



This Month:

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Canada Pension Plan Basics

The Canada Pension Plan (CPP) is a contributory, earnings-related social insurance program. It ensures a measure of protection to a contributor and his or her family caused by the loss of income due to retirement, disability and death.

There are three types of CPP benefits:

- Disability benefits (which include benefits for disabled contributors and for their dependent children);
- Retirement pension;
- Survivor benefits (which include the death benefit, the survivor's pension and the children's benefit).

The CPP operates across Canada, although the province of Quebec has its own similar program, the Quebec Pension Plan (QPP). The CPP and the QPP work together to ensure that all contributors are protected. With very few exceptions, every person in Canada over the age of 18 who earns a salary or a wage must pay into the CPP. You and your employer each pay 50% of the contributions. However, if you are self-employed you pay both portions.

You do not make contributions if you are receiving a CPP disability or retirement pension. At age 70, you stop contributing even if you are still working.

This Business Owner Isn't Calculating Her Payroll



Would you like to spend more time working on your *swing* instead of your payroll? We can help!

PayTrak Payroll Services offers a complete payroll service geared to small business. Our service is easy & convenient. It's sure to take the hassle out of your payroll administration and save you time.

For more information, visit www.paytrak.ca or contact us at:

Padgett Payroll Services

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Contract Doesn't Determine Worker Status

Chances are, your business has independent contractors as well as employees. If so, it's important to be aware that the Canada Revenue Agency (CRA) will determine whether a worker is an employee or independent contractor based on the facts and circumstances, not the wording of any contract you may have with the worker. A contract can help, but it won't override other factors.

The CRA will provide a ruling to determine whether a worker is an employee. The CRA looks at the control the employer has over the work - the more control, the more the worker will look like an employee. The CRA will examine the facts that fall into three additional categories:

- Ownership of tools. What is the amount invested? What is the value of the tools and equipment? Who pays for the maintenance and rental of the tools and equipment? In an employer-employee relationship, the employer generally supplies the tools and equipment required by the employee.
- Chance of profit or risk of loss. What is the worker's financial involvement? Does the worker have the chance to make a profit? Does the worker risk incurring losses due to bad debts, damage to equipment or materials, or unforeseen delivery delays? Does the worker cover operating costs? In an employer-employee relationship, the employer alone assumes the risk of loss.
- Integration. This final factor is analyzed from the point of view of the worker not the payer. What is the relationship of the parties, evidenced by the parties' agreements and actions with respect to each other? Where the worker integrates his activities to the commercial activities of the payer, an employer-employee relationship probably exists.

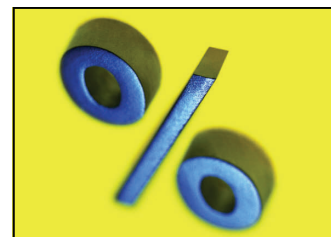
A well-drafted independent contractor agreement supports your company's position and serves as a blueprint of the working relationship between your business and the independent contractor. The agreement should include factors that support the classification of the worker as an independent contractor. In addition, it should specifically mention that the worker will not be treated as an employee for federal tax purposes.

If you'd like to discuss strategies to strengthen the evidence supporting your business's position on a worker, please contact our office to arrange for an appointment.

CRA Interest Rates for the Third Quarter 2008

The prescribed interest rates announced by CRA for the third quarter of 2008 are:

- For overdue taxes, CPP contributions, and EI premiums the rate is 7%.
- The rate paid by CRA for overpayments is 5%.
- The interest rate used to calculate taxable benefits for employees and shareholders from low-interest and interest-free loans is 3%.
- For GST, HST, and air travellers' security charge the rate is 7% for overdue remittances and 5% for overpaid remittances.
- Overdue remittances for Excise Tax (non GST) and Excise Duty are 7%.
- Overpaid remittances for Excise Tax (non GST) and Excise Duty are 5%.
- Overdue remittances for Excise Duty (beer only) are 5%.



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Padgett Business Services is dedicated to meeting the tax, government compliance, profit & financial reporting and payroll needs of businesses with fewer than 20 employees in the retail and service sector of the economy. This publication suggests general business planning concepts that may be appropriate in certain situations. It is designed to provide complete and accurate information to the reader. However, because of the complexities of the tax law and the necessity of determining whether the material discussed herein is appropriate to your business, it is important you seek advice from your Padgett office before implementing any of the concepts suggested in this newsletter.