

Name the Province of Employment



Where employees report to work determines their province of employment.

All provinces and territories have their own income tax. Several provinces have employer payroll taxes. And, of course, Québec has a provincial government pension plan (QPP) and employment insurance system (QPIP). All of this can be quite a headache when you need to do source deductions. To make the proper tax, EI, CPP and other withholdings, you first must determine which laws do and don't apply. **General rule:** The "province of employment" determines which law to use to calculate withholdings. But [figuring out the province of employment](#) is anything but straightforward. Consider this scenario.

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Marx Frères is an accounting firm based in Québec with offices in Manitoba, New Brunswick and Ontario. The firm processes all paycheques from its head office in Montréal. Four of the firm's employees are:

- Groucheau, an accountant who lives in Québec and works at the firm's Montréal office;
- Chiceau, a salesman who lives in Ontario, travels among several provinces and reports to the firm's Montréal office;
- Zeppeau, a marketing representative who reports to the firm's New Brunswick office and lives just over the border in Québec; and
- Gummeau, an IT technician who telecommutes from her home in New Brunswick and doesn't report to any of the firm's offices.

All employees who "report to" an office physically present themselves at that office.

Question

For which of the following employee(s) must the firm make QPP, as opposed to CPP contributions?

1. Groucheau
2. Chiceau
3. Zeppeau
4. Gummeau

Answer

A, B and D. The wages of Groucheau, Chiceau and Gummeau are subject to QPP contributions; the wages of Zeppeau are subject to CPP contributions.

Explanation

Which province's rules do you follow when making source deductions for employee who live and work in different provinces? **Answer:** You follow the laws of whichever province is considered the province of employment. The most definitive statement of the rules employers should use to determine the province of employment is contained in CRA's *Employers' Guide – Payroll Deductions and Remittances* (T4001). The point of this scenario, which is purely fictional, is to explain those rules and show you how they apply in different situations that payroll managers are likely to encounter. Let's use each of the Marx Frères employees to illustrate how those rules play out.

How Each Employee Is Taxed

1. For Groucheau, Québec is the province of employment because he both lives and works in that province. So, clearly, his wages would be subject to deductions for QPP contributions.
2. For Chiceau, Québec is the province of employment because province of employment is based on where the employee works rather than where he lives. Even though Chiceau lives in Ontario, he reports to (and thus physically presents himself to) the office in Québec. So, his wages are subject to QPP contributions.
3. For Zeppeau, New Brunswick is the province of employment because his situation is the mirror image of Chiceau's. He lives in Québec but reports to work in New Brunswick. Since New Brunswick is the province of employment, Zeppeau's wages would be subject to CPP rather than QPP contributions.
4. For Gummeau, Québec is the province of employment because she doesn't report to work at any of the firm's offices. In this situation, the province of employment is the province from which the employee's salary is paid. Marx Frères processes all of its paycheques from the Montréal office. So even though Gummeau lives in New Brunswick, her wages are subject to QPP contributions.