

## **WORKER CONTRACT STATUS DETERMINATION**

### **Background**

The purpose of this Administrative Procedure is to assist departments and schools in determining the relationship between a worker and the District, in accordance with the Canada Revenue Agency guidelines, the Employment Insurance Act, Income Tax Act and the Canada Pension Plan.

The District has a legal obligation to determine the status of workers and to ensure that appropriate contractual or employment terms and actions are consequently applied when hiring contractors or employees because the rights and obligations of workers depend on the nature of the working relationship between the worker and the District.

### **Definitions**

Accountable Individual means the person responsible for hiring or retaining a worker and establishing a contract or determining the worker's relationship to the District.

Employee means an employee of School District No. 5 (Southeast Kootenay) hired to perform service for the District.

Four-fold Test determines who in the relationship has Control, Ownership of Tools, Chance of Profit, and Risk of Loss.

Independent Contractor means a person (individual or other entity) retained by the District, either directly or through a corporation to perform services for the District.

Worker means either an employee or Independent Contractor.

### **Procedures**

1. Revenue Canada has issued the document RC4110 – Employee or Self-Employed which provides guidance in determining a worker's employment status.
2. An individual is considered an employee by the level of:
  - 2.1 Control: the nature and degree of control exercised by the District on how, when, and/or where the work is done. The "control test" determines whether the organization is in a position to order not only what is to be done, but also how it is to be done. Where such control exists, the courts have generally regarded the relationship as that of an employer and employee. The more control the organization has, the more likely the worker is an employee. Four factors are used in the control test:
    - 2.1.1 Selection – who has the power to select the worker?

- 2.1.2 Dismissal – who has the right to suspend or dismiss the worker?
- 2.1.3 Method of work – who controls the method in which the job is carried out?
- 2.1.4 Remuneration – who sets the payment scale for wages or other remuneration to the worker?
- 2.2 Ownership of Tools: the tools necessary to perform work are typically provided to an employee. An independent contractor will usually supply their own tools. Tools may include cell phones, computers, and trade specific tools such as those for carpenters or electricians.
- 2.3 Opportunity for Profit: if the opportunity for profit does not change in relationship to the work performed by the worker, it indicates an employee relationship,
- 2.4 Risk of Loss: if the worker bears no risk of loss and will be paid regardless of the work they complete in a certain period of time, this is likely an employee relationship. If the individual assumes a high degree of financial risk and will not receive payment unless certain work is completed, the more likely the worker is an independent contractor.

### 3. Consequences

- 3.1 Workers who are employees have Canada Pension Plan contributions, Employment Insurance (EI) premiums, and income tax deducted from the worker's pay. The District is required to remit these deductions, together with the employer's share of CPP contributions and EI premiums to Canada Revenue Agency. These deductions and remittances are not made for Independent Contractors.
- 3.2 If a worker is incorrectly identified as an independent contractor, then the District would be responsible for paying both the employee's share and employer's share of CPP contributions, EI premiums, plus interest and penalties under the Income Tax Act and/or the entitlement the worker would have otherwise received under respective terms and conditions as an employee.
- 3.3 Where a worker is to be hired or retained, the Supervisor shall, in consultation with the Superintendent, determine whether the worker is an employee or an independent contractor. Once the relationship is determined, employees will be hired in accordance with Human Resources processes and procedures; independent contractors will be contracted in accordance with purchasing and contract services.

Reference: Section 20, 22, 23, 65, 85 School Act  
Canada Pension Plan  
Employment Insurance Act  
Income Tax Act  
Revenue Canada RC4110

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