

Information Sheet
Employee vs Self-Employed

ARE YOU AN EMPLOYEE OR A SELF-EMPLOYED CONTRACTOR?

There is no clear-cut answer in determining whether a person is in a business relationship (self-employed independent contractor) or in an employee-employer relationship. There have been many court cases on this subject. Generally, a government auditor would base their decision on the following criteria:

- **Chance of profit or loss** – Self-employed individuals may make or lose money depending on the job. Employees are paid if they work
- **Operation integration** – Employees are normally part of an organization's processes. For example, employees don't have to find their own replacement to go on holidays
- **Ownership of tools** – Self-employed individuals are responsible for providing their own tools. Employees are provided with the necessary tools
- **Control over work performance** – Self-employed individuals are generally hired to do a job with little direction over how the work is to be performed. Employees are generally under supervision and direction as to how a job is to be performed. Often employees' hours and work days are dictated whereas self-employed individuals determine their own schedules
- **No one criteria makes the determination**

EMPLOYEE ADVANTAGES

- Qualified for Employment Insurance
- Canada Pension Plan premiums paid 50% by employer
- Participation in employee benefits, including vacation pay, health benefits, disability insurance, pension plans, worker's compensation coverage
- Possible higher rate of pay for overtime
- Severance pay if terminated
- Less record-keeping and administration
- Employer purchases and maintains necessary equipment
- Can have employer sign [T2200 Declaration of Conditions of Employment](#) which will permit employee to deduct expenses necessarily incurred to earn income

SELF-EMPLOYED ADVANTAGES

- More expenses are deductible
- More control over working conditions and hours
- Can work for more than one client
- Opportunity for increased profits
- No Employment Insurance premiums

For more information click [HERE](#)

Please call us at 905-898-4900 before making a final decision or if you have any questions regarding the above.