CV Bookkeeping
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FREE GUIDE · THE QUESTIONS CRA ASKS

Employee, contractor *or renter?*

Many practices, studios and salons work with associates, instructors or renters. CRA doesn't decide status by job title or by what an agreement calls someone: it looks at the whole working relationship. This guide sets out the questions CRA asks, so you can bring clear notes to your accountant, or to CRA.

Outside Quebec, CRA first looks at what you and the worker intended, then checks whether the real, day-to-day relationship matches. No single question decides it. Our examples are questions to think about, not answers.

What did you both intend?

- Did you agree, in writing or out loud, what kind of working relationship this is?
- Does the way the work actually happens match that agreement?

Questions this raises: *If an associate counsellor's agreement says "independent," does their work week match?*

Control

- Who has the right to decide how, when and where the work is done? (CRA says the right to control counts, even if it isn't used.)

Questions this raises: *Who sets a yoga instructor's class times, and who decides how the class is taught?*

Tools and equipment

- Who provides the tools, equipment and workspace, and who pays to repair or insure them?

Questions this raises: *Does an esthetician who uses a room at the studio bring their own products and equipment, or use the studio's?*

Subcontracting or hiring helpers

- Can the worker send someone else in their place, or hire and pay an assistant?

Questions this raises: *If the yoga instructor is sick, who finds and pays the substitute?*

Financial risk

- Does the worker carry ongoing costs that aren't reimbursed? Could they lose money?

Questions this raises: *What does the esthetician pay the studio, and does it change when clients don't book?*

Investment and management

- Has the worker invested in their own business? Do they market their services, use their own business name, or manage staff?

Questions this raises: *Do clients find the associate counsellor through the practice, or through the counsellor's own advertising?*

Opportunity for profit

- Can the worker earn more by how they manage their costs and take on work? (CRA looks at this from the worker's point of view.)

Questions this raises: *Who sets the esthetician's prices, and who collects and keeps the client payments?*

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Why it *matters*

- CRA treats employees and self-employed workers differently for CPP, EI and income tax.
- Where a worker is an employee, the employer deducts CPP contributions, EI premiums and income tax from pay, sends them to CRA with the employer's share of CPP and EI, and issues T4 slips.
- Where a worker is self-employed, the payer doesn't deduct CPP, EI or income tax. If the fees for services you pay a self-employed person total more than $500 in a year, CRA says to report them in box 048 of a T4A slip.
- If a worker was treated as a contractor and CRA decides they were an employee, CRA's guide says the employer pays both the employer's and the employee's share of the CPP and EI owing, plus penalties and interest. That's why it helps to ask these questions early.

What to have on file

- [ ] A written agreement that matches how the work really happens, updated when things change
- [ ] Invoices from contractors for the work they bill you for
- [ ] Their business number, or GST/HST number if they're registered
- [ ] For renters: the rental agreement and a record of rent charged and paid
- [ ] In Alberta: WCB-Alberta suggests getting a clearance letter for contractors before work starts and before final payment

A written contract helps show what you both intended, but CRA looks at the whole working relationship.

Other rules to know about

- Provincial employment standards and workers' compensation boards (WCB) decide status under their own laws, so their answer can differ from CRA's.
- Quebec uses different rules: check with CRA or your accountant.

Your next step

- Bring these questions and your agreements to your accountant, or
- Ask CRA for an official CPP/EI ruling online (My Business Account, My Account or Represent a Client) or by mailing Form CPT1. CRA's guide RC4110 says to ask by June 29 of the year after the year in question.

MY NOTES

Corrie's take: As your business grows, an arrangement that worked for your first associate or instructor may no longer match how the work happens. I like to look at each one again once a year, before slips are due.

General information, current as of September 2026. This is not a ruling or legal advice. Factors from CRA's guide RC4110, Employee or Self-employed?, and canada.ca payroll pages. Check with CRA or your accountant about your situation.

Want help getting your records ready?

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