

Are You Self-Employed?

Taxation reference tool





Your relations with Revenu Québec

When starting your business, you must do the following:

- Determine whether your situation corresponds to that of a self-employed person. This question is dealt with in the section “Determination of status as a self-employed person.”
- Make sure that you are operating your business with a reasonable expectation of profit.
- Become familiar with the rules respecting registration for the GST and QST (as well as for the taxes applicable to insurance premiums and retail sales of tobacco products, and for the specific tax on alcoholic beverages) and register where applicable. Find out about your rights and obligations with respect to taxes, returns, remittances and refunds, including input tax credits (ITCs) and input tax refunds (ITRs).
- Find out about your rights and obligations as an employer and register for source deductions, if you have employees.
- Keep records and books of account, and retain supporting documents and receipts. All personal expenses must be kept separate from business expenses.
- Find out about the services provided by Revenu Québec.

If your status changes (you were an employee but are now self-employed), you may

- claim deductions respecting income you earned as a self-employed person;

- amortize your assets and make changes regarding the use you make of your property;
- deduct a business loss from your other income or carry the loss forward to be deducted in subsequent years.

At the same time, you are required to

- pay your income tax in instalments if your estimated income tax for the year exceeds your income tax deducted at source by more than \$1,200;
- pay both income tax and contributions to the health services fund, the Québec Pension Plan and the Québec parental insurance plan;
- file your income tax return no later than June 15, but pay any balance due by April 30.

After starting your business, you must do the following:

- Keep your records and books up-to-date in paper or electronic form. Personal entries are to be kept separate from business entries.
- File your returns by the prescribed deadlines (income tax returns, GST and QST returns, source deduction returns) and make remittances, where applicable. If you fail to comply with this obligation,
 - you may be liable for penalties and interest;
 - you may be required to reach a payment agreement with Revenu Québec if your payment is late or incomplete.

Note: In an extraordinary situation beyond your control (such as a fire, flood or death), you can request the reduction or cancellation of interest or penalties.

- Comply with any requests of an administrative nature made by Revenu Québec (review of returns, audit, etc.).
- Take into account situations that change your status, such as
 - exceeding the \$30,000 limit in taxable sales (in which case you are no longer considered to be a small supplier);
 - hiring employees (in which case your status becomes that of an employer).
- Evaluate the tax effect of events that may occur, such as
 - major transactions or transactions of an exceptional nature (for example, collecting consumption taxes or withholding employer contributions in the context of business transactions in another province or country);
 - the purchase or starting up of a new business, or the cessation of the current business's activities;
 - a change in business operations (for example, the arrival of a new partner).
- Evaluate the effect of new tax measures. In this case, you may consult Revenu Québec and, if necessary, request a ruling (in certain cases, a fee may be charged for the ruling). You must determine whether the measures have
 - an immediate effect (for example, a change in the tobacco tax rate the day after a new rate has been announced);
 - long-term effects (for example, the introduction or elimination of tax relief).

Clic Revenu

Clic Revenu e-services are available free of charge on Revenu Québec's Web site. They are intended for use by businesses and self-employed persons that wish to fulfil their various fiscal obligations more simply and efficiently. With Clic Revenu, you can:

- safely view your business's file: your consumption tax, source deductions and employer contributions returns for the last five years
- file your consumption tax, source deductions and employer contributions returns electronically, and make remittances of support-payment deductions
- make your payments online, without having to leave your desk
- select the date on which your payment is debited from your account
- receive your refund 10 to 14 days faster if you have direct deposit service and you file your returns using Clic Revenu

You can check out the online demo of Clic Revenu e-services on Revenu Québec's Web site at

The logo for Clic Revenu features the word "Clic" in orange and "Revenu" in black, both in a sans-serif font. The text is enclosed within a blue, stylized oval shape that has a slight 3D effect with a white highlight on the top left and a shadow on the bottom right.

www.revenu.gouv.qc.ca

Determination of status as a self-employed person

Individuals must determine their status for tax purposes because the rules (such as those respecting the calculation of income) that apply to self-employed persons are different from those that apply to employees. Below are the definitions based on applicable statutes and the criteria generally used in order to determine the status of a worker.

Under the *Civil Code of Québec*

An **employee** is a person who undertakes for a limited time to do work for remuneration, under the direction or control of an employer.

A **self-employed** person is free to choose the means of carrying out a contract, and no relationship of subordination exists between him or her and the client in respect of contract performance.

Under fiscal law

For tax purposes, a self-employed person is a natural person (an individual) who operates a business, with or without employees, with a view to making a profit. The tax laws allow self-employed persons to deduct business expenses, but also oblige them, for example, to make contributions to the Québec health services fund, the Québec Pension Plan and the Québec parental insurance plan.

Criteria

A worker's status is determined on the basis of the following six criteria:

- subordination or the relationship of authority in the work situation;
- the financial or economic criterion;

- ownership of the tools necessary to perform the work;
- integration, into the business's activities, of the tasks carried out by the worker;
- the specific result of the work;
- the attitude of the parties with respect to the relationship.

These criteria are described in the folder *Employee or Self-Employed Person?* (IN-301-V).

Principal information documents published by Revenu Québec

- *Business and Professional Income* (IN-155-V)
- *Clic Revenu for Businesses and Individuals in Business* (IN-141-V)
- *Employee or Self-Employed Person?* (IN-301-V)
- *General Information Concerning the QST and the GST/HST* (IN-203-V)
- *Instalment Payments of Income Tax* (IN-105-V)
- *New Businesses and Taxation* (IN-307-V)
- *Recourse for Your Tax-Related Problems* (IN-106-V)
- *Should I Register with Revenu Québec?* (IN-202-V)
- Interpretation bulletins (interpretation and administrative practice concerning the laws and regulations), available for sale at Les Publications du Québec
 - *Deduction at Source in Respect of a Salary, Wages or Commission* (IMP. 1015-1/R1)
 - *Source of Income* (IMP. 81-2/R1)
 - *Status of Workers* (RRQ. 1-1/R2)

This publication is provided for information purposes only. It does not constitute a legal interpretation of the *Taxation Act*, the *Excise Tax Act*, the *Act respecting the Québec sales tax* or any other legislation.

Excellent service at all our offices

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- Complexe Desjardins
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- Village Olympique, pyramide Est
5199, rue Sherbrooke Est, bureau 4000
Montréal (Québec) H1T 4C2
- Les Galeries Saint-Laurent
2215, boulevard Marcel-Laurin
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3800, rue de Marly
Québec (Québec) G1X 4A5

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Information concerning individuals and individuals in business

Québec City area 418 659-6299	Montréal area 514 864-6299	Toll-free 1 800 267-6299
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Information concerning businesses, employers and consumption taxes

Québec City area 418 659-4692	Montréal area 514 873-4692	Toll-free 1 800 567-4692
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Information service for persons with a hearing impairment

Montréal **514 873-4455** Elsewhere in Canada **1 800 361-3795**

We invite you to visit our Web site at www.revenu.gouv.qc.ca.

Vous pouvez vous procurer la version française de cette publication en demandant le dépliant *Vous êtes travailleur autonome ?* (IN-300).

Revenu

Québec



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