



POLICIES and PROCEDURES

Responsible Unit	Financial Services and Human Resources
Policy Number	
Date Last Updated	01 November 2000
Approving Sector Head	Chief Financial Officer & Treasurer and Director, Human Resources
Policy	EMPLOYEE-CONTRACTED SERVICES GUIDELINES (Services Provided by Individuals of Business Entities)

1. Purpose

The purpose of these guidelines is to ensure that Acadia University follows Canada Customs and Revenue Agency (CCRA, formerly Revenue Canada) requirements when processing payments to individuals or business entities for work done or services provided. The two types of CCRA payment classifications are:

- Classification of payment as income from employment on the basis that an employee/ employer relationship exists between the individual or entity providing the service and the University
- Classification of payment as business income on the basis that there is no employee/ employer relationship between the individual or entity providing the service and the University.

The correct CCRA payment classification is necessary for income tax purposes as well as to determine the status of an individual under the Canada Pension Plan and/or Employment Insurance Act. This document provides pertinent background information consistent with CCRA requirements and actual course cases and outlines the payment procedures.

2. Significance of Employment Status

Whether or not an employee-employer relationship exists is significant for both the University and the individuals or entities who provide services to the University. Where there is an employee-employer relationship, the employer is required to withhold income tax, Canada Pension Plan (CPP) contributions and Employment Insurance (EI) premiums from employment income. The employer is also required to make employer CPP and EI contributions for each employee. These are requirements under the Income Tax Act and failure to withhold deductions at source is an offence under the Act.

It is important that individuals or entities providing services to the University realize that the administrators at the University must meet these requirements. The University faces two opposing sets of objectives. On one hand, it wishes to offer the greatest flexibility to persons providing services to the University to ensure that they receive the most favorable tax treatment

within the law. However, the University has responsibilities as an employer under the Income Tax Act and the failure to meet these responsibilities can lead to severe penalties and interest charges.

In the event that Canada Custom and Revenue Agency deems that applicable taxes, CPP and EI contributions were not withheld for an individual, the University will be required to remit both the employee and employer contributions for Employment Insurance and Canada Pension Plan, as well as pay the assessed penalties and interest.

3. Determination of Employment Status

Although an individual and a department of the University may enter into a written agreement stating that the individual is not to be considered an employee, this does not in itself guarantee that the definition of employee/employer has been satisfied. The nature of the relationship between two contracting parties requires an examination of every element of the relationship. Canada Customs and Revenue Agency provides guidelines to determine whether or not an employee/employer relationship exists, or whether an individual is correctly classes as self-employed. Canada Customs and Revenue Agency prefers that each individual situation be measured on its own merit.

Current Employees

Any current employee of Acadia University cannot receive a company contract with the University and invoice the University for work done outside of his or her regular position, unless that employee falls into one of the categories where invoicing is permitted as indicated in the matrices in Appendix 1 – Determination of Method of Payment by Type of Service, or Appendix 2 – Determination of Method of Payment by Type of Entity.

Other Individuals and Business Entities

For all other situations, there are two broad areas to consider:

- The relationship between the person/entity providing the service and the user, i.e., the University.
- The relationship between the person/entity providing the service and the University's business.

To determine if an individual is an employee or self-employer, and thereby if there exists either an employer/employee relationship or a business relationship, Canada Customs and Revenue Agency has establishes four parameters for consideration within the scope of these two areas. Any individual who requests a company contract, and who is not already employed in another position at the University, will have the terms and conditions of the individual or entity's employment contract examined as they relate to the following four factors.

1. Control

Generally, in an employer-employee relationship, the employer has the right to control the employee's method of doing the work. The degree of control exerted may be examined in light of the following:

- *the University's power to select the individual*
- *the extent to which the individual is subject to the supervision of the University person responsible for the service or activity*
- *the method and nature of compensation*
- *the University's right to determine the hours of work and where the work will be performed*

- *the extent to which the individual has the power to delegate*
- *the University's right to dismiss or suspend the individual*

2. Ownership of Tools

This test examines the ownership of facilities and tools such as course materials, templates, classrooms, equipment, and the necessary support services to complete the task.

3. Integration

The University's principal business is research and teaching. The integration test examines if the service integrates with this activity. If so, the individual is an employee. If the service can be served from the University, that may be an indication that the individual is self-employed.

4. Economic Reality – Chance for Profit/Risk of Loss

The economic reality test examines the opportunity for profit or loss. The absence of chance of profit and risk of loss may indicate an employee relationship. Alternatively, the potential that unforeseen expenses or hours of work will have to be absorbed by the individual without compensation may indicate a self-employed status.

Note: The course have held that it is not necessary for a person to meet all of these tests and that each test may be given more or less weight.

4. Acadia Procedures

The procedures that Acadia University will follow for remuneration of individuals or entities providing services to Acadia University are as follows:

(a) Current Employees of Acadia University

Payment will be made through Human Resources – Payroll Services and will be subject to statutory withholdings. Any current employee of Acadia University cannot receive a company contract with the University and invoice the University for work done outside of his or her regular position, unless that employee falls into one of the categories where invoice is permitted, as outlined in Appendix 1 – Determination of Method of Payment by Type of Service, or Appendix 2 – Determination of Method of Payment by Type of Entity.

(b) Individuals and Business Entities & Company Contract Requested

The Human Resources Department shall decide if the individual, who is not already employed in another position at the University, and/or business entity meets the conditions for the issuance of a company contract and shall advise the department entering into the contract accordingly. If an individual/entity requests self-employed status, departments are responsible for obtaining a decision for Human Resources prior to entering into the contract.

If the individual/entity does not agree with the decision that an employee/employer relationship exists, the individual/entity shall submit a copy of a written ruling from Revenue Canada stating that the income from performing the specific work at the University is deemed to be income from self-employment. Specifically, the work to be performed by virtue of the contract in question constitutes a business relationship in which the particular individual is considered self-employed. A copy of the Certificate of Registration or Certificate of incorporation proving registration of the

company as a business entity shall accompany the written ruling. This certificate is required even if the business will be operated under the individual's given name. Payment will be withheld until the ruling is received in order to ensure the proper method of remuneration is followed.

Should an individual/entity wish to obtain such a ruling from Canada Customs and Revenue Agency, a CPTI must be completed by the individual and a CPT2 must be completed by the employer – both of which must be forwarded to the CPP/EI Rulings, Revenue Collections Division of the local Tax Services Office. For more information, the Halifax office telephone number is 1-902-426-8095. These forms and other publications on the topic are available from the Canada Customs and Revenue Agency website at: <https://www.canada.ca/en/revenue-agency/services/forms-publications/publications/rc4110/employee-self-employed.html>.

5. Sources

The information contained herein was obtained from the following sources:

- Canada Customs and Revenue Agency – Employee or Self-Employed?
- Canada Customs and Revenue Agency – Payroll Audit Division – CPP/EI Rulings
- Canadian Association of University Business Officers – Income Tax Guide
- Mount Saint Vincent University – Request for Company Contacts
- University of Toronto – Employee/Independent Contractor Income Tax Guide
- University of New Brunswick
- Memorial University of Newfoundland
- Business & Consumer Services – Access Nova Scotia

6. [Appendices – Determination of Method of Payment](#)

In order to assist individuals in determining whether it is in their interest to pursue a ruling or to assess the likelihood of their relationship being deemed an employee/employer relationship or a business relationship, Acadia University has attached two matrices. Appendix 1 is organized by type of service provided, detailing the type of entity that can occur within the identified service. Appendix 2 is organized by type of entity, detailing the type of service that can occur within the identified entity. This is for reference only. If a ruling is required, it must come from Canada Customs and Revenue Agency.