

SELF-EMPLOYMENT – A GUIDE FOR CLIENTS

You Are Self-Employed If:

- you are not subject to tax withholding and are responsible for paying own taxes
- do not receive a T4
- paid by commission without deductions

Self-Employed Definition – earning income directly from one's own business, trade, or profession rather than as a specified salary or wages from an employer.

"New Business" Definition - if you have not yet filed a personal tax return showing Self-Employment Gross/Net earnings with CRA for 1 full calendar year (January-December) from the start date listed on the Business License.

"Existing Business" Definition – a business that has reported income to CRA for at least one full calendar year (January to December).

Applying for Child Care Fee Subsidy within Windsor & Essex County:

- **You must submit the following documents with the Child Care Fee Subsidy Application:**
 - ✓ Master Business License **OR** Business Name Registration
 - ✓ Articles of Incorporation (if applicable)
 - ✓ Letter of Employment confirming that you are dependent contractor or commissioned salesperson
 - ✓ Most recent T1 General
 - ✓ Most recent personal Notice of Assessment (NOA)
 - ✓ Self-Employment Business Questionnaire (will be provided upon application)

What Do I Need To Know?

When referring to income tax documents (ex. T1 General), we are referring to your personal tax return NOT the business tax return*

- 1) When determining the start date of your business, refer to the Business License for the start date. If you have not applied/will not be obtaining a Business License, the start date declared and signed on the Self-Employment Business Questionnaire will be used as the start date, however for Commission Income or Independent Contracted applicants, the start date from the Letter of Employment will be used.
- 2) From the start date of the business, eligibility is based on days/hours of work indicated on the Letter of Employment for Commission Income or Independent Contracted applicants **or** on the applicant's declaration of employment requirements (days/hours of work per week) in the Self-Employment Business Questionnaire that must be submitted as part of the application process.
- 3) Once a client has reported self-employment income to CRA for one full calendar year (January to December), client's eligibility will be based on Line(s) 135 – 143 on his/her T1 General from personal tax return. This simply means the NET income earned from the business. These lines are also used to determine # of days eligible per week. **As this is a tax-based program, the expectation is that the client is paying him/her self at least minimum wage for the hours declared (after deductions) and NET income indicated on T1 General must match the NET income on the corresponding Notice of Assessment each year.**

Examples

Example #1 – after 1 full calendar year of generating self-employment earnings:

A sole support client who is self employed: Lines 135-143 total \$15,000 of NET income, divided by 50 weeks; resulting in \$300.00 income per week; divided by the minimum hourly wage (\$14.00/hour-per 2019 minimum wage); resulting in 21 hours per week of eligible care: divided by 7 hour work day; resulting in 3.06 days of childcare per week. 3.06 rounded to the nearest whole number is 3, which meets the City's minimum requirement (2 days or more per week). Thus, this family would be **eligible** for 3 full days per week until the next income test is completed with the following year's T1 General.

Example #2: after 1 full calendar year of generating self-employment earnings:

A two parent family, one of whom is self employed: Lines 135-143 total \$7,200 of NET income, divided by 50 weeks; resulting in \$144.00 income per week; divided by the minimum hourly wage (\$14.00/hour-per 2019 minimum wage); resulting in 10 hours per week of eligible care: divided by 7 hour work day; resulting in 1.4 days of childcare per week. 1.4 rounded to the nearest whole number is 1 day per week, which is **less** than the City's minimum requirement of 2 days per week, therefore the family is **ineligible** for child care subsidy because the NET earnings declared to CRA do not reflect minimum wage for at least 2 days per week.

Self Employment – Q & A?

Q: What will be required of me as a self-employed person each year?

A: Each year, you will be required to submit the first 4 pages from your T1 General, your T2125 and most recent Notice of Assessment (NOA) in order for the caseworker to review and determine eligibility yearly using only Lines 135-143.

******You are also required to contact your caseworker if there are any changes with your self-employment business venture (ex. changes in employment requirements, closing of business, or working in alternate employment)

Q: What happens if I am self-employed and my spouse does not work or is off work including Parental leave?

A: Eligibility is based on the work and/or school schedule of **both** clients in the application, therefore if one of the applicants is not working nor in school, including being off for Parental leave, the family is **not** eligible.

Q: What if I am self-employed and my spouse works for me?

A: The spouse working for the self-employed person must be paid by paystub as an employee, and able to submit to the caseworker. If the spouse is part owner and **also** reports earnings to CRA as self employed, both applicants will be assessed using their individual T1 General's and NOA's. Eligibility will still be based on lines 135-143 for each applicant.

Q: What if I begin my self-employment venture part way through the year?

A: Eligibility will be based on what the applicant declares to be working (days/hours per week) as outlined in the Self-Employment Business Questionnaire, however it will be mandatory that the client is reporting all self-employment earnings to CRA and eligibility will be pro-rated based on the number of months remaining in the year.

Q: What if I don't declare ALL of my earnings from the Self-Employed Business?

A: Only earnings that are declared to CRA and shown as income on lines 135-143 in the T1 General will be assessed for eligibility using the NET income and formula indicated in the examples above. **Undeclared cash jobs are not eligible for subsidy**