13,666.00	2
13,666.01 to 15,858.00	3
15,858.01 to 18,050.00	4
18,050.01 to 20,242.00	5
20,242.01 to 22,434.00	6
22,434.01 to 24,626.00	7
24,626.01 to 26,818.00	8
26,818.01 to 29,010.00	9
29,010.01 to 31,202.00	10
31,202.01 and over	X The employer has to calculate the tax manually
No withholding	E

Calculating payroll deductions for employees in the hotel and restaurant business in Quebec

As a result of legislation introduced in the province of Quebec, employees in the hotel and restaurant business who receive income from tips and gratuities have to declare this income to their employers. Effective January 1, 1998, you have to include tips declared by these employees when you calculate insurable earnings for purposes of Employment Insurance (EI). You also have to include these tips when you determine federal income tax deductions. Report the tips and deductions on a T4 slip.

When you include the declared tips and gratuities in the income, the corresponding deductions shown in the *Payroll Deductions Tables* may be greater than the cash salary or wages paid. Payroll deductions cannot be more than the amount of salary and wages paid. To make sure that the deductions are not more than the salary or wages, you will have to reduce the deductions until net pay is no longer negative.

How do you reduce the deductions?

When you reduce the payroll deductions, you have to reduce them in a particular order, as specified in the Quebec legislation. First reduce the Quebec provincial tax, and then reduce Quebec Parental Insurance Premiums and finally Quebec Pension Plan (QPP) contributions. If the net pay is still negative, reduce the federal tax withholding. Any shortfall of federal or provincial tax will be determined when the individuals file their personal tax returns.

In some cases, when QPP is reduced, you may have to increase federal tax to reflect the change in the federal tax credit for QPIP and QPP contributions. You can use the Payroll Deductions Online Calculator (PDOC) to determine the adjusted deductions.

Form TD1X, *Statement of Commission Income and Expenses for Payroll Tax Deductions*

If your employees want you to adjust their tax deductions to allow for commission expenses, they have to complete Form TD1X, *Statement of Commission Income and Expenses for Payroll Tax Deductions*.

You deduct tax from your employees' commission pay using the "Total claim amount" on their TD1 forms in the following situations:

- if your employees do not complete a Form TD1X; or
- if they tell you in writing that they want to cancel a previously completed Form TD1X.

How to use the tables in this guide

Use the tables in this guide to determine the EI premiums and federal tax that you will deduct from your employees' remuneration.

EI table (Section B)

Find the page in Section B that corresponds to the "Insurable earnings" of your employee.

To find the range that includes your employee's insurable earnings, look down the "Insurable earnings" column. When you use the table in this guide to determine the EI premiums, look up the insurable earnings for the period not the gross remuneration.

In the shaded column next to the "Insurable earnings" column, you will find the EI premium that you should withhold from your employee's pay.

Federal tax deductions tables (Section C)

Even if the period of employment for which you pay a salary is less than a full pay period, you must continue to use the tax deductions table that corresponds to your regular pay period.

Find the pages in Section C that correspond to your pay period.

To find the range that corresponds to your employee's taxable income (this includes any taxable benefits), look down the "Pay" column.

In the row under the applicable claim code, you will find the amount of federal tax that you should withhold from your employee's pay (for more information, see the section called "Claim codes" and Chart 2).

Additional information about payroll deductions

Deducting tax from income not subject to CPP contributions or EI premiums

We have built the tax credits for CPP contributions and EI premiums into the federal and provincial tax deductions tables in this guide. However, certain types of income, such as pension income, are not subject to CPP contributions and EI premiums. As a result, you will have to adjust the amount of federal and provincial income tax you are deducting.

To determine the amount of tax to deduct from income not subject to CPP contributions or EI premiums, use the Payroll Deductions Online Calculator, available at **www.cra.gc.ca/pdoc**. On the "Salary pay calculation" and/or on the "Commission pay calculation" screen, go to Step 3 and select the "CPP Exempt" and/or "EI Exempt" option before clicking on the "Calculate" button.

Step-by-step calculation of tax deductions

You can use the following step-by-step calculations to calculate the tax deductions for any employee or pensioner who earns more than the maximum amounts included in the tax deductions tables.

The example shows you how to determine the amount of tax to deduct from all income.

However, if you design your own payroll program or spreadsheets to calculate tax deductions, do not use either of these calculations. Instead, see guide T4127, *Payroll Deductions Formulas for Computer Programs*.

Example
Tax to deduct for all income

This example applies to a person who earns $1,400 weekly and contributes $80 to a registered retirement savings plan (RRSP).

This person claims the basic personal claim amount.

Calculate annual taxable income

	Description	Sub-amounts	Amounts
(1)	Gross remuneration for the pay period (weekly)		$ 1,400.00
(2)	**Minus**		

	the other amounts authorized by a tax services office	0.00	
	the RRSP contributions*	80.00	
			– 80.00
	*** This amount has to be deducted at source.**		
	*** Note** If you have an employee you paid by commission, subtract the total expenses reported on Form TD1X from the gross remuneration reported on Form TD1X if applicable.		
(3)	Net remuneration for the pay period (line 1 minus line 2)		$ 1, 320.00
(4)	Annual net income ($1 320× 52 weeks)		$ 68,640.00
(5)	**Minus** the annual deduction for living in a prescribed zone, reported on the Form TD1		– n/a
(6)	Annual taxable income (line 4 minus line 5)		$ 68,640.00

Calculate federal tax

	Description	Sub-amounts	Amounts
(7)	**Multiply** the amount on line 6 by the federal tax rate based on Chart 1.		× 0.205
			$ 14,071.20
(8)	**Minus** the federal constant based on the annual taxable income on line 6 (see Chart 1)		– 2,491.00
(9)	Federal tax (line 7 minus line 8)		$ 11,580.20
(10)	**Minus** the federal tax credits:		
	the total of personal tax credit amounts reported on the Form TD1	$ 11,474.00	
	the QPP contributions for the pay period **multiplied by** the number of pay periods in the year (annual maximum $2,737.05)	2,737.05	
	the Quebec EI premiums for the pay period **multiplied by** the number of pay periods in the year (annual maximum $772.16)*	772.16	
	the QPIP premiums for the pay period **multiplied by** the number of pay periods in the year (annual maximum $391.82)*	376.15	
	the Canada employment credit (annual maximum $1,161.00)	1,161.00	
	Total	$ 16,520.36	
	*** Note** When the maximum QPP contributions, QPIP premiums or EI premiums for the year is reached, use the maximum amount for later calculations		
(11)	**Multiply** the total on line 10 by the lowest federal tax rate for the year.	× 0.15	
(12)	Total federal tax credits		– 2,478.05
(13)	Basic federal tax (line 9 minus line 12)		$ 9,102.15
(14)	**Minus** federal abatement, for Quebec only, 16.5% of the amount on line 13		– 1,501.85
(15)	Total federal tax payable for the year (line 13 minus line 14)		$ 7,600.29

Calculate total tax and the tax deduction for the pay period

	Description	Sub-amounts	Amounts
(16)	Tax deduction for the pay period: **Divide** the amount on line 15 by the number of pay periods in the year (52).		$ 146.16

Your opinion counts!

If you have any comments or suggestions that would help us improve this guide, we would like to hear from you. Send your comments to:

Taxpayer Services Directorate
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