

Types of Employee & Contractor - Canada

(Rev. 12/13/2022)

This module will give you a general guideline of the different types of work status in Canada, as well as the different types of contractors that we can engage with.

Refer to: [📄 Canada Employment Guideline - Contractor Resource](#)

Types of Contractors:

1. **T4/Term** - These contractors are working as an employee of IPG Canada.
 - a. They receive the same standard benefits as per Provincial Employment Standard
 - b. They will have an option to OPT-IN to our benefits plan as well.
 - c. **Payment:**
 - i. Contractors will be paid on the same cycle as our own employee (bi weekly)
 - ii. When calculating Bill Rate and Pay Rate, please note that there is a 20% Burden (This covers Severance, CPP, EI, Insurance, etc)
 - iii. NOTE: although severance pay is available, instead of going to this option right away, we should be communicating that we will continue to help them find new employment.
2. **Incorporated Contractor (INC)** - These contractors operate as a business.
 - a. We will only engage with individuals who are listed as majority Director or Owner of the Incorporated Business
 - b. These candidates do not receive any benefits. Think of them as operating as a business.
 - c. **Payment:**
 - i. Contractors will be paid on the same cycle as our own employee (bi-weekly)
 - ii. Contractors will be paid, their pay rate + 13% HST (Ontario is 13%, different provinces have different Tax rates)
3. **Sole Proprietorship (Sometimes confused with "Independent Contractor")**
 - a. We do **NOT** engage these contractors
 - i. There's a blurred line on classifying these candidates correctly. IE: They still have to contribute to EI, CPP, but at the same time, operate as a business and pay tax.

- ii. It is NOT illegal to hire Sole Proprietorship, it is a classification issue that can lead to audits and failed compliance resulting in fines.
- iii. T4A required for Sole Proprietors

IMPORTANT NOTE: you can always discuss the 2 options with your candidates, but under NO CIRCUMSTANCES should you ever suggest one over the other to them (NO RECOMMENDATIONS!) . This means that you should also not discuss the PROs and CONS of each.

NOTE: best practice is for the candidate to already be incorporated when you engage them. If the candidate is incorporating only if they get an offer; it should be a sign that they are not operating as a true business.

Working w. Contractors

1. During the submission stage, you MUST determine if the candidate is T4 or Inc
2. Understand the requirements and documentations needed for both: [🇨🇦 Canada Employment Guideline - Contractor Resource](#)
3. At offer stage, all requirements will be checked by [@Jennifer Liu](#) before an offer letter will be sent out. Please be aware of the timing, and set expectations appropriately.

Types of Employee:

There are 4 main types of employment status that we can engage with through IPG.

1. **Canadian Citizen** - No restriction, will need supporting documents to engage in business outside of Canada
2. **Permanent Resident** - No restriction, will need supporting documents to engage in business outside of Canada
3. **Open Work Permit** - Note the following restrictions:
 - a. Be aware that there are certain permits where the candidate must work within the field that their permit was designated for.
 - b. Permit will ALWAYS have an end date, get that information and provide the details when making your submissions.
 - c. Open Work Permit will often not be able to have their own Incorporation
4. **Student Visa** - This USUALLY converts into a Open Work Permit... But please make sure you have proof before engaging the candidate. They typically have restrictions on the field of work they can engage in. If they do NOT have their OWP yet, they can only work 20 hours a

week.