



## EMPLOYEES VERSUS SUBCONTRACTORS

Canada Revenue Agency (CRA) is taking a stronger stand in determining whether a worker is an employee or a subcontractor, than in the past. If CRA determines that someone you paid as a subcontractor was really an employee, then they will charge you for the employer and employee's portion of the Canada Pension Plan (9.9%) and Employment Insurance (4.512% for 2013 - 2015). They can then charge you for late payment interest and penalties for not filing the applicable T4s.

### **Here is a list of questions that CRA will ask:**

1. What is the intent of the relationship between the payer and the worker?
2. What level of control does the payer have over the worker's activities?
3. Does the worker provide their own tools and equipment?
4. Can the worker subcontract to others or hire assistants?
5. What degree of financial risk does the worker take?
6. What degree of responsibility for investment & management does the worker hold?
7. What is the worker's opportunity for profit?

Not all of these questions need to be answered in order for CRA to determine a worker's status.

### **Control:**

- Does the payer have the *right* to control the worker?
- Is the worker independent, or have anyone overseeing their work?
- Is the worker free to work when, and for whom, he or she chooses?
- Can the worker refuse the work?
- Is there any degree of continuity, loyalty, security, subordination or integration?

### **For more information, please see:**

Guide RC4110: <http://www.cra-arc.gc.ca/E/pub/tg/rc4110/rc4110-e.html>