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Find out independent contractors in Canada and how they work The number of Canadians working as independent contractors has risen steadily over the past decade. Often referred to as freelancers, gig workers, or self-employed individuals, independent contractors offer services on a contractual basis rather than as permanent employees. Our guide will examine key aspects of being an independent contractor in Canada. We will compare contractors to employees, outline the benefits and challenges, provide tips on taxes and regulations, and offer guidance for getting started as a successful contractor. Whether you are weighing a career change or simply want to understand this workforce segment better, you will find invaluable insights here. Define Independent Contractor in Canada An independent contractor is a self-employed individual who provides services to a company or clients under contract rather than a traditional employment agreement. Independent contractors operate as a business entity and have control over when, where, and how they complete work assignments. There are three main ways a contractor can structure their business in Canada: Sole Proprietorship – The contractor operates under their own personal name without formally incorporating a business. This is the simplest structure. Partnership – Two or more contractors jointly form and share ownership of an unincorporated business. Corporation – The contractor registers a separate legal entity and operates as an employee of that corporation. This option has additional tax planning benefits. Regardless of business structure, the key distinguishing factor is that independent contractors have no formal employer-employee relationship. The client has limited control over the contractor's work process and cannot dictate hours or location. There are eight main notable differences between being an independent contractor versus a traditional full-time employee in Canada: AreaEmployeesIndependent ContractorsControl Over Work– Must adhere to schedules, hours, policies per employer– Directed how to do tasks by manager– Control work hours and location– Autonomy over work methodsClient Base– Normally work for one employer exclusively– Can provide services to multiple clientsFinancial Risk and Reward– Salary not tied directly to profits/losses– No risk of losses– Profits tied directly to efficient project delivery – Risks losing money if expenses exceed feesEquipment and Workspace– Provided by the employer– Must provide their ownPayment Structure– Regular paycheck with deductions– Paid upon invoicing after milestones/deliverables metBenefits– Entitled to statutory benefits– Not provided statutory benefitsTax Treatment– Deducted and remitted by employer– Must account for own taxes and contributionsTermination– Requires adequate notice or severance pay– Client can terminate per contract without penalties There are five attractive benefits that come with being an independent contractor, including: Flexible Schedule – As your own boss, you can set your own hours and take time off whenever needed. No requirements to work 9-5 or request permission to go on vacation. Project Variety – Contractors can diversify their workload across many clients and industries rather than being stuck in one role long-term. Income Potential – Successful contractors can earn significantly more than traditional employment since they keep project profits after covering expenses. Independence – Contractors have much more leeway in approaching and executing client projects with minimal oversight. Tax Deductions – Many contractor business expenses like equipment, office rent, and utilities can be deducted, reducing taxable income. Being an Independent Contractor bring some drawbacks compared to employees Alongside its many perks, contractor life also comes with some downsides to factor in: Unpredictable Income – Contractors face uncertainty and gaps between projects. Building a reputation and repeat client base is crucial for stability. No Benefits – Common employee benefits like health insurance, dental, and retirement contributions are not provided. Contractors must secure their own policies. Increased Tax Responsibilities – Handling income taxes, HST/GST remittances, and payroll contributions becomes your responsibility. Administrative Work – Managing your own accounting, bookkeeping, and taxes takes time and effort. Outsourcing help also costs money. No Termination Protection – A client can terminate services immediately per contract terms. There is no mandated severance or notice as with employees. As self-employed individuals, independent contractors need to be very diligent in handling their tax obligations: Installment Payments – Most contractors pay taxes quarterly based on installment amounts calculated from estimated earnings rather than having tax deducted at source. Annual Filings – A personal tax return reporting business income and expenses must be filed each year. Net pre-tax contractor income gets added to other sources of individual income. HST/GST Registration – Contractors earning over $30,000 in the last 4 consecutive quarters must register and charge GST/HST. This also enables them to claim input tax credits as refunds on expenses. Eligible Deductions – Equipment, internet, phone, home office expenses, accounting fees and other costs can be deducted against business income to reduce taxes owing. Detailed records are essential. Incorporation – Forming a corporation essentially makes you an employee of your business. This can open tax planning opportunities through income splitting with family members. Many contractors choose to incorporate once their businesses scale up. Follow below eight key steps if you are looking to transition into working as an independent contractor: Consider your expertise and assess industry demand to identify competitive services you can offer clients. Can you provide unique value? Research industry trends and demand for different offerings. Then, make a clear list of the specific services you will promote yourself for, such as copywriting, web development, consulting, etc. Ensure you can charge competitive yet profitable rates based on your capabilities. Review the differences between sole proprietorship, partnership, and incorporation to select the proper structure for your goals. The sole proprietorship has minimal costs but higher liability exposure, while a corporation provides liability protection but costs more to establish. Pick and register your business name nationally and in your province. This includes steps like verifying name availability, filing registration forms, and opening dedicated business bank accounts. Doing this makes your business legitimate in the eyes of clients. Open a business bank account and get suitable insurance coverage as well. Research if your field requires specific certifications or licenses and complete any exams or qualifications needed to operate legally. Create marketing materials and an online presence that establishes your brand, reputation, and credentials in your niche. Consistent branding across your online and offline presence helps build recognition. Leverage your network and online platforms to connect with potential clients. Outreach directly to potential clients. Join relevant communities to connect with those looking to hire contractors in your field. Determine competitive yet profitable rates. Before commencing work, outline all project details and terms in written contracts. Contracts protect both you and the client by setting clear expectations. Keep diligent records. Consider retaining an accountant to assist with taxes, filings, and financial advice. Stay organized! Working as an independent contractor lets you take control of your career and offers terrific flexibility. However, it also comes with additional responsibilities and financial considerations. Ultimately, being a successful contractor requires strong self-motivation, organization, business acumen, and the ability to deliver exceptional results for clients. If you have the drive and mindset to put in the work, the freedom and rewards of contractor life may be worth it! Contractors must track income and expenses, remit income tax and CPP contributions quarterly, register for GST/HST if over $30K revenue, file annual personal tax returns, and claim eligible business deductions. The flexibility over schedule and location, income potential, project variety, creative freedom, and tax deductions are some of the main advantages over traditional employment. No, contractors do not receive statutory benefits like health insurance, vacation pay, sick leave etc. They must secure their own independent benefits coverage. It depends on your employment agreement with your full-time job. Many restrict "moonlighting" with competitor companies but allow side contractor work in unrelated industries. Building a loyal client base and pipeline of recurring business is important for income stability as a contractor. Expect some unpredictability initially until your reputation grows. Equipment, office supplies, utilities, accounting fees, insurance, portion of phone/internet costs, mileage, and home office space can typically be deducted against contractor income. Article Sources From: Canada Revenue Agency RC4110(E) Rev.23 The CRA's publications and personalized correspondence are available in braille, large print, e-text, or MP3. For more information, go to About multiple formats or call 1-800-959-5525. La version française de ce guide est intitulée Employé ou travailleur indépendant. Use this guide if you are: a payer or employer a worker It will help you understand how to decide a worker's employment status. Before you start It is important to decide whether a worker is an employee or a self-employed individual. Employment status directly affects a person's entitlement to employment insurance (EI) benefits under the Employment Insurance Act. It can also have an impact on how a worker is treated under other legislation such as the Canada Pension Plan and the Income Tax Act. The facts of the working relationship as a whole decide the employment status. In an employer-employee relationship, the payer is considered an employer and the worker an employee. Employers are responsible for deducting Canada Pension Plan (CPP) contributions, EI premiums, and income tax from remuneration, or other amounts they pay to their employees. Employers must remit these deductions along with their share of CPP contributions and EI premiums to the Canada Revenue Agency (CRA). An employer who fails to deduct the required CPP contributions or EI premiums has to pay both the employer's share and the employee's share of any contributions and premiums owing, plus penalties and interest. For more employer information, go to Payroll. Note Non-arm's length relationship – If an employee is not dealing at arm's length with the employer, it is possible that their employment is not insurable under the Employment Insurance Act. For more information, read the interpretive article on this subject at CPP/EI Explained. If the worker is a self-employed individual, they must operate a business and be engaged in a business relationship with the payer. For more information, go to Businesses taxes. Some self-employed individuals may be eligible for employment insurance special benefits by contributing to the plan. For more information, visit Service Canada. Self-employed individuals in Quebec may be eligible for benefits under the Quebec Parental Insurance Plan (QPIP). For more information, visit Revenu Québec. If a worker or payer is not sure of the worker's employment status, either can ask the CRA for a ruling. A ruling shows whether a worker is an employee or self-employed, and whether that worker's employment is pensionable or insurable. To ask for a CPP/EI ruling, you can: Note This guide does not replace a formal request for a ruling. A worker or a payer can request a ruling by June 29 of the year following the year to which the question relates. For example, if the employment took place in 2023, the ruling request has to be made no later than June 29, 2024. When June 29 falls on a Saturday or a Sunday, your request is considered on time if the CRA receives it or if it is postmarked on or before the next business day. A ruling applies to a specific period or periods of employment. A decision letter will include the names of the worker and the payer, and whether the employment is pensionable or insurable, or both, for the period(s) of employment. Unless a decision is appealed, it is final. If the terms and conditions of the employment change after the ruling is issued, and you do not know if the employment is pensionable or insurable, or both, you can ask for another ruling. Certain factors have to be considered when deciding if a worker is an employee or a self-employed individual. These factors differ if the contract is formed in the province of Quebec or in any other province or territory. Usually, the province or territory where the contract was formed will decide which set of factors to use. Note Use the appropriate factors for your situation based on where the contract was formed, unless the contract states something else. For example, the contract can state that if the worker and payer disagree about the contents of the contract, the contract will be interpreted under Quebec law (civil code), even though the contract was formed in Ontario (common law). When the CRA examines whether a person is an employee or a self-employed individual, the key question to ask is whether the person is engaged to carry out services as a person in business on their own account, or as an employee. To do this, we examine the total relationship between the worker and the payer, using a two-step approach. Step 1 The CRA asks the worker and the payer what their intent was when they entered into the working arrangement. Did the two parties intend to enter into a contract of service (employer-employee relationship) or did they intend to enter into a contract for services (business relationship)? The CRA needs to know how they defined their working relationship and why they defined it as such. Sometimes the intention is clear and both parties are in agreement (common intent). Sometimes the intent can be found in a written agreement. Sometimes the two parties have a different understanding as to the status of their working relationship, in which case there is no common intent. To decide the parties' intentions, the CRA gets a copy of the contract, or testimony by the parties and examines the parties' actions. Both parties' intentions form part of the context of the employment that the CRA analyses. Workers and payers can choose how they set up their affairs; however, the employment status they choose must reflect their working relationship. In other words, all of the facts, including the actual terms and conditions of employment, determine a worker's employment status, not just the intention. Step 2 The CRA asks the worker and the payer questions that will help us understand the working relationship and allow us to verify whether the intent of the parties is reflected in the facts. These questions relate to the following elements: the level of control the payer has over the worker's activities whether the worker or payer provides the tools and equipment whether the worker can subcontract the work or hire assistants the degree of financial risk the worker takes the degree of responsibility for investment and management the worker holds the worker's opportunity for profit any other relevant factors, such as written contracts The CRA looks at the answers separately for each element and then together. The CRA considers whether they reflect the stated intention and decides if the actual working conditions are more consistent with a contract of service or with a contract for services. To help you understand the process, the CRA explains each factor below and provides some indicators that show that the worker may be an employee or a self-employed individual. Control is the ability, authority, or right of a payer to exercise control over a worker concerning the manner in which the work is done and what work will be done. Degree of control or independence Consider the degree of control held by the payer or the degree of independence held by the worker. The actual degree of control will vary with the type of work and the skills of the worker. Deciding the degree of control can be difficult when examining the employment of professionals such as engineers, doctors, and IT consultants. Because of their expertise and specialized training, they may need little or no specific direction in their daily activities. When examining the factor of control, it is necessary to focus on both the payer's control over the worker's daily activities and the payer's influence over the worker. Payer's right to exercise control It is the right of the payer to exercise control that is relevant, not whether the payer actually exercises this right. It is the control of a payer over a worker that is relevant and not the control of a payer over the end result of a product or service purchased. Indicators showing that the worker is an employee The relationship is one of subordination. The payer will often direct, scrutinize, and effectively control many elements of how and when the work is carried out The payer controls the worker with respect to both the results of the work and the method used to do the work The payer chooses and controls the method and amount of pay. Salary negotiations may still take place in an employer-employee relationship The payer decides what jobs the worker will do The payer chooses to listen to the worker's suggestions but has the final word The worker requires permission to work for other payers while working for this payer Where the schedule is irregular, priority on the worker's time is an indication of control over the worker The worker receives training or direction from the payer on how to do the work. The overall work environment between the worker and the payer is one of subordination Indicators showing that the worker is a self-employed individual A self-employed individual usually works independently The worker does not have anyone overseeing their activities The worker is usually free to work when and for whom they choose and may provide their services to different payers at the same time The worker can accept or refuse work from the payer The working relationship between the payer and the worker does not present a degree of continuity, loyalty, security, subordination, or integration, all of which are generally associated with an employer-employee relationship Consider if the worker owns and provides tools and equipment to accomplish the work. Contractual control of, and responsibility for, an asset in a rental or lease situation is also considered under this factor. What is relevant is the significant investment in the tools and equipment along with the cost of replacement, repair, and insurance. A worker who has made a significant investment is likely to retain a right over the use of these assets, diminishing the payer's control over how the work is carried out. In addition, such a significant investment may place the worker at a risk of a financial loss. Tools and equipment can vary widely in terms of value and can include everything from wrenches and hammers, to specialized clothing, appliances, stethoscopes, musical instruments, computers, and vehicles such as trucks, and tractors. Self-employed individuals often supply the tools and equipment required for a contract. As a result, the ownership of tools and equipment by a worker is more commonly associated with a business relationship. However, employees sometimes also have to provide their own tools. The courts have acknowledged that because a worker is required to provide tools of the trade, this does not in itself mean that the worker is a self-employed individual. For example, many skilled tradespeople such as auto mechanics have to supply their own tools, even if they are full-time employees. Indicators showing that the worker is an employee The payer supplies most of the tools and equipment the worker needs. In addition, the payer is responsible for repair, maintenance, and insurance costs The payer retains the right of use over the tools and equipment provided to the worker The worker supplies the tools and equipment and the payer reimburses the worker for their use Indicators showing that the worker is a self-employed individual The worker provides the tools and equipment needed for the work. In addition, the worker is responsible for the costs of repairs, insurance, and maintenance to the tools and equipment The worker has made a significant investment in the tools and equipment and the worker retains the right over the use of these assets The worker supplies their own workspace, is responsible for the costs to maintain it, and does substantial work from that site Consider if the worker can subcontract work or hire assistants. This factor can help decide a worker's business presence because subcontracting work or hiring assistants can affect their chance of profit and risk of loss. Indicators showing that the worker is an employee The worker cannot hire helpers or assistants The worker does not have the ability to hire and send replacements. The worker has to do the work personally Indicators showing that the worker is a self-employed individual The worker does not have to carry out the services personally. They can hire another party to either do the work or help do the work, and pay the costs for doing so The payer has no say in whom the worker hires Consider the degree of financial risk taken by the worker. Consider if there are any fixed ongoing costs incurred by the worker or any expenses that are not reimbursed. Usually, employees will not have any financial risk as any expenses will be reimbursed, and they will not have fixed ongoing costs. Self-employed individuals, on the other hand, can have financial risk and incur losses because they usually pay fixed monthly costs even if work is not currently being done. Employees and self-employed individuals may be reimbursed for business or travel expenses. Therefore, focus on the expenses that are not reimbursed by the payer. Indicators showing that the worker is an employee The worker is not usually responsible for any operating expenses Generally, the working relationship between the worker and the payer is continuous The worker is not financially liable if they do not fulfil the obligations of the contract The payer chooses and controls the method and amount of pay Indicators showing that the worker is a self-employed individual The worker hires helpers to assist in the work. The worker pays the hired helpers The worker does a substantial amount of work from their own workspace and incurs expenses relating to the operation of that workspace The worker is hired for a specific job rather than an ongoing relationship The worker is financially liable if they do not fulfil the obligations of the contract The worker does not receive any protection or benefits from the payer The worker advertises and actively markets their services Consider the degree of responsibility for investment and management held by the worker. Is the worker required to make any investment in order to provide the services? A significant investment is evidence that a business relationship may exist. You should also consider if the worker is free to make business decisions that affect their profit or loss. Indicators showing that the worker is an employee The worker has no capital investment in the payer's business The worker does not have a business presence Indicators showing that the worker is a self-employed individual The worker has capital investment The worker manages their staff The worker hires and pays individuals to help do the work The worker has established a business presence Consider whether the worker can realize a profit or incur a loss, as this indicates that a worker controls the business aspects of services rendered and that a business relationship likely exists. To have a chance of a profit and a risk of a loss, a worker has to have potential proceeds and expenses, and one could exceed the other. This factor has to be considered from the worker's perspective, not the payer's. It is for the most part an assessment of the degree to which the worker can control their proceeds and expenses. Employees normally do not have the chance of a profit and risk of a loss even though their remuneration can vary depending on the terms of their employment contracts. For example, employees working on a commission or piece-rate basis, or employees with a productivity bonus clause in their contract can increase their earnings based on their productivity. This increase in income is not normally viewed as a profit, as it is not the excess of proceeds over expenses. Employees may have expenses directly related to their employment, such as automobile expenses, and board and lodging costs. Normally, expenses would not place employees at risk of incurring a loss because it is unlikely that the expenses would be greater than their remuneration. Self-employed individuals normally have the chance of profit or risk of loss, because they have the ability to pursue and accept contracts as they see fit. They can negotiate the price (or unilaterally set their prices) for their services and have the right to offer those services to more than one payer. Self-employed individuals will normally incur expenses to carry out the terms and conditions of their contracts, and to manage those expenses to maximize net earnings. Self-employed individuals can increase their proceeds and/or decrease their expenses in an effort to increase profit. Employees generally do not share in profits or suffer losses incurred by the payer's business. The method of payment may help to decide if the worker has the opportunity to make a profit or incur a loss. In an employer-employee relationship, the worker is normally guaranteed a return for the work done and is usually paid on an hourly, daily, weekly, or similar basis. Similarly, some self-employed individuals are paid on an hourly basis. However, when a worker is paid a flat rate for the work done, it generally indicates a business relationship, especially if the worker incurs expenses in doing the work. Indicators showing that the worker is an employee The worker is not normally in a position to realize a business profit or loss The worker is entitled to benefit plans that are normally offered only to employees. These include registered pension plans, and group accident, health, and dental insurance plans Indicators showing that the worker is a self-employed individual The worker can hire a substitute and the worker pays the substitute The worker is compensated by a flat fee and incurs expenses in carrying out the services When the CRA examines whether a person is an employee or a self-employed individual in the province of Quebec, the CRA examines the relationship between the worker and the payer, using a three-step approach. Step 1 The CRA asks the worker and the payer what their intent was when they entered into the working arrangement. Did the two parties intend to enter into a contract of service (employer-employee relationship) or did they intend to enter into a contract for services (business relationship)? The CRA needs to know how they defined their working relationship and why they defined it as such. Sometimes the intention is clear and both parties are in agreement (common intent). Sometimes the intent can be found in a written agreement. Sometimes the two parties have a different understanding of the status of their employment relationship, in which case there is no common intent. To decide the parties' intentions, the CRA gets a copy of the contract, or testimony by the parties and examines the parties' actions. Both parties' intentions form part of the context of the employment that the CRA analyses. Workers and payers can choose how they set up their affairs; however, the employment status they choose must reflect their working relationship. In other words, all of the facts, including the actual terms and conditions of employment, determine a worker's employment status, not just the intention. Step 2 The CRA looks to see if the employment meets the definition of a contract of employment or of a business contract (contract for services) defined in the Civil Code of Québec by considering the following factors: carrying out the work remuneration relationship of subordination It is important to gather the facts and analyze them in light of the specific context of the employment and the intent of the parties. Step 3 The CRA compares each party's intentions with their actual working relationship. The CRA decides whether the conditions of the working relationship represent the status that the parties have chosen and that they are consistent with the definitions of the Civil Code of Québec. Examine the relationship between the worker and the payer by considering the factors outlined in Step 2. To help you understand the process, the CRA explains each factor and provides some indicators to show whether a relationship of subordination exists. Whether there is an employer-employee relationship or a business relationship, the worker has to do the work. It can be part-time or full-time for a specified or indeterminate period. Remuneration means how a worker is paid. It includes all consideration and benefits that have a monetary value. Whether there is an employer-employee relationship or a business relationship, the worker will receive remuneration in exchange for work. The remuneration can be calculated by time, by the piece, or in another manner. This factor helps distinguish the employer-employee relationship from a business relationship. The relationship of subordination is the capacity, the authority, or the right of a payer to exercise control over the worker's activities and the manner in which the work is done. Degree of control or independence Consider the degree of control held by the payer or the degree of independence held by the worker. The actual degree of control will vary with the type of work and the skills of the worker. Deciding the degree of control can be difficult when examining the employment of professionals such as engineers, doctors, and IT consultants. Because of their expertise and specialized training, they may require little or no specific direction in their daily activities. When examining the factor of control, it is necessary to focus on both the payer's control over the worker's daily activities and the payer's influence over the worker. Payer's right to exercise control It is the right of the payer to exercise control that is relevant, not whether the payer actually exercises this right. It is the control of a payer over a worker that is relevant and not the control of a payer over the end result of a product or service that they have purchased. Indicators showing that the worker is an employee The payer directs and controls many elements of how the work is done (such as what, who, where, when, and how). The payer controls the worker's absences, such as sick leave or vacation leave. The payer controls the worker with respect to the results of the work and the method used to do the work. The payer creates the work schedule and establishes the worker's rules of conduct. The payer can impose disciplinary actions on a worker. The worker has to do the work personally. The worker has to remit activity reports to the payer. The worker's activities are reserved to a single payer (exclusivity of services). The worker receives training or direction from the payer on how to do the work. The worker accepts being part of the payer's business to have the latter benefit from his work. The parties have inserted a non-competition clause in their written contract. Indicators showing that the worker is a self-employed individual The worker is usually free to work when and for whom they choose and may provide their services to different payers at the same time. The worker does not have to carry out the services personally. They can hire another party to either do the work or help do the work. The worker can generally choose the time and the manner in which the work will be done. The worker does not need to be at the payer's premises. The worker can accept or refuse work from the payer. The working relationship between the payer and the worker does not present a degree of continuity, loyalty, security, subordination, or integration, all of which are generally associated with an employer-employee relationship. Since in certain working relationships it can be difficult to decide whether there is a relationship of subordination, the CRA can also take into consideration indicators used in common law, referred to above in Step 2 of the section "Deciding a worker's employment status in a province or territory other than Quebec." For more information on the CPP/EI Rulings Program, go to Canada Pension Plan (CPP) and Employment Insurance (EI) Rulings. Have you received a CPP/EI ruling If you received a CPP/EI ruling, and if a worker's employment has changed from either: not pensionable to pensionable not insurable to insurable or if, on the contrary, the employment has changed from either: pensionable to not pensionable insurable to not insurable The CRA has information that could be of interest to you. To find out more about the possible implications of a CPP/EI Ruling, go to Have you received a CPP/EI ruling Filing an appeal If a CPP/EI ruling has been issued and the worker or payer does not agree with the decision, either party has the right to file an appeal within 90 days after being notified of the CPP/EI ruling. If a CPP/EI payroll deductions assessment has been issued, the payer has the right to file an appeal within 90 days after being notified of that payroll assessment. However, if you receive a payroll assessment because your payment was not applied to your account correctly, before you file an appeal, the CRA recommends that you call or write to the tax services office or tax centre to discuss it. Many disputes are resolved this way and can save you the time and trouble of appealing. To appeal a CPP/EI ruling decision or a payroll deductions assessment, you can: log in to My Business Account if you are a business owner, and select "Register a formal dispute (Appeal)" for your payroll program account log in to My Account if you are an individual, select "Register my formal dispute," and choose "CPP/EI ruling" in the subject area log in to Represent a Client. If you represent a business, select "Register a formal dispute (Appeal)" for a payroll program account. If you represent an individual, select "Register my formal dispute," and then choose "CPP/EI ruling" in the subject area use Form CPT100, Appeal of a Ruling Under the Canada Pension Plan and/or Employment Insurance Act, to appeal a CPP/EI ruling use Form CPT101, Appeal of an Assessment Under the Canada Pension Plan and/or Employment Insurance Act, to appeal a payroll deductions assessment write to the chief of appeals at your tax services office explaining why you do not agree with the ruling or payroll deductions assessment and provide all relevant facts. Include a copy of the CPP/EI ruling letter or payroll deductions assessment. The addresses of our tax services offices and tax centres are available at Tax services offices and tax centres. For more information on how to appeal a CPP/EI ruling decision or a payroll deductions assessment, see Booklet P133, Your Appeal Rights – Canada Pension Plan and Employment Insurance Coverage. Special rules concerning CPP, EI, and income tax apply to the following occupations or situations: barbers and hairdressers taxi drivers and drivers of other passenger-carrying vehicles emergency services volunteers employees of a temporary help service firm employing a caregiver, baby sitter, or domestic worker employment in Canada by certified non-resident employers employment outside Canada fishers Indian employees placement and employment agency workers seasonal agricultural workers program special or extra duty pay for police officers For more information on special situations, see Chapter 7 of Guide T4001, Employers' Guide – Payroll Deductions and Remittances, or go to Payroll. Court decisions Wiebe Door Services Ltd. v Canada (M.N.R.) [1986] 3 F.C. 553 (A-531-85) Standing v Canada (M.N.R.) [1992] F.C.J. no. 890 (A-857-90) Sagaz Industries Canada Inc. v 671122 Ontario Ltd. 2001 SCC 59 (27820) Wolf v Canada 2002 FCA 96 (A-563-00) 9041-6868 Québec Inc. v Canada (M.N.R) 2005 FCA 334 (A-559-04) Royal Winnipeg Ballet v Canada (M.N.R.) 2006 FCA 87 (A-443-04) Combined Insurance Company of America v Canada (M.N.R.) 2007 FCA 60 (A-469-05) Grimard v Canada 2009 FCA 47 (A-39-08) TBT Personnel Services Inc. v Canada 2011 FCA 256 (A-388-10) 1392644 Ontario Inc. (Connor Homes) v Canada (National Revenue) 2013 FCA 85 (A-117-12, A-118-12, A-122-12, A-125-12, A-126-12, A-127-12) Legislative references Paragraph 5(1)(a) of the Employment Insurance Act Paragraph 6(1)(a) of the Canada Pension Plan Articles 2085 to 2129 of the Civil Code of Québec ARCHAMBAULT, Pierre: Contract of Employment: Why Wiebe Door Services Ltd. Does Not Apply in Quebec and What Should Replace It, and The Harmonization of Federal Legislation with Quebec Civil Law and Canadian Bijuralism: Second Collection of Studies in Tax Law, Montreal, APFF, 2005 Digital services My Business Account lets you view and manage your business taxes online. Use My business Account throughout the year to: make a payment online to the CRA with My Payment, create a pre-authorized debit (PAD) agreement, or create a QR code to pay in person at Canada Post request a payment search file or amend information returns without the web access code submit documents to the CRA manage authorized representatives and authorization requests register to receive email notifications and to view mail from the CRA in My Business Account manage addresses, direct deposit information, program account names, operating names, phone numbers, and business numbers in your profile view and pay account balances calculate and pay instalment payments provide a nil remittance transfer a misallocated payment track the progress of certain files you have submitted to the CRA submit a audit inquiry download reports request relief of penalties and interest manage multi-factor authentication settings To sign in to or register for the CRA's digital services, go to: For more information, go to E-services for Businesses. Register for email notifications to find out when your CRA mail, like your PD7A – Statement of account for current source deductions, and remittance voucher, is available in My Business Account. For more information, go to Email notifications from the CRA – Businesses. A pre-authorized debit (PAD) is a secure online self-service payment option for individuals and businesses to pay their taxes. A PAD lets you authorize withdrawals from your Canadian chequing account to pay the CRA. You can set the payment dates and amounts of your PAD agreement using the CRA's secure My Business Account service at My Business Account. PADs are flexible and managed by you. You can use My Business Account to view your account history and modify, cancel, or skip a payment. For more information, go to Pay by pre-authorized debit. For more information If you need more information after reading this guide, go to Payroll or call 1-800-959-5525. Direct deposit is a fast, convenient, and secure way to receive your CRA payments directly into your account at a financial institution in Canada. For more information and ways to enrol, go to Direct deposit or contact your financial institution. The CRA encourages you to file your return. If you need a paper version of the CRA's forms and publications, go to Forms and publications or call 1-800-959-5525. The CRA can send you an email when new information on a subject of interest to you is available on the website. To subscribe to our electronic mailing lists, go to Electronic mailing lists. For tax information by telephone, use the CRA's automated service, TIPS, by calling 1-800-267-6999. If you use a TTY for a hearing or speech impairment, call 1-800-665-0354. If you use an operator-assisted relay service, call the CRA's regular telephone numbers instead of the TTY number. Formal disputes (objections and appeals) You have the right to file an appeal if you disagree with an assessment, determination, or decision. For more information, go to File and Objection. CRA Service Feedback Program You can expect to be treated fairly under clear and established rules, and get a high level of service each time you deal with the CRA. For more information, go to Taxpayer Bill of Rights. You may provide compliments or suggestions, and if you are not satisfied with the service you received: Try to resolve the matter with the CRA employee you have been dealing with or call the telephone number provided in the correspondence you received from the CRA. If you do not have contact information, go to Contact information. If you have not been able to resolve your service-related issue, you can ask to discuss the matter with the employee's supervisor. If the problem is still not resolved, you can file a service related complaint by filling out Form RC193, Service-Feedback. For more information and to learn how to file a complaint, go to Service-Feedback. If you are not satisfied with how the CRA has handled your service-related complaint, you can submit a complaint to the Office of the Taxpayers' Ombudsperson. Reprisal complaints If you have received a response regarding a previously submitted service complaint or a formal review of a CRA decision and feel you were not treated impartially by a CRA employee, you can submit a reprisal complaint by filling out Form RC459, Reprisal Complaints. For more information, go to Complaints and disputes. When a due date falls on a Saturday, Sunday, or public holiday recognized by the CRA, your payment is considered on time if the CRA receives it on or it is processed at a Canadian financial institution on or before the next business day. For more information, go to Payroll. Fax or mail your ruling request with a copy of relevant documents to the CPP/EI Rulings Division in the province or territory of your residence or place of business according to the table below. Tax services office addresses and fax numbers by province or territory Provinces and Territories Fax numbers Addresses New BrunswickNewfoundland and LabradorNova ScotiaPrince Edward Island 902-426-3062 Nova Scotia TSOCPP/EI Rulings DivisionPO Box 638, Station CentralHalifax NS B3J 2T5 Quebec 1-866-230-8786 Eastern Quebec TSOChicoutimi siteCPP/EI Rulings DivisionBox 1660Jonquière QC G1J 1Y5 NunavutOntario 905-540-3143 Hamilton Niagara TSOCPP/EI Rulings Division55 Bay Street NorthHamilton ON L8R 3P7 AlbertaManitobaNorth West TerritoriesSaskatchewan 204-984-0396 Eastern Prairie TSOCPP/EI Rulings Division600-360 Main StreetPO Box 1022 Station MainWinnipeg MB R3C 2W2 British ColumbiaYukon 604-658-8777 Coastal and Central BC TSOCPP/EI Rulings Division468 TA-039755 King George BlvdSurrey BC V3T 5E1 For a complete list of our tax services offices, go to Tax services offices and tax centres. Date modified: 2023-10-06 Employees work for a company and receive recurring paycheques and benefits; are given the training and tools needed to perform their jobs; and have an employer who dictates their schedule, location, and job directives. Contractors work independently and are compensated when a project is completed. They decide their wage, work schedule, and where they work. Understanding your employment status will help you file your tax return correctly with the CRA. What is a contractor? A contractor (aka an independent contractor or a freelancer) is an individual who is self-employed and works independently. If you are a contractor, you usually don't have a boss you need to report to or who supervises you. A perk of being a contract worker is that you can accept or decline work. The business entity for a contractor will fall under one of these three categories: a sole proprietor, a partnership, or a corporation. If you're one of these, you're usually given a specific project, which could be short-term or long-term. Oftentimes, contractors will accept work from several companies at once. Because of this, there's usually not much job security and loyalty to one specific company. What is an employee?An employee is an individual who works for an employer. If you're an employee, you typically have a supervisor to report to or have subordinates. Your company will outline the role and responsibilities you must follow. Usually you're provided with formal training and will learn about your company's culture and goals. Typically, you'll receive a regular paycheque and have some level of job security. Some companies will have a non-compete clause outlined in the contract.Employee vs. contractor: the differencesAnswer these 5 questions to determine whether you are an employee or an independent contractor. You may discover that it's not as complicated as you may think.1. How are you getting paid?In terms of compensation, you're an employee if: You're on the company's payroll. You see standard deductions on your pay stub from employment insurance (EI), Canada pension plan (CPP), and income taxes. Depending on your employer, you may also make contributions to the company's stocks or pension plan. As a bonus: they may match your contributions up to a certain percentage! Your employer withholds and submits your taxes. Your work hours and pay rate are set by your employer. You receive a regular paycheque. You are offered a benefits plan (for example, health, dental, vision care) and an insurance plan (for example, travel, accident, life). Compensation terms are often much looser if you're a contractor. For instance: You make an agreement with the company for payment of your services. If you receive US income for goods and services provided with a 1099 Form, you would include this as foreign income on your tax return. However, if you receive US income without a slip, you'll convert to Canadian dollars and add it to your business income and claim it as one amount. The company doesn't withhold your taxes. You're also responsible for reporting your own income and paying the applicable taxes. Based on your net income, you'll contribute a percentage toward your CPP. You can set your own hours and rates (such as an hourly wage or flat fee). You are often paid after a project is complete. A benefits and insurance plan will be your responsibility to secure for yourself. 2. What type of flexibility do you have?When it comes to flexibility in your work environment, you know you're an employee if: You need approval from your employer to take time off. However, you get paid during vacation days, sick leave, and statutory holidays. You're obligated to work solely for this one company. If you're a contractor, job volume and structure are usually yours to determine. For instance: Taking time off from work is completely in your control, but you won't make any money (sorry!). You can take on multiple clients simultaneously. 3. Do you have autonomy over when, where, and how your work is completed? Typically, employees don't have control over many things. So, you know you're an employee if: You are hired and expected to follow the directions given by your employer. You usually have a boss to report to and have set work hours. You are required to either commute to a workplace, maintain a hybrid work schedule, or work remotely (the latter quite a bit more common than it's been in the past!). You're normally not allowed to hire subcontractors to do your work. It looks something like this familiar scenario: Jessica works a 9-to-5 schedule from Monday to Friday, with a half-hour lunch break every day. She works a total of 37.5 hours (5 days x 7.5 hours) per week. (Yep, you're an employee.) The level of control over your job changes if you're independent. So, you know you're a contractor if: You work autonomously. You don't have subordinates or supervisors. You set your own hours, and the company doesn't specify how tasks are to be completed. You can work remotely (unless your job requires you to be in person). It's generally accepted that you can hire a subcontractor or an assistant to perform some of the work on your behalf. For example, Jordan is a graphic designer. He chooses to work on weekday evenings at home. He is working on multiple short-term projects with various clients. If he wants to go out and walk his dog during that time, no one stops him from doing so.4. Are you required to complete company training?Permanent jobs in which you're an employee usually require you to understand company rules and style of work. You'll know this is the case if: During the onboarding process, you go through extensive training lasting several weeks to months. Not only are you required to understand the intricacies of your role, but you'll be tasked with liaising with various teams in order to learn more about the company culture. You may sign up for professional development courses offered by your employer to improve your skills. However, you're usually on your own when it comes to job training if you're a contractor. For instance: The employer gives you specific information only about the project you're working on. It's unnecessary to learn about team dynamics and the company culture (unless the company proactively shares this information with you). You register for professional development courses and pay out of pocket—but you can claim them as expenses when you file your taxes. 5. Are you provided tools to do your job?Tools and equipment are a given if you're employed by a company. So you should consider yourself an employee if: Your employer gives you a laptop, phone, or other equipment to do your job. (An exception to the rule: skilled tradespeople such as carpenters and mechanics sometimes use their own tools even though they are classified as employees.) Your employer is responsible for repairing, maintaining, and insuring the equipment. If you're independent, you'll need to know and understand the tools required to perform your job(s). So, you'll know you're a contractor if: You need to provide your own tools and equipment. You are responsible for the repair, maintenance, and insurance of the equipment. You have to create your own work space and absorb the cost of maintaining it. Feel confident in your employment status when it comes to your taxes State of working for oneselfThe examples and perspective in this article may not represent a worldwide view of the subject. You may improve this article, discuss the issue on the talk page, or create a new article, as appropriate. (September 2023) (Learn how and when to remove this message) Self-employment is the state of working for oneself rather than an employer. Tax authorities will generally view a person as self-employed if the person chooses to be recognised as such or if the person is generating income for which a tax return needs to be filed. In the real world, the critical issue for tax authorities is not whether a person is engaged in business activity (called trading even when referring to the provision of a service) but whether the activity is profitable and therefore potentially taxable. In other words, the trading is likely to be ignored if there is no profit, so occasional and hobby- or enthusiast-based economic activity is generally ignored by tax authorities. Self-employed people are usually classified as a sole proprietor (or sole trader), independent contractor, or as a member of a partnership. Self-employed people generally find their own work rather than being provided with work by an employer and instead earn income from a profession, a trade, or a business that they operate. In some countries, such as the United States and the United Kingdom, the authorities are placing more emphasis on clarifying whether an individual is self-employed or engaged in disguised employment, in other words pretending to be in a contractual intra-business relationship to hide what is in fact an employer-employee relationship. 2021 self-employment rate by country – OECD[1] Country Rate (%) Colombia 53.1 Brazil 33.3 Mexico 31.8 Greece 31.8 Turkey 30.2 Costa Rica 26.6 South Korea 24.6 Chile 23 Italy 21.8 Poland 19.7 New Zealand 19.7 Czech Republic 15.9 Netherlands 15.8 Spain 15.8 Portugal 15.5 Switzerland 15.3 Finland 14.6 Ireland 14.1 Belgium 14.1 Slovenia 14 Latvia 13 Israel 12.4 France 12.6 Hungary 12.5 Austria 11.9 Lithuania 11.6 Sweden 10.6 Luxembourg 10.2 Japan 9.8 Australia 9.5 Germany 8.8 Denmark 8.8 Canada 7.7 Russia 6.8 United States 6.3 Norway 4.7 Self-employment provides work primarily for the founder of the business.