

DMCL INSIGHT – Self-Employment Bulletin



February 2011

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EMPLOYMENT INSURANCE BENEFITS FOR SELF-EMPLOYED PEOPLE

(Including employees who currently can't contribute because they or a family member own greater than 40% of the shares of a company).

Beginning in 2011, registered and qualified self-employed Canadians will be able to begin accessing Employment Insurance (EI) special benefits: maternity, parental, sickness, and compassionate care.

OVERVIEW

Once registered, you have to pay premiums for 12 months before you are able to apply for EI special benefits (unless registered prior to April 1, 2010).

Regardless of when you register during a given year, EI premiums are payable based on your self-employment income for the entire year. Minimum of \$6,000 income required to be eligible for this program.

Unlike the regular EI program, and because you are self-employed, you will not have to pay the employer's portion of the EI premium.

Premiums will be due April 30th of the following year and based on your net self-employment earnings (or employment earnings that would have been insurable if you own greater than 40% shares of a company). The 2011 rate is a \$1.78 for every \$100 you earn to a maximum of \$786.76

Service Canada's website (www.servicecanada.gc.ca) has great information and many types of examples to help determine if these EI special benefits are right for you and your individual situation.

Please refer to the following sections for more detailed information which will help you make a personal assessment as to eligibility.

ELIGIBILITY INFORMATION

You can enter into an agreement, or register, with the Canada Employment Insurance Commission through Service Canada if you:

- Operate your own business, or if you work for a corporation but cannot access EI benefits because you control more than 40% of the corporation's voting shares; and
- Are either a Canadian citizen or a permanent resident of Canada.

Note: some individuals who work independently and are not hired as employees cannot register for these EI special benefits because they are already eligible to receive benefits through the regular EI program: barbers, hairdressers, taxi drivers, drivers of other passenger vehicles that carry passengers who are not hired as employees but whose employment is insurable under the EI Regulations, and fishers who

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are included as insured persons under the EI Fishing Regulations.

QUALIFYING FOR EI

Once you have registered and waited 12 months from the date of your confirmed registration, you will qualify for EI special benefits if:

- You have reduced the amount of time devoted to your business by more than 40% because:
 - Your child was born;
 - You are caring for a newborn or adopted child or children;
 - You are ill, injured or in quarantine; or
 - You need to provide care or support to a gravely ill family member;
- You have earned a minimum amount of self-employment earnings during the calendar year proceeding the year you submit a claim. This amount may change from year to year. If you want to apply for benefits in 2011, for example, you would need to earn at least \$6,000 in 2010; and
- For EI sickness claims – you have provided a medical certificate as proof that you are unable to work because of illness, injury, or quarantine; or
 - For compassionate care benefit claims – you have provided medical proof showing that a gravely ill family member who is at risk of dying within 26 weeks needs your care or support; or

- For EI maternity or parental benefit claims - you have provided the expected date of birth of the child and the actual birth date once it has occurred, or the official placement date in the case of adoption.

If you are self-employed and are also receiving insurable earnings as an employee, you can choose to apply for EI special benefits either as a self-employed person or as an employee, as long as you qualify for both. Refer to Service Canada website for the amount of weekly benefits.

APPLICATION INFORMATION

The following steps must be taken before being able to receive EI special benefits for self-employed people:

Step 1: Register with Canada Employment Insurance Commission. Must use My Service Canada Account (Go to www.servicecanada.gc.ca on the main home page find the “On-line Services and Forms” menu on the right-hand side of the page, click on “Access My Service Canada Account” and follow the instructions. After you register, they will mail you a personal access code within 10 days.)

If you already have a My Service Canada Account, simply login using your existing user code and password, and select the “Employment Insurance for the Self-Employed” option on the main page to begin the registration process.

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Your participation in the EI program will last for the entire duration of your self-employed career, regardless of any change in the nature of your self-employment. You may cancel your registration if you have never received EI special benefits as a self-employed person; however, there are specific criteria for this process. Please refer to the Service Canada website for more information on cancelling your participation.

Step 2: You must pay premiums for 12 months. Once you receive notification that your registration is accepted, your EI premiums will be calculated based on your income tax return for that year.

Regardless of when you register during a given year, EI premiums are payable based on your self-employment income for the entire year.

Step 3: If you registered after April 1, 2010, you must wait 12 months from the date of your confirmed registration before applying for EI special benefits.

There are certain criteria that must be met in order to be considered eligible for EI special benefits.

Once you are ready to file an application for EI special benefits, log back into *My Service Canada Account* and follow the steps in the application process.

Note: there is a two-week waiting period for each of these special benefits. You will not receive any EI special benefits during this waiting period.

We can help!

As a reader of DMCL's Insight Newsletter, you are cautioned that the information contained herein is of a general nature and does not address specific circumstances. DMCL can help you with these or other matters that may affect your business. For details please contact your DMCL advisor.

Contact Us

Please contact your local DMCL office for more information.

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For general enquiries please contact: Marie Dickens, CA or Emily Frykberg in the Vancouver Office.

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DMCL Chartered Accountants

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