

The Diocese of Huron

**Employee, Self-Employed, Honouraria**

***Jesus said to them, "Then render to Caesar the things that are Caesar's; and to God the things that are God's." Matthew 22:21***

June 13, 2001

*Please be advised that this information is provided to assist parishes in determining their responsibilities regarding employees, self-employed individuals and criteria around honouraria. Canada Customs and Revenue Agency should be contacted for definitive direction. The following information has primarily been taken from Canada Customs and Revenue Agency's document Employee or Self-employed? Copies can be obtained from the Synod Office or from Canada Customs and Revenue Agency, 400 Cumberland Street, Ottawa, ON K1A 0L5*

***EMPLOYEE OR SELF-EMPLOYED?***

Generally in an employer-employee relationship, the employer controls, directly or not, the way the work is done and the work methods used. The employer assigns specific tasks that define the real framework within which the work is to be done.

If the employer does not directly control the worker's activities, but has the right to do so, the notion of control still exists.

The degree of control exercised by the employer may vary depending on the type of work to be done and the employee's experience and skill.

Generally, the payer exercises control if they have the right to hire or fire, determines the wage or salary to be paid, and decides on the time, place, and manner in which the work is to be done.

Specifically, the payer may control:

- The hours of work
- The assessment of the quality of the work
- The worker's periodic activity reports
- The list of clients and the territory covered
- Training and development.

In short, the payer exercises control if he has the right to decide where, when, and how the work will be done.

**\*\*note:** a reminder that clergy and lay staff are employees of the parish. This includes clergy who are doing Occasional services or Interim ministry.

In a business relationship, however, the payer does not usually exercise control over the worker's activities. The worker can decide how the work will be performed.

Other issues to be considered when determining if a worker is an employee or in a business relationship:

- ❑ Who owns the tools that are necessary for the worker to perform their duties? For example, for an organist, who owns the organ? Who is responsible for maintenance and cost of maintenance of the organ? Who supplies the music or other materials? If the answer is the paying source, then the worker is likely an employee.
- ❑ Chance of profit/risk of loss: who covers the costs of damage to equipment or materials. Who covers the costs of liability insurance, office expenses, rental costs, delivery and shipping costs? Who assumes responsibility for the performance of the work or quality of the work? If the answer is the paying source, then the worker is likely an employee.

***HONOURARIA:***

An Honourarium is intended to be a ‘gift’, generally for something that is a ‘once only’ event i.e. a funeral, a wedding, etc.

When a total of \$500 in honouraria from the same source have been paid in one year to the same person, a T4A is required to be issued.

More than \$500 in honouraria from different sources in a given year will not result in a T4A being issued. However, the recipient of these honouraria is expected to claim them.

***AFTER YOU DETERMINE WHETHER THE WORKER IS AN EMPLOYEE OR IS IN A BUSINESS RELATIONSHIP, WHAT ARE YOUR RESPONSIBILITIES?***

Where an employer-employee relationship exists, the employer must:

- ❑ Withhold income tax, Canada Pension Plan (CPP) and Employment Insurance (EI) premiums on amounts paid to employees
- ❑ Remit the amounts withheld as well as the required employers share of CPP and EI premiums to Canada Customs and Revenue Agency
- ❑ Report the employees’ income and deductions on the appropriate information return
- ❑ Give the employees copies of the T4 slips by the end of February of the following calendar year
- ❑ The employer is also responsible for registering with the relevant provincial organizations as applicable i.e. WSIB—Work Place Safety and Insurance Board

“If the paying source considers a worker as self-employed when in fact the worker is an employee, the penalty that may be issued may include that the payer will have to pay both parts of EI premiums and CPP CONTRIBUTIONS FOR THE COMPLETE DURATION OF THE EMPLOYMENT. Penalties and interest can also be charged. It is therefore very important to correctly determine the type of employment relationship”<sup>1</sup>

Where a business relationship exists, and the self-employed individuals' income exceeds \$500 or income tax has been deducted, the payer must

- ❑ Report the self-employed individuals' income and tax deductions, if any, on the appropriate information return; and
- ❑ Give the self-employed individuals copies of the T4A slips by the end of the February of the following calendar year

Self-employed individuals must pay both shares of CPP. They may also have to pay their income tax and CPP contributions in installments.

\*\*Exemptions for source deductions must be obtained in writing from Revenue Canada and then it becomes the responsibility of the employee/self-employed person to claim the income on the Personal Income Tax Return.

As well, if it is determined that a worker is self-employed, these other actions may help to minimize risk to the parish

Have the worker submit an invoice on a monthly basis

Have the worker sign a waiver regarding source deductions for income tax, C.P.P., E.I., W.S.I.B.

*(The Publication is available on the “Forms and Publications” section of the websites [www.ccra.adrc.gc.ca](http://www.ccra.adrc.gc.ca) or by calling 1-800-959-2221)*

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<sup>1</sup> Canada Customs and Revenue Agency Publication: Employee or Self-Employed?, chapter 2.