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Worker who performs services on behalf of their own corporation (personal services business)

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What is a PSB

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What is a PSB

The CRA is working to help Canadian corporations carrying on a PSB and the businesses that hire them to better understand their tax obligations.

Generally, a PSB exists where a corporation carries on a business of providing services and the individual is a specified shareholder who is performing the work would reasonably be considered to be an employee of the payer if it were not for the existence of the corporation through which they are performing the services. The person performing the services for the corporation is referred to as an **incorporated employee**.

The CRA might consider your corporation to be carrying on a PSB if **all conditions are met**.

Learn more about the conditions: [Determine if the worker's corporation is carrying on a PSB](#)

Examples of types of industries where PSBs are commonly used

In some industries, such as the following, it is a more common practice for individuals to incorporate in order to provide services:

- Construction
- Trucking, transportation and warehousing
- Professional, scientific, and technical services

Payer and payee relationship

If your business uses a PSB or you carry on a PSB, your tax obligations are different from those of an employer and an employee. Your tax obligations are based on whether you are a:

Payer

The business receiving the services is considered the payer (a person or business who pays the corporation for their services).



Payee

The corporation carrying on a PSB receiving the payment for those services is considered the payee.

Why is it important to determine if your corporation is carrying on a PSB

It is important to determine if your corporation is carrying on a PSB because special rules may apply to your corporation for income tax purposes.

For example, the income earned from carrying on a PSB is not eligible for the general tax reduction or the small business deduction, which allow certain other corporations to reduce their corporate tax rates. PSBs are also subject to an additional 5% tax and are limited in the types of expenses they may deduct from their income.

Help for small businesses

If you are a small business that would like help in understanding your tax obligations, you can ask for a visit from a CRA Liaison Officer.

Learn more: [Liaison Officer service - free tax help for small business owners and self-employed individuals](#).

More help if you are carrying on a PSB

The CRA is conducting an educational outreach project to help businesses that use or carry on a PSB understand and comply with their tax obligations associated with this type of arrangement.

Learn more on the results from phase 1 of the PSB pilot: [Personal services business pilot](#)

Related information

- [Fact sheet – Personal services business](#)

Determine if the worker's corporation is carrying on a PSB →

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