Subcontractor vs. Employee

Deciding the difference between a subcontractor and an employee is an important consideration as it affects not only your labour cost but also your risk of an unexpected tax bill. Some of the main factors that CRA considers when making the determination of an employee as opposed to a subcontractor are listed below.

- Degree of control of independence:
    - Who stipulates how / when the work is to be done?
    - Is permission required by the worker to work for other contractors?
    - Does the worker receive training or direction from the payer?

- Tools and equipment:
    - Who provides the tool and equipment required to complete the work?
    - Who is responsible for the care, maintenance, and replacement of the tools?

- Subcontracting work or hiring assistants:
    - Does the worker have the ability to subcontract or hire their own assistance to complete the assigned task?

- Financial risk:
    - Does the worker incur the risk of financial loss or does this reside with the payer?
    - Who is responsible for regular operating expense?
    - Is the pay continuous and regular?
    - Is the worker receiving health or other benefits from the payer?
    - Does the worker advertise and actively market their own services?

- Responsibility for investment and management:
    - Has the worker made a large investment in order to provide services to the payer?
    - Has the worker established a business presence outside of the relationship with the payer?

- Opportunity for profit:
    - Does the worker pursue and accept contracts as they see fit?
    - Does the worker negotiate on the price of each contract?

CRA has the authority to independently assess each of the above points. If you would like more information on how these points affect your business, please contract our office.

Kindest Regards,

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