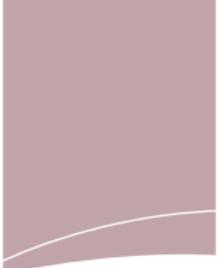


# Directors' Liabilities





Bill Jones is a member of the board of directors of ABC Computers Inc. The corporation has been in operation for approximately 15 years and has three directors.

As an employer or agent, the corporation had always deducted, withheld or collected certain amounts and remitted them to the government. In the past year, however, the corporation has experienced financial difficulties. It has failed to remit the amounts it deducted, withheld or collected, and has received notices of assessment from Revenu Québec.

Mr. Jones believes that he has no personal liability with regard to the corporation and that, as a board member, he is liable only for decisions made during board meetings. Is he right?



## What is your liability as a director of a corporation?

If you are a director of a corporation that is an employer or agent, you must make sure that the corporation remits certain amounts to Revenu Québec. If it fails to do so while you are a director of the corporation, you could be required to pay the amounts concerned, as well as any related interest charges and penalties.

This means that you could be liable for amounts that the corporation

- failed to deduct, withhold or collect under a tax law;
- deducted, withheld or collected under a tax law, but failed to remit to Revenu Québec; or
- failed to remit to Revenu Québec as employer contributions.

You may be held liable in cases where Revenu Québec is unable to recover the amounts from the corporation or where the corporation goes bankrupt.

Before sending you a notice of assessment for amounts not paid by the corporation, Revenu Québec must

- ensure that the corporation has gone bankrupt;
- obtain a judgment against the corporation that remains unpaid because seizure of the corporation's property does not allow Revenu Québec to recover the full amount owing; or
- ensure that the corporation has instituted winding-up or dissolution proceedings, or has been dissolved.

The amounts that may be recovered from a director are therefore limited to the amounts not paid by the corporation.

## When are you not held liable as a director?

There are **three situations** in which you may not be held liable:

- You acted with reasonable care, diligence and skill under the circumstances.
- Under the circumstances, you could not have been aware of the omission.
- It has been at least two years since you were a director of the corporation.

The law makes no distinction between types of directors. Even if you were a passive director, your lack of involvement may not necessarily absolve you from liability.

### Important

As a director of a corporation, you may be held personally liable. If you are, or cease to be, a director of a corporation, make sure that all required procedures have been followed and that this is substantiated in official documents.



## Has your corporation ceased operations?

As a director of a corporation, you may also be held liable if you proceed with the distribution of the corporation's property **without first notifying Revenu Québec** or if you assent to or participate in the distribution without its having been authorized.

Property may be distributed, for example,

- if a large portion of the property used for the corporation's operations is sold; or
- if the corporation disposes of its property otherwise than in the course of its regular activities.

You must therefore act cautiously and notify Revenu Québec before the property is distributed. To do so, complete and submit form MR-14.B-V, *Notice Before Distribution of Property*. Revenu Québec will then issue a certificate authorizing you to distribute the corporation's property.

If you distribute the corporation's property without having first obtained a certificate, or if you assent to or participate in the distribution without its having been authorized, **you may become personally liable** for the amounts owed by the corporation (including interest, penalties and other charges), up to the value of the property distributed.

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This publication is provided for information purposes only. It does not constitute a legal interpretation of the *Taxation Act* or any other legislation.

## To contact us



### By Internet

We invite you to visit our website at [www.revenu.gouv.qc.ca](http://www.revenu.gouv.qc.ca).



### By telephone

#### Hours of availability for telephone service

Monday, Tuesday, Thursday and Friday: 8:30 a.m. to 4:30 p.m.

Wednesday: 10:00 a.m. to 4:30 p.m.

#### Information concerning individuals and individuals in business

Québec City area

**418 659-6299**

Montréal area

**514 864-6299**

Elsewhere (toll-free)

**1 800 267-6299**

#### Information concerning businesses, employers and consumption taxes

Québec City area

**418 659-4692**

Montréal area

**514 873-4692**

Elsewhere (toll-free)

**1 800 567-4692**

#### Information service for persons with a hearing impairment

Montréal area

**514 873-4455**

Elsewhere (toll-free)

**1 800 361-3795**



### By mail

#### Individuals and individuals in business

Montréal, Laval, Laurentides, Lanaudière  
and Montérégie

Direction principale des services

à la clientèle des particuliers

Revenu Québec

Complexe Desjardins

C. P. 3000, succursale Desjardins

Montréal (Québec) H5B 1A4

Québec City and other areas

Direction principale des services

à la clientèle des particuliers

Revenu Québec

3800, rue de Marly

Québec (Québec) G1X 4A5

#### Businesses, employers and consumption taxes

Montréal, Laval, Laurentides, Lanaudière,  
Montérégie, Estrie and Outaouais

Direction principale des services

à la clientèle des entreprises

Revenu Québec

Complexe Desjardins

C. P. 3000, succursale Desjardins

Montréal (Québec) H5B 1A4

Québec City and other areas

Direction principale des services

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