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Director Liability in Quebec: Payroll, GST/QST and Wages

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In this article

1. Why directors, not just the company, get the notice
2. Federal rule: Income Tax Act s. 227.1
3. GST/HST: Excise Tax Act s. 323
4. Quebec: Tax Administration Act s. 24.0.1
5. When the government can actually collect from a director
6. The due diligence defence
7. Unpaid wages: Quebec BCA s. 154 and CBCA s. 119
8. The two-year clock after you resign
9. Penalties beyond director liability
10. Practical controls for a small board
11. Insurance and indemnities: what they do and do not cover
12. Checklist before you accept a directorship
13. Sources

Why directors, not just the company, get the notice

Incorporating shields your personal assets from the company's debts, except for a short list whose common feature is that the money never really belonged to the company. When a corporation withholds income tax from a paycheque or charges GST and QST on an invoice, it holds that money for the government. Federal law treats source deductions as "amounts held in trust for the Receiver General" ([CRA, T4001](#)), and Quebec law says every person who deducts, withholds or collects an amount under a fiscal law "is deemed to hold it in trust for the State, separately from the person's patrimony" ([Tax Administration Act, s. 20](#)). Using that money to pay rent or suppliers when cash is tight is exactly what the director liability rules target.

Wages are the third bucket: corporate statutes give employees a direct claim against directors for limited unpaid pay.

Bucket	Federal rule	Quebec rule
Payroll source deductions (income tax, CPP/QPP, EI, QPIP and employer contributions)	Income Tax Act s. 227.1	Tax Administration Act s. 24.0.1
Sales tax collected but not remitted	Excise Tax Act s. 323 (GST/HST)	Tax Administration Act s. 24.0.1 (QST)
Unpaid employee wages	CBCA s. 119 (federal corporations)	Business Corporations Act s. 154 (Quebec corporations)

Federal rule: Income Tax Act s. 227.1

Section 227.1(1) says that when a corporation fails to deduct or withhold an amount it is required to, or fails to remit it, "the directors of the corporation at the time the corporation was required to deduct, withhold, remit or pay the amount are jointly and severally, or solidarily, liable, together with the corporation, to pay that amount

and any interest or penalties relating to it" ([Income Tax Act, s. 227.1](#)).

Three words in that sentence matter.

- **"At the time"**: liability attaches to whoever was a director when the remittance was due. A director appointed in March is not liable under this rule for a January shortfall, but a director who resigned in June is still exposed for the months they served.
- **"Jointly and severally"**: the CRA can collect the full amount from any one director. Section 227.1(7) gives a director who pays the right to claim contribution from the other liable directors ([s. 227.1\(7\)](#)), but chasing your co-founder is your problem, not the CRA's.
- **"Interest or penalties"**: the bill is not limited to the original deductions.

Titles do not protect you. The CRA's information circular on directors' liability says the statutes do not distinguish between active, passive, nominee or outside directors, and that officers or others who perform a director's functions without being formally appointed (de facto directors) may also be liable ([CRA, IC89-2R3](#), paras. 9-10).

GST/HST: Excise Tax Act s. 323

The GST rule copies the income tax rule. When a corporation fails to remit net tax, or keeps a net tax refund it was not entitled to, the directors at the time are jointly and severally liable with the corporation for the amount, interest and penalties ([Excise Tax Act, s. 323](#)).

Two mechanics differ slightly in wording:

- The Minister can **assess** a director directly under s. 323(4), and the regular objection and appeal rules for GST assessments then apply.
- Under s. 323(5), that assessment "shall not be made more than two years after the person last ceased to be a director" ([s. 323](#)).

Quebec: Tax Administration Act s. 24.0.1

Quebec's rule, in the Tax Administration Act (chapter A-6.002), is broader than the federal one because it reaches several Quebec payroll programs at once.

Under s. 24.0.1, when a corporation fails to remit an amount it deducted, withheld or collected, fails to deduct, withhold or collect an amount required under a fiscal law, or fails to pay its **employer's contribution** under any of these acts, "its directors in office on the date of the omission shall become solidary debtors with the corporation" for that amount plus interest and penalties ([Tax Administration Act, s. 24.0.1](#)):

- the Act respecting the Québec Pension Plan (QPP);
- the Act respecting parental insurance (QPIP);
- the Act respecting labour standards (the CNESST labour standards contribution);
- the Act to promote workforce skills development and recognition (the 1% training rule, for larger payrolls);
- the Act respecting the Régie de l'assurance maladie du Québec (the Health Services Fund contribution).

"Fiscal law" includes the Quebec Taxation Act and the QST Act, so Quebec income tax withheld from employees and QST collected from customers are both covered. The section's second paragraph adds a specific case: if the corporation obtained a QST refund it was not entitled to and did not pay it back, the directors in office on the date it got the refund become solidary debtors for it (s. 24.0.1).

Revenu Québec's own guidance on directors' liabilities restates these rules and adds a practical warning: "make sure that all required procedures have been followed" when you become or cease to be a director, "and that this is substantiated in official documents" ([Revenu Québec, Liabilities of Directors of Corporations](#)). For a Montreal company with a few employees, a single quarter of missed remittances can create exposure on both the federal side (federal income tax and EI) and the Quebec side. For the list of payroll accounts involved, see our guide to [Revenu Québec registration for GST, QST and source deductions](#).

When the government can actually collect from a director

Neither the CRA nor Revenu Québec can go straight to a director because a remittance is late. They must first show they cannot collect from the company. The three federal routes are the same under the Income Tax Act and the Excise Tax Act (ITA s. 227.1(2); ETA s. 323(2)):

1. **Failed execution:** a certificate for the corporation's debt has been registered in the Federal Court and execution has been returned unsatisfied in whole or in part.
2. **Liquidation or dissolution:** the corporation has started liquidation or dissolution proceedings or has been dissolved, and the claim was proved within six months after the earlier of the start of the proceedings and the dissolution.
3. **Bankruptcy:** the corporation made an assignment or a bankruptcy order was made against it, and the claim was proved within six months after that date.

Quebec's list in s. 24.0.1 is parallel: a seizure of movable property returned unfulfilled after judgment, a winding-up order or bankruptcy with a claim filed, or liquidation or dissolution proceedings (or dissolution itself) ([Tax Administration Act, s. 24.0.1](#)).

Directors often hear about this only after the company has collapsed or been dissolved, including when a founder stops filing and lets the Registraire strike the company off. If you plan to wind down, read [how to close a business in Quebec](#) and clear trust accounts first.

When execution has issued, the amount recoverable from a director is only what remains unsatisfied after execution (ITA s. 227.1(5)).

A second Quebec exposure arises on a sale of the business. Revenu Québec states that a director who distributes the corporation's property after it sells all or nearly all its assets outside the normal course of business, or pays the proceeds to creditors, without notifying it, can be personally liable for the corporation's taxes, interest and penalties (including amounts that become due in the next 12 months), up to the value of the property distributed. The notice is form MR-14.B-V, *Notice Before Distribution of Property*, plus FP-352-V for a GST/HST clearance certificate; Revenu Québec then issues the certificates authorizing the distribution ([Revenu Québec, Liabilities of Directors](#)).

The due diligence defence

Every one of the tax regimes has a defence, and it is the one that matters most in practice.

- **Federal (income tax and GST/HST):** a director is not liable if they "exercised the degree of care, diligence and skill to prevent the failure that a reasonably prudent person would have exercised in comparable circumstances" (ITA s. 227.1(3); ETA s. 323(3)).
- **Quebec:** s. 24.0.1 "does not apply to a director who acted with reasonable care, dispatch and skill under the circumstances or who, under the same circumstances, could not have been aware of the omission" (Tax Administration Act, s. 24.0.2).

The key words are **"to prevent"**. The CRA's circular is explicit that directors must show they took reasonable steps to prevent the failure, and that "the steps must be taken before the failure has occurred" (IC89-2R3, para. 14). Paying arrears after a notice arrives does not prove diligence for the period of the failure.

The same circular says the CRA applies an objective "reasonably prudent person" standard, that directors cannot claim they were unaware of their obligations, and that a director who delegates remittances to an officer or bookkeeper remains responsible for making sure they are paid (paras. 15-18). It lists the kinds of steps it expects (para. 12):

- a **separate account** for employee withholdings, source deduction remittances and GST/HST;
- **regular reports** from financial officers on the status of that account;
- **regular confirmation** that withholdings and remittances were actually made for every period.

Evidence that helps: board minutes reviewing remittances, statements for a dedicated trust account, emails asking for proof of payment, documented objections when other directors chose to pay suppliers first.

Evidence that does not: "I was only a silent investor", "the accountant handled it", or a plan to catch up later.

The CRA also sends a pre-assessment letter to directors it is considering assessing and says it will consider the response before deciding (IC89-2R3, paras. 19-21). If you do not reply within the stated time, it may assess without further notice. That letter is the moment to send your evidence.

Unpaid wages: Quebec BCA s. 154 and CBCA s. 119

Wage liability is a claim by employees, not by the tax authorities, and the limits depend on where the company was incorporated.

Quebec corporations. Under the Business Corporations Act, directors are "solidarily liable to the employees of a corporation for all debts not exceeding six months' wages payable to each such employee for services performed for the corporation while they are directors." A director is not liable unless the corporation is sued for the debt within one year after it becomes due and the notice of execution is returned unsatisfied, or unless during that period the corporation is put into liquidation or becomes bankrupt and a claim is filed (Business Corporations Act, s. 154).

Federal (CBCA) corporations. Directors are jointly and severally liable for debts not exceeding six months' wages per employee. The corporation must have been sued within six months after the debt became due with execution returned unsatisfied, or the claim must have been proved within six months in a liquidation, dissolution or bankruptcy. A director must also be sued while still a director or within two years after ceasing to be one (CBCA, s. 119).

	Quebec BCA s. 154	CBCA s. 119
Cap	Six months' wages per employee	Six months' wages per employee
Suit against the company	Within one year after the debt is due	Within six months after the debt is due
Director must be sued	No separate limit stated in s. 154	While a director or within two years after
Liability type	Solidary	Joint and several (solidary)

Example (illustrative): three employees earning \$4,500 a month each means exposure of up to \$81,000 ($3 \times \$4,500 \times 6$) if six months went unpaid.

The two-year clock after you resign

All three tax rules have the same limit: no action or assessment more than **two years after the director last ceased to be a director** (ITA s. 227.1(4); ETA s. 323(5); Tax Administration Act, s. 24.0.2).

That clock only starts if the resignation is real and provable. For a Quebec corporation:

- A resignation "becomes effective at the time the director's written resignation is received by the corporation, or at the time specified in the resignation, whichever is later" (Business Corporations Act, s. 142).
- A director whose term has expired "unless he or she resigns, remains in office until re-elected or replaced" (s. 143). Letting your term lapse is not the same as leaving.

Directors also cease to be directors by operation of law (for example personal bankruptcy), but remain directors, with reduced powers, after a trustee or receiver is appointed (IC89-2R3, para. 8).

How to resign properly:

1. Sign a dated written resignation and deliver it provably (registered mail or a signed acknowledgement).
2. Make sure the company files an updating declaration with the Registraire des entreprises so the public register shows you are no longer a director.
3. Keep the resignation, proof of delivery and updated register extract.
4. Hand back cheque-signing and banking authority; signing cheques can make you look like a de facto director.

Resigning does not erase liability for past periods.

Penalties beyond director liability

Director liability includes the company's penalties:

Failure	Federal (CRA)	Quebec (Revenu Québec)
Failure to deduct or collect	10% of the amount not deducted; 20% for repeat failures made knowingly or with gross negligence	15% of the amount
Late remittance	3% (1-3 days), 5% (4-5 days), 7% (6-7 days), 10% (more than 7 days or nothing remitted)	7% (up to 7 days), 11% (up to 14 days), 15% otherwise
Prosecution	Fine of \$1,000 to \$25,000, or a fine and up to 12 months' imprisonment	Separate penal offences for false statements and evasion

Sources: [CRA, T4001](#) and [Tax Administration Act, ss. 59.2 and 62](#), as of October 2026.

Practical controls for a small board

1. **Pay trust amounts first.** When cash is short, payroll remittances and GST/QST go before suppliers, rent or your own dividends.
2. **Use a separate account.** Move the withholdings and the sales tax collected into a dedicated account on payday and at each invoice batch. This is the first method the CRA lists ([IC89-2R3](#), para. 12).
3. **Know your due dates.** A regular remitter's deductions are due by the 15th of the following month ([CRA, T4001](#)). Put every date in a shared calendar.
4. **Review monthly in writing.** A one-line resolution or email ("remittances for September confirmed paid, confirmation numbers attached") is the evidence a due diligence defence relies on.
5. **Act on the first missed payment.** If a remittance is missed, record what the board did about it that week: a payment plan request, a cash freeze, a written objection.
6. **Keep the minute book current.** Appointments, resignations and register updates should match.

If you are about to hire, our [first employee guide](#) covers the registrations.

Insurance and indemnities: what they do and do not cover

A Quebec corporation **must** indemnify a director or former director against costs reasonably incurred in proceedings connected with their role, subject to conditions in s. 159, and it may not indemnify a person a court finds committed an intentional or gross fault (s. 160). It **may** buy liability insurance for its directors and officers (s. 162) ([Business Corporations Act](#)).

A federal (CBCA) corporation **may** indemnify a current or former director, including for amounts paid to satisfy a judgment, only if the director "acted honestly and in good faith with a view to the best interests of the corporation" and, for a monetary penalty, had reasonable grounds to believe the conduct was lawful. A director not judged to have committed any fault is **entitled** to defence costs, and the corporation may buy D&O insurance ([CBCA, s. 124](#)).

Two limits to keep in mind:

- An indemnity is only as good as the company paying it. Director liability for unremitted taxes usually arises when the company is insolvent, so the indemnity may be worthless at the moment you need it.
- Directors' and officers' (D&O) policies vary. Ask the broker in writing whether the policy covers statutory liability for unremitted source deductions and sales taxes, and whether a policy ends or changes when the company goes bankrupt.

A [shareholders' agreement](#) can add contribution rules between director-shareholders and set who controls remittances, but it does not bind the CRA or Revenu Québec.

Checklist before you accept a directorship

1. Are all payroll source deductions and employer contributions paid up to date? Ask for the latest remittance confirmations.
2. Are GST and QST returns filed and paid for every period?
3. Has the company received any CRA or Revenu Québec collection letters, payment arrangements or pre-assessment letters?
4. Is there a separate trust or tax account, and who controls it?
5. Who prepares payroll and remittances, and how will you receive proof each month?
6. Are all employees paid to date, including vacation pay?
7. Is the company a Quebec or federal corporation? (It changes the wage rule.)
8. Will you have signing authority? Will you be told before any remittance is skipped?
9. Is there D&O insurance, and does it address statutory tax liability?
10. Is there a written indemnity or shareholders' agreement, and does it cover former directors?

If the answers are vague, decline, or accept only once arrears are cleared and documented.

Sources

1. Income Tax Act, s. 227.1 (Justice Laws)
2. Excise Tax Act, s. 323 (Justice Laws)
3. Tax Administration Act, chapter A-6.002, ss. 20, 24, 24.0.1, 24.0.2, 59.2, 62 (LégisQuébec)
4. Business Corporations Act (Quebec), chapter S-31.1, ss. 142, 143, 154, 159, 160, 162 (LégisQuébec)
5. Canada Business Corporations Act, s. 119 (Justice Laws)
6. T4001 Employers' Guide: Payroll Deductions and Remittances (CRA)
7. IC89-2R3 Directors' Liability (CRA)
8. Canada Business Corporations Act, s. 124 (Justice Laws)
9. Liabilities of Directors of Corporations (Revenu Québec)

If you want board records and official mail to land at a stable civic address, 2727 Coworking's [virtual mailbox plans](#) offer one in Griffintown that can be used on REQ filings.

Source links

Links cited in this article, in order of first appearance. Full addresses are provided for readers using extracted text.

1. <https://www.canada.ca/en/revenue-agency/services/forms-publications/publications/t4001/employers-guide-payroll-deductions-remittances.html>
2. <https://www.legisquebec.gouv.qc.ca/en/document/cs/A-6.002>
3. <https://laws-lois.justice.gc.ca/eng/acts/i-3.3/section-227.1.html>
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