
Withholding and Reporting Requirements

Relationships between workers and payers can vary. Your status may have tax and benefit implications.

EMPLOYEES

If you are an employee, your employer will deduct Canada Pension Plan (CPP) contributions, Employment Insurance (EI) premiums, and income tax from your pay. The income taxes deducted, together with your and your employer's share of CPP and EI, will be remitted to the Canada Revenue Agency (CRA). At year-end, your employer will report your income and deductions on a T4 slip – Statement of Remuneration Paid.

For more information, see Guide RC4120, *Employers' Guide – Filing the T4 Slip and Summary*, on the Canada.ca website.

SELF-EMPLOYED INDIVIDUALS

If you are a self-employed individual (sometimes referred to as an independent contractor), you will not have income tax, CPP, and EI deducted from amounts paid to you. At year-end, you are responsible for:

- paying all income taxes owing;
- paying CPP contributions (equivalent to both the employee and employer portions); and
- paying EI premiums if you entered into an agreement with the Canada Employment Insurance Commission to have access to EI special benefits (maternity, parental, sickness and caregiving benefits).

All amounts paid to you must be reported on a T4A slip – Statement of Pension, Retirement, Annuity and Other Income.

For more information, see Guide RC4157, *Deducting Income Tax on Pension and Other Income, and Filing the T4A Slip and Summary*, on the Canada.ca website.

PERSONAL SERVICES BUSINESS

You may choose to incorporate; however, if you would normally be an employee if it were not for the existence of the corporation, the CRA will consider you a personal services business (PSB). This is sometimes referred to as an incorporated employee.

TAX IMPLICATIONS

PSBs are not entitled to income tax deductions available to other corporations such as the small business deduction and the general rate reduction. Your corporation will be subject to the full federal and provincial tax rates on all taxable income. For 2018, the combined federal and provincial tax rate is 33%.

In addition, PSBs cannot deduct most expenses available to other corporations. These types of expenses include things such as office supplies, travel expenses, meals, and cell phone costs. The only expenses that your corporation will be able to deduct are:

- the salary and wages the corporation pays to its incorporated employee(s);
- any benefit or allowance the corporation provides to its incorporated employee(s); and
- legal expenses the corporation incurs for collecting amounts owing to it.

REPORTING

All amounts paid to your corporation must be reported on a T4A slip – Statement of Pension, Retirement, Annuity and Other Income.

You will be responsible for completing a T2 Corporate Income Tax Return for the PSB in addition to a T1 Personal Income Tax and Benefit Return as an individual.

Amounts paid by one business for services provided by another business are not subject to statutory payroll deductions. However, if you pay salary and wages to yourself from your corporation, or to another employee of your corporation, these amounts will be subject to withholding of income tax, CPP, and, in some cases, EI. At year-end, your corporation will have to report the income paid to employees and the deductions on T4 slips (Statement of Remuneration Paid).

COMPLIANCE

The CRA is committed to protecting and maintaining the fairness and integrity of Canada's tax system and takes tax evasion (under-reporting income or claiming ineligible expenses) very seriously. When non-compliance is identified, the CRA educates the taxpayer on their tax obligations, ensures the correct returns are prepared and filed, and takes the necessary enforcement actions to ensure compliance with the law.



Canada Revenue
Agency

Agence du revenu
du Canada

Employment Status and Tax Obligations

Canadian Trucking Alliance
2018 Fall Board Meeting

Employment Status

- The CPP/EI Rulings Division is responsible for determining the employment status of a worker.
- There are generally two categories of workers:
 - Employee – employed under a contract of service
 - Self-employed – hired under a contract for services
- A worker's employment status has an impact on their eligibility for employment insurance benefits and how they are treated under the Canada Pension Plan and the Income Tax Act.

Employment Status

- Payers and workers are free to set their affairs as they wish.
- However, the parties must make sure that whatever status they have chosen is supported by the actual facts of the working relationship.
- If a truck driver or a trucking firm is not sure of the driver's employment status, either party can [request a ruling](#) to have the status evaluated.

Determining Employment Status

- When determining a worker's employment status, the CRA looks at all the facts of the working relationship between the payer and the worker.
- For contracts formed in Quebec we apply the Civil Code of Quebec (C.C.Q.) and for contracts formed elsewhere in Canada we apply the common law principles.
- General information about whether a worker is an employee or is self-employed is available in Guide [RC4110, Employee or Self-employed](#).

Determining Employment Status

- What kind of facts do we gather from the worker and the payer:
 - The intention of the parties involved
 - 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; and
 - any other relevant factors, such as written contracts

Determining Employment Status

- We only determine the employment status of an individual.
- If a truck driver operates through their own corporation and that corporation enters into a contractual arrangement to provide services to a third party, the third party will not normally be seen as being the employer of the worker. The truck driver, in most cases, would be an employee of their own corporation.
- There will be no attempt to lift the corporate veil to establish whether there is an employer-employee relationship between the payer and the worker

CPP/EI Explained Article Series

- An article on the determination of the employment status of Truck Drivers was posted in our [CPP/EI Explained](#) series of interpretative articles
- It gives information on what the Canada Revenue Agency (CRA) looks at when determining the employment status of a truck driver. You will find:
 - indicators that the worker is an employee
 - indicators that the worker is self-employed
 - examples of facts that are neutral or inconclusive
 - **a link to the document on Withholding and Reporting Requirements**

Reporting & Withholding Requirements

Businesses and workers must fulfill their obligations under the Income Tax Act!



Where the Worker is an Employee

- The employer must deduct CPP contributions, EI premiums, and income tax from remuneration or other amounts paid.
- These amounts, together with the employer's share of CPP and EI, must be held in trust for the government and remitted to the CRA.
- At year-end, the employer must report the income and deductions on a T4 slip (Statement of Remuneration Paid).
- General information about an employer's responsibilities are available in Guide [RC4120, Employers' Guide – Filing the T4 Slip and Summary](#).

Where the Worker is Self-Employed

- Self-employed workers are not subject to statutory payroll deductions.
- All amounts paid to a self-employed worker must be reported on a T4A slip (Statement of Pension, Retirement, Annuity and Other Income).
- At year-end, self-employed workers must:
 - pay all income taxes owing;
 - make the CPP contribution themselves (equivalent to both the employee and employer portions); and
 - pay EI premiums if they entered into an agreement to have access to EI special benefits (maternity, parental, sickness and caregiving benefits).

Personal Services Business

- Some workers may incorporate.
- If a worker would normally be considered an employee if it were not for the existence of the corporation, they are deemed a personal services business (PSB).
- PSBs are not entitled to income tax deductions available to other corporations (e.g., the small business deduction and the general rate reduction).
- PSBs cannot deduct most expenses available to other corporations (e.g., office supplies, meals, cell phone, etc.).
- PSBs are subject to a combined federal and provincial tax rate of 33%.

Personal Services Business (Con't)

- Amounts paid by one business for services provided by another business must be reported to the CRA, but are not subject to statutory payroll deductions.
- If the corporation pays salary and wages to one or more employees, these amounts will be subject to withholding of income tax, CPP and, in some cases, EI.
- At year-end, the corporation will have to report the income and deductions on a T4 slip (Statement of Remuneration Paid).

Example – Employee, Employer, and PSB

- John is a truck driver with a single source of income.
- He is not married, has no children, and is only eligible to claim the basic personal amount.
- John's province of employment is Ontario.
- We will look at John's tax implications from 3 scenarios:
 - employee
 - self-employed
 - personal services business
- All figures are an estimation.

Example – Employee

Taxable Income	\$ 70,000.00
Federal Income Tax	9,318.60
Provincial Income Tax	4,546.80
Maximum CPP Contribution	2,593.80
Maximum EI Contribution	858.22
Take Home Pay	\$ 52,682.58

Example – Self-Employed

Gross Income	\$ 70,000.00
Business Expenses (repairs, cellphone, etc.)	5,000.00
Taxable Income	\$ 65,000.00
Federal Income Tax	7,891.60
Provincial Income Tax	3,894.80
Maximum CPP Contribution	5,187.60
Maximum EI premiums for Special Benefits	858.22
Take Home Pay	\$ 47,167.78

- Business expenses could vary drastically from one business to the next.

Example – Personal Services Business

Gross Income	\$ 70,000.00
Business Expenses (salary & wages)	55,000.00
Taxable Income	\$ 15,000.00
Corporate Income Tax (33%)	4,950.00
Take Home Pay (Corporation)	\$ 10,050.00
Salary & Wages Paid from Corporation	\$ 55,000.00
Federal Income Tax	6,250.60
Provincial Income Tax	3,176.80
Maximum CPP Contribution	2,593.80
Maximum EI premiums for Special Benefits	858.22
Take Home Pay (Individual)	\$ 42,120.58

- \$10,050 remains in the corporation for investment purposes, and \$55,000 is paid out to the incorporated employee as salary and wages.

Example – Summary

	Gross Income	Taxes Paid (Personal & Corp)	Take Home Pay (Personal & Corp)
Employee	\$ 70,000.00	\$ 17,317.42	\$ 52,682.58
Self-Employed	70,000.00	17,832.22	47,167.78
Personal Services Business	70,000.00	17,829.42	52,170.58

- Taxes paid includes federal and provincial income tax (corporate and personal), as well as CPP and EI.
- Take home pay for self-employed is lower because this amount excludes \$5,000 of business expenses that were deductible.
- Employees and personal services businesses would not have been eligible to deduct these same business expenses, and would have to pay out-of-pocket for travel, meals, cell-phone, etc.

Compliance

- The CRA is committed to protecting and maintaining the fairness and integrity of Canada's tax system.
- The CRA takes tax evasion (under-reporting income or claiming ineligible expenses) very seriously.
- When non-compliance is identified, the CRA:
 - educates the taxpayer on their tax obligations;
 - ensures the correct returns are prepared and filed; and
 - takes the necessary enforcement actions to ensure compliance with the law.



Canada Pension Plan and Employment Insurance Explained

Truck Drivers

Introduction

This article gives you information on what the Canada Revenue Agency (CRA) looks at when determining the employment status of a truck driver.

General information about whether a worker is an employee or is self-employed is available in [Guide RC4110, Employee or Self-employed?](#)

Employment status directly affects whether a person is entitled to employment insurance (EI) benefits under the [Employment Insurance Act](#). This status can also affect how a worker is treated under other legislation, such as the [Canada Pension Plan](#) and the [Income Tax Act](#).

Employees and self-employed workers have different responsibilities, benefits, and entitlements. It is important for employees and self-employed workers, as well as for their employers and payers, to be aware of the differences. For more information, see [CPP/EI Explained – Employees and self-employed workers – Responsibilities, benefits, and entitlements](#).

Payers and workers are free to set their affairs as they want; however, the parties must make sure that the facts of the working relationship support the status they have chosen. For more information about the tax implications and reporting requirements for employees, self-employed individuals and [personal services businesses](#), see [Withholding and reporting requirements](#).

Employer responsibilities

All employers are required by law to deduct Canada Pension Plan (CPP) contributions and EI premiums from most amounts they pay to their employees. Employers must remit these amounts to the CRA along with their share of CPP contributions and EI premiums.

For more information on employer responsibilities and obligations, go to our [Payroll](#) page.

Industry overview

Apart from driving, truck drivers may often spend a good part of each day doing non-driving activities like loading and unloading freight, clearing customs and border crossings. They also perform administrative duties, such as filling out mandatory daily driving activities logs.

In Canada, regulations governing commercial vehicles and drivers are based on the Canadian National Safety Code (NSC) for Motor Carriers standards. This code establishes minimum performance standards that apply to everyone responsible for safely operating commercial vehicles, including trucks, buses, tractors, and trailers.

For this article:

- **carrier** describes a person or a company who owns, leases, or is responsible for operating a commercial vehicle to transport passengers or goods. The carrier is responsible, under their NSC safety fitness certificate, for all drivers' conduct (employees and self-employed) and for all vehicles used in their operation.
- **owner-operator** refers to a person who owns or leases the truck they drive.
- **payer** refers to the person or company who pays the truck driver for their services. The payer can be the carrier or an intermediary between the driver and the carrier.
- an **NSC safety fitness certificate** is issued to carriers by a provincial authority. It is used to monitor the carrier's on-road performance based on various safety indicators, such as collisions, road offences, and roadside inspection. Sanctions may result in a carrier receiving an unsatisfactory safety rating and being prohibited from operating.

How to decide if a truck driver is an employee or a self-employed worker

The CRA looks at the facts of the working relationship between the payer and the truck driver. This article will tell you about facts related to truck drivers and the indicators that can help you decide whether a truck driver is an employee or a self-employed worker.

Neutral or inconclusive facts

Some facts about the working relationship of truck drivers may be considered neutral or inconclusive. Neutral or inconclusive facts are facts that support the conclusion that a person is an employee just as much as they support the conclusion that the person is a self-employed worker.

When the conditions of employment of a truck driver are imposed by trucking industry laws, the conditions are considered neutral or inconclusive facts.

Here are a few examples:

Every truck driver, whether self-employed or hired as an employee:

- is required to have a valid driver's licence
- must fill out a daily driving activities log and follow the NSC hours of service standard requirements for hours of driving and off-duty time
- has to daily inspect (circle checks) the truck they are driving
- is responsible for securing loads and making sure the truck meets load and size limits
- has to report accidents or traffic violations to the payer or to the holder of the NSC safety fitness certificate

Every carrier:

- has to make sure each driver is a qualified and safe driver
- has to keep records of each driver's training, incidents, collisions, and convictions history

CPP/EI Explained article on Truck drivers

- has to make sure all trucks operated under their NSC safety fitness certificate are properly maintained (therefore, an owner-operator hired by a carrier has to provide maintenance records of their truck since it affects the carrier's safety rating)

The following are other examples of facts that are considered neutral when they are imposed by law or because of insurance reasons:

- the contract between the truck driver and the payer states that the worker accepts to follow the payer's policies and procedures about road safety, border crossing, drug and alcohol testing, etc., when those policies are required by law
- in respect to insurance, the contract between the truck driver and the payer:
 - includes an exclusivity clause (for example, because the truck is covered by the carrier's insurance)
 - states that the worker can subcontract only to workers the payer approves
 - states that the worker may not have any passengers in the truck unless they are approved by the payer

Some conditions of employment can also be dictated by an agreement signed by the payer and their clients or third parties. In this case, the following conditions are considered neutral because they are related to the business relationship between the payer and their clients rather than the working relationship between the worker and the payer. The clients or third parties could:

- impose deadlines the driver is required to meet (for example, when hauling perishable goods)
- dispatch the driver directly
- require criminal record checks and security clearances

Example

The payer, Company A, requires all the truck drivers to deliver the goods within a certain time frame and to report any traffic infraction they receive while driving their trucks. The payer is responsible for paying the insurance on all trailers and cargo and, therefore, must approve of any passengers in the truck.

Although these conditions of employment are usually indicators of control, they would be considered neutral in this situation because they are imposed by trucking industry laws or for insurance reasons.

Is the truck driver an employee?

Generally, an employee is hired to perform specific duties under the direction and control of the person or company who hired them. Under the terms and conditions of employment, an employee does not normally have the chance to make a profit or suffer a loss. An employee is not seen as operating their own business, but rather as being an integral part of the payer's business. An employee may be entitled to benefits, be paid for vacation time, or be covered by a collective agreement.

The following indicators can help you determine if a truck driver is an employee. This is not a complete list and not all of these indicators will be present in every situation. Consider all facts related to the working relationship.

Indicators that the worker is an employee

The payer:

- requires the truck driver to accept all loads and trips assigned to them
- requires the truck driver to follow specific route(s)
- requires the driver to report daily and explain any delays or downtime regardless of their ability to meet the deadline assigned
- requires the truck driver to get approval before taking certain actions (for example, where to take the truck for repairs if it breaks down while on the road)
- controls where the truck is to be parked when not in use
- may subject the driver to a fuel efficiency program and impose corrective measures on the driver
- may take disciplinary actions against the truck driver if, for example, they report to work late or do not follow the policies and procedures regarding freight handling
- pays for the truck driver's cost of training or certifications required by law, such as how to use air brakes, the transportation of dangerous goods, border crossing, and driving a road train
- resolves customer complaints
- decides the truck driver's pay rate and how it will be calculated (hourly, by mile or kilometre, by lump sum for certain routes, or by percentage of payload)
- pays overtime to the driver when required
- pays the truck driver for downtime associated with truck repairs, border crossings, etc.
- provides benefits to the truck driver such as:
 - paid vacation
 - sick days
 - short-term and long-term disability coverage
 - medical or dental insurance
 - a pension plan
- requires that the truck driver ask permission to be absent from work
- provides all tools, including the truck and communication devices, and does not charge the truck driver a fee to use them
- pays for all the operating expenses, such as fuel, oil, maintenance, insurance, and repairs
- normally arranges for a replacement if the truck driver is unable to work; the truck driver does not normally hire and send their own replacement
- pays premiums for workers' compensation on behalf of the driver
- does not allow the driver to keep earnings from backhaul loads (these are loads of freight that allow a truck driver to return to their home base with a loaded truck, rather than an empty one)
- pays or reimburses the truck driver for any helpers needed to load or unload the cargo
- reimburses the truck driver for any expenses relating to the services they performed for the payer's business

The truck driver:

- may not seek or accept any additional cargo from other shippers without the payer's approval
- does not have a [business presence](#)

Some of the above indicators may be considered to be [neutral or inconclusive](#) when they are present because of the type of work, for example, for safety issues.

Example of an employee

The payer, Company B, is a long-distance trucking company providing hauling services to a third party, XYZ Logging. Company B owns the truck the worker drives and pays for all operating expenses. It requires the truck driver to work a regular five-day work schedule and pays the driver hourly. The driver has to stay in frequent contact with XYZ Logging's dispatcher and may be asked to use specific routes. The payer resolves any complaints it receives from XYZ Logging and may discipline the truck driver. The driver has to ask permission to be absent from work, and the payer chooses the replacement driver and pays their wages. The driver has to purchase gas at stations where the payer has accounts. The payer does not charge the driver a fee for using the on-board communication devices. As well, the payer pays premiums on the worker's behalf for worker's compensation insurance. These facts support that the worker is an employee. When looking at the total relationship of everyone involved, it is reasonable to conclude that the payer monitors, directs, or controls or has the right to monitor, direct, or control how the worker does the work, whether the payer exercises this right or not.

Is the truck driver a self-employed worker?

A self-employed worker carries on their own business. The self-employed worker enters into a contract for services (business relationship) with the payer. The payer and worker may sign a written agreement or contract that either one may terminate with short notice.

For more information on the responsibilities of self-employed workers, go to [Business taxes](#) or [Small businesses and self-employed income](#).

In this relationship, the self-employed truck driver agrees to provide a transportation service and is not under the direction or control of the payer or person they provide the service to.

The following indicators can help you determine if a truck driver is self-employed. This is not a complete list, and not all of these indicators will be present in every situation. Consider all facts related to the working relationship.

Indicators that the worker is self-employed

Generally, a truck driver is considered to be self-employed if the employee indicators [listed above](#) are not present and the truck driver:

- negotiates their rate of pay when the contract is signed and when it is renewed
- can pick and choose the loads or trips available
- can choose the route they want
- does not have to report or call the payer during a trip
- can hire a replacement driver at their own discretion and pays their wages
- may accept passengers at their own discretion
- is the sole owner of the truck on the ownership document
- has full control of the truck under a lease arrangement and can use the truck as they see fit
- is responsible for operating costs for fuel and oil and for all expenses, such as truck loan or lease payment, licence plate, repairs and maintenance, truck and cargo insurance, and all other business expenses
- owns or pays a fee for using communication devices, such as an on-board computer or electronic logging device
- provides their own equipment to secure loads, such as tarps, chains, straps, and binders

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- pays for any helpers to load or unload the cargo and is not compensated by the payer
- pays for additional certifications or training they require
- is responsible for any damages to the truck or cargo
- under the terms and conditions of the contract, is responsible for any penalties or costs resulting from late delivery
- pays for their liability insurance
- pays for any deductible on insurance provided by the payer
- pays for fines related to infractions
- may keep all profits earned from backhaul loads
- may have disability insurance to cover fixed business costs
- has the freedom to make decisions that affect their ability to make a profit (such as negotiating for meal and travel allowances when accepting long-distance hauls) or suffer a loss (such as hiring helpers to load and unload cargo)
- is not entitled to social benefits or employee programs offered to the payer's employees
- can accept work from other payers
- has a business presence

The self-employed truck driver has a business presence if they:

- enter into a transportation contract under their own business name
- develop accounts with suppliers and customers
- maintain an office or staff
- advertise their services for hire online or in newspapers, trade journals, magazines, or periodicals
- have pre-printed invoices, letterhead, business cards, or are listed in the telephone or business directory
- contract for or arrange for workers' compensation and pay the premiums
- have their own cargo, transportation, or liability insurance
- are registered as a business with government departments or agencies for things like the goods and services tax (GST)/harmonized sales tax, Quebec sales tax, or business name registration
- keep a separate bank account for the business and negotiate business loans or lines of credit
- bill customers and collect from them
- keep books and records

Some of the above indicators may be considered to be [neutral or inconclusive](#) when they are present because of the type of work, for example, for safety issues.

Example of a self-employed worker

Mrs. C owns her own truck and pays for all operating expenses related to its use, such as licences, fuel, oil, on-board communication system, repairs, maintenance, and insurance. She has a business presence and advertises her services in local papers and online. She is carrying on work for various payers according to her availability. Company Z, one of her clients, requires her services regularly for hauling woodchips. She negotiated a flat rate of \$ 1,000.00 for each trip she accepts and charges GST. She invoices Company Z and is paid only when the work is completed. She can hire helpers or other drivers to operate her truck and she is responsible to pay for their wages. She pays for her own traffic or transport infractions. These facts could be considered to support the conclusion of a self-employed worker if the type of work dictates that these working conditions are necessary and that when looking at the total relationship of the everyone involved, it is clear that the payer does not monitor, direct, control, or have the right to monitor, direct, or control how the truck driver does the work. The worker is not integrated into the operating framework of the payer's business.

Can a truck driver be classified as an employee and a self-employed worker?

No matter which classification the worker falls under, they cannot be considered both an employee and a self-employed worker under one contract or agreement. Each case must be reviewed on its own merits. It is however possible for a worker to be considered an employee under a contract or agreement, while at the same time being considered a self-employed worker under another contract or agreement.

Here is an example:

- Mr. D is an employee of Company X. He drives Company X's truck to haul medical goods and food products where they tell him to go. He has a regular 4-day work schedule and he is paid hourly. He has to ask permission to be absent from work.
- Mr. D is also a self-employed worker. He owns his own truck and advertises his moving services in the local newspaper. In the evening and on weekends, he offers his services to different clients to haul furniture in his truck. He sets the price for his services, and he can accept or refuse work. Mr. D hires and pays helpers from time to time to help him with loading and unloading the furniture.

In this example, Mr. D is considered an employee under his contract with Company X while at the same time he is considered self-employed for the work performed for different clients.

Related topic

A truck driver may be placed in employment by a placement or employment agency.

For information on what the CRA looks at when determining the employment status of placement agency or employment agency workers under the Canada Pension Plan and the Employment Insurance Act, see [CPP/EI Explained – Placement/Employment Agencies](#).

Corporations

In general, for purposes of the Canada Pension Plan and the Employment Insurance Act, when a worker operates through their own corporation and that corporation enters into a contractual arrangement to provide services to another party, the other party will not normally be seen as being the worker's employer. This does not mean the worker is self-employed. The worker, in most cases, would be an employee of their own corporation.

Personal services business

A personal services business (PSB) is a business that a corporation carries on to provide services to another entity (such as a person or a partnership) that an officer or employee of that entity would usually perform. Instead, an individual performs the services for the corporation. That individual is called an incorporated employee.

If your corporation is considered a PSB for purposes of the Income Tax Act, you may be interested in reading the [Withholding and reporting requirements](#) document to learn about the tax implications and reporting requirements.

How to request a ruling

If a truck driver or a payer is not sure of the truck driver's employment status, either can ask the CRA for a ruling to have the status determined. More information on the ruling process is available in [How to obtain a ruling for Canada Pension Plan and Employment Insurance purposes](#).

For more information

To get more information, call **1-800-959-5525**.

Legislative references

- Paragraph 5(1)(a) of the [Employment Insurance Act](#)
- Paragraph 6(1)(a) of the [Canada Pension Plan](#)