

New Laws: 2017 Québec Source Deduction Rules: The 9 Changes You Must Know



As it does every year, Revenu Québec will implement key changes affecting the way you calculate source deduction and contributions in the coming year. In fact, several of these changes are already in effect for the 2016 tax year. Here's a roundup of the changes you must be aware of if Québec is the province of employment for any of your employees.

1. New Personal Amounts for Source Deductions

The 2017 indexation factor for calculating the value of personal tax credits to determine source deductions codes on the TP-1015.3-V, *Source Deductions Return*, is 0.74%. Here are the indexed 2017 amounts (as compared to the 2016 amounts):

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

2. New Income Tax Rates & Thresholds

The 2017 income tax rates are unchanged but the income thresholds have been indexed. Result:

Income Tax Rate	2017 Taxable Income Threshold	2016 Taxable Income Threshold
16%	0 to \$42,705	0 to \$42,390
20%	\$42,705 to \$85,405	\$42,390 to \$84,780
24%	\$85,405 to \$103,915	\$84,780 to \$103,150
25.75%	>\$103,915	>\$103,150

3. New QPP Rates

Here are the changes to QPP rates for 2017:

QPP RATE	2017	2016
Maximum pensionable earnings	\$55,300	\$54,900
Employer contribution rate	5.400%	5.325%
Employee contribution rate	5.400%	5.325%
Annual maximum contribution	\$2,797.20	\$2,737.05
Self-employed maximum	\$5,594.40	\$5,474.10

4. Higher QPIP Maximums

QPIP rates are unchanged from 2016 but maximum insurable earnings and contributions are higher:

RATE	2017	2016
Maximum insurable earnings	\$72,500	\$71,500
Employee contribution rate	0.548%	0.548%
Employer contribution rate	0.767%	0.767%
Annual maximum employee contribution	\$397.30	\$391.82
Annual maximum employer contribution	\$556.08	\$548.41

5. First Year of Lower Health Services Fund Contributions

Health Services Fund contributions for employers with total payroll of \$1 million or less will gradually decrease over the next five years, starting in 2017 (Employers with payroll between \$1 million and \$5 million will also get a gradual reduction in their contribution rate):

Employer Sectors	Current 2017	2018	2019	2020	2021 and thereafter
Primary & Manufacturing	1.60%	1.55%	1.50%	1.50%	1.50% 1.45%
Service & Construction	2.70%	2.50%	2.30%	2.15%	2.05% 2.00%

6. Reductions to Labour Standards Contribution

Employers will still be subject to what was previously known as the CNT financing contribution to finance labour standards activities but the burden will be reduced thanks to two changes that take effect on January 1:

- Reduction of the remuneration rate subject to contribution from 0.8% to 0.7%; and
- Increase in the portion of remuneration not subject to the contribution from remuneration above \$72,500 (as opposed to \$71,500 in 2016).

7. Elimination of the Health Contribution

As of Jan. 1, 2017, employers will no longer have to withhold the health contribution on the remuneration paid to an employee or beneficiary.

8. Higher Maximum Employment Deduction Cap

The 2017 maximum deduction for employment income has been increased from \$1,130 to \$1,140.

9. Higher Threshold for Determining Source Deductions on Gratuities and Retroactive Pay

The 2017 threshold to determine the method of calculating income tax source deduction on gratuities and retroactive pay is \$14,550, as opposed to \$14,450 in 2016.