

APPENDIX A

EMPLOYEE OR SELF EMPLOYED?

This tool will assist you in determining if a worker is an employee or a self employed individual. If there is an employer-employee relationship, review the following terms and conditions as they relate to *control, ownership of tools, chance of profit/risk of loss, and integration* as they apply to your scenario.

1. CONTROL

Generally, in an employer-employee relationship, the employer controls, directly or indirectly the way the work is completed. The employer assigns specific tasks that define the framework within which the work is done, has the right to hire and fire, determines the wage and decides upon the time, place and manner in which the work is to be completed.

If you answer payer to most of these question, an employer-employee relationship probably exists. Otherwise it indicates a business relationship exists.

<i>Analysis of facts related to control</i>	Payer	Worker	N/A
Who is responsible for planning the work to be done?			
Who decides how and how much the worker is to be paid?			
Who decides the time frames?			
Who decides the hours to be worked?			
Who decides on the work location and/or territory to be covered?			
Who assigns the individual tasks?			
Who supervises the tasks?			
Who sets the standards to be met?			
Who decides whether or not work has to be re-done?			
Who is responsible for training?			
Who hires helpers?			

2. OWNERSHIP OF TOOLS

In an *employer-employee relationship*, the employer generally supplies the equipment and tools required by the employee. In addition, the employer usually covers:

- the cost of repairs
- insurance
- rental
- transport and operation

In some trades however, employees may need to supply their own tools such as mechanics, carpenters, painters, architects, surveyors etc. When workers purchase or rent equipment that requires maintenance and major investment, it usually indicates they are self employed because they are the ones who may incur a loss when having to replace or repair the equipment.

<i>Analysis of facts related to ownership of equipment and tools?</i>	Payer	Worker	N/A
Who supplies the heavy equipment or large tools and covers its rental costs?			
Who supplies the specialized equipment or covers rental costs?			
Who covers the equipment maintenance costs?			
Who supplies the small tools?			
Who supplies the materials?			
Who has invested in the equipment and materials?			

3. CHANCE OF MAKING A PROFIT/RISK OR LOSS OF A PROFIT

In most cases in an *employer-employee relationship*, the employer:

- assumes the risk of loss
- assumes the risk of loss themselves
- usually cover the operating costs, office expenses, insurance

The income of the employee paid by the piece or on commission does not depend upon the profit or losses of the employer's business i.e. is paid the same per unit regardless how many pieces they are required to produce or sell.

In a *business relationship*, the self employed individual may make a profit or incur a loss and also cover operating costs. There is no guarantee there will be a steady income because a self employed individual's income depends upon the results achieved at

the end of the contract.
 If you answer payer to most of the questions below, it means an employer-employee relationship likely exists - there is little involvement on the part of the worker and his income does not depend upon the results achieved at the end of the work/contract.

<i>Analysis of facts related to chance of making a profit/risk or Loss of Profit</i>	Payer	Worker	N/A
Who covers the cost of damage to equipment or materials?			
Who covers the cost of liability insurance?			
Who covers the office expenses?			
Who covers rental costs?			
Who covers shipping, mailing and delivery costs?			
Who covers the costs related to bad debts?			
Who assumes responsibility for the performance of work?			
Who guarantees the quality of work?			
Who covers the cost incurred by the worker in carrying out the work?			
Who covers the cost of the workers benefits (vacation, sick leave, life insurance, etc.)			

4. INTEGRATION

If you are still unable to decide what the relationship is between the payer and worker is, look at the following questions:

Payer as the majority - it appears an *employer-employee* relationship exists.

Worker as the majority - it is reasonable to conclude a business relationship likely exists.

<i>Analysis</i>	Payer	Worker
What was the answer to most of the questions asked in the control section?		
What was the answer to most of the questions asked in the ownership of tools section?		
What was the answer to most of the questions asked in the chances of making a profit/risk or loss section?		

APPENDIX B

SELF EMPLOYMENT AGREEMENT for BUSINESS INCOME ENHANCED AND NON ENHANCED

Date: _____

Last Name: _____

First Name: _____

EIA Case Number: _____

Business Name: _____

Reporting Period: _____

Income records are to show the date, amount and source of income. Expense records should be dated and include the address of the seller or supplier; the name and address of the buyer and a full description of the goods and services.

ALLOWABLE EXPENSES	MAXIMUM
Accounting and legal fees Legal fees cover the costs of registering a business, establishing business trademarks, etc.	Most cost effective
Advertising The cost of advertising includes flyers, brochures and business cards	Most cost effective
Business Insurance The cost of insurance for fire, theft and liability for their business premises. If operated in the participant's home, only the difference between home and business insurance is deductible	Most cost effective
Motor vehicle expenses Only if the vehicle is required for the operation of the business and registered to the participant	At current allowable rate Used to cover business portion of gas and vehicle maintenance A log of business related trips is required or most cost effective
Equipment maintenance and repairs Must be required for the operation of	Most cost effective

the business Minor repairs and maintenance of fax machines, photocopiers etc.	
Interest charges and other financial institution charges For the business only	Most cost effective Service fees Does not include charges related to Non Sufficient Funds (NSF)
Office expenses Small office items such as pens, pencils, stamps, etc.	Most cost effective Does not include calculators, furniture etc.
Salaries	If business has paid employees Allowable after proof of remittance to Revenue Canada Agency or Province of Manitoba
Rental space to operate business	Most cost effective Must be required to perform business Actual expenses for utilities & phone if registered in the business name
GST/PST (purchases for the business)	PST, unlike GST is not rebated to the business owner and is therefore considered an allowable expense GST under Revenue Canada Agency guidelines, any purchase made for business are GST exempt. Only the amount of purchase and PST is indicated as an expense (The rebate received is exempt as income)
Licenses, required for membership in trade Does not include club memberships for personal or recreational use	Includes cost of vendor licenses, building permits and memberships in trade or commercial associations
Telephone expenses Cell phones are not included unless they are essential to the business	If operated within the primary residence, only the difference between residential and commercial costs can be deducted as a business expense If business is operated at different address, entire expense may be deducted if the phone is registered in the business name

I am aware that the above business has been approved by Employment and Income Assistance for the period:

_____ (month) _____ (day) _____ (year) to

_____ (month) _____ (day) _____ (year).

I will forward a monthly accounting to EIA in order for my budget to be calculated.

PARTICIPANT _____
(Signature)

EIA CASE
COORDINATOR/COUNSELOR _____
(Signature)

APPENDIX C

APPROVAL PROCESS FOR NEW AND EXISTING NON ENHANCED SELF EMPLOYED PARTICIPANTS

APPROVAL PROCESS NON - ENHANCED	AUTHORITY
Approval of a participant to seek self employment venture	Case Coordinator/Counselor
Establish and approve time frames by which the participant is to be self supporting - should not exceed 12 months	Case Coordinator/Counselor
Non Enhanced self employment business plan/agreement drafted	Case Coordinator/Counselor
Approved expenses discussed with participant prior to approval of business plan ("Appendix D")	Case Coordinator/Counselor
Review and monitoring of the reporting requirements with participants ("Appendix G" for Non Enhanced and "Appendix J" for Enhanced)	Case Coordinator/Counselor
Self employment business plan for participants with work expectations is to be reviewed every 4 months to ensure business is viable	Case Coordinator/Counselor
Approval of self employment business plan	EIA Program Manager/ Community Social Services Supervisor
Work expectation participant - approval to extend beyond 12 months	EIA Program Manager/ Community Social Services Supervisor
Non work expectation participant - approval to extend beyond 12 months	EIA Program Manager/ Community Social Services Supervisor
Existing business WITH equity (not eligible for enhanced self employment)	Minister's designate

EIA PROGRAM MANAGER/COMMUNITY SOCIAL SERVICES SUPERVISOR
(Signature) _____

Date _____

APPENDIX D

APPROVED BUSINESS EXPENSES

Where net business income is a minus figure, assistance shall not be granted to cover this deficit.

Whenever funds are used to sustain a small business they must be justified. For the expense to be considered reasonable it must meet the following:

1. Must be unavoidable and necessary for the operation of the business.
2. It is incurred with reasonable expectation of improving the ability to earn an increased personal income through self employment.
3. Participants are required to find the most cost-effective purchase of goods and services.
4. If an item or service is not expected to earn income or is not necessary, then it is not to be approved.

THE FOLLOWING LIST OUTLINES THE APPROVED BUSINESS EXPENSES. THESE EXPENSES ARE ALSO DESCRIBED IN THE EMPLOYMENT AGREEMENT FOR BUSINESS INCOME (“Appendix B”)

It is important to note that this policy has been developed with consideration of the Revenue Canada Agency guidelines, but not to match Revenue Canada Agency guidelines for business expenses reporting. If the item or service is not expected to earn business income or is not necessary to the business, it is not approved as an allowable business deduction.

ALLOWABLE EXPENSES	MAXIMUM
Accounting and legal fees Legal fees cover the costs of registering a business, establishing business trademarks, etc.	Most cost effective
Advertising The cost of advertising includes flyers, brochures and business cards	Most cost effective
Business Insurance The cost of insurance for fire, theft and liability for their business premises. If	Most cost effective

operated in the participant's home, only the difference between home and business insurance is deductible	
Motor vehicle expenses Only if the vehicle is required for the operation of the business and registered to the participant	At current allowable rates Used to cover business portion of gas and vehicle maintenance A log of business related trips is required or most cost effective
Equipment maintenance and repairs Must be required for the operation of the business. Minor repairs and maintenance of fax machines, photocopiers, etc.	Most cost effective
Interest Charges and other financial institution charges For the business only	Most cost effective Service fees Does not include charges related to Non Sufficient Funds (NSF)
Office expenses Small office items such as pens, pencils, stamps, etc.	Most cost effective Does not include calculators, furniture etc.
Salaries	If business has paid employees Allowable after proof of remittance to Revenue Canada or Province of Manitoba Must provide proof of payment
Rental space to operate business Only if business is operated outside of personal residence	Most cost effective Must be required to perform business Actual expenses for utilities & phone if registered in the business name
GST/PST (purchases for the business)	PST, unlike GST is not rebated to the business owner and is therefore considered an allowable expense GST under Revenue Canada Agency guidelines, any purchase made for business are GST exempt. Only the amount of purchase and PST is indicated as an expense (The rebate received is exempt as income)
Licenses - required for membership in	Includes cost of vendor licenses, building

trade Does not include club memberships for personal or recreational use	permits and memberships in trade or commercial associations.
Telephone expenses Cell phones are not included unless they are essential to the business	If operated within the primary residence, only the difference between residential and commercial costs can be deducted as a business expense If business is operated at different address, entire expense may be deducted if the phone is registered in the business name
Business Loan payment	Must be approved by the EIA Program Manager/Community Social Services Supervisor and the loan is verified as being used solely for business purposes

APPENDIX E

NON - APPROVED BUSINESS EXPENSES

NON - APPROVED BUSINESS EXPENSES	EXCEPTIONS
Rent	Only if business is operated outside of personal residence
Utilities	Only if business is operated outside of personal residence
Long Distance Travel	Only if purpose of trip is to generate income Expenses must demonstrate the income earned from traveling exceeds the expense At current allowable rates
Meals	Only if required to stay overnight when meals are required for business performed out of town At current allowable rates
Cell Phones	If it can be proved that it is essential to the operation of the business Most cost effective
Hotel Accommodation	Expenses must demonstrate the income earned from traveling exceeds the expense Only if required to conduct business away from residence up to current allowable rates
Depreciation	Depreciation on business and vehicles is not an allowable expense for the purposes of assistance

APPENDIX F

CALCULATING NET ALLOWABLE INCOME: GROSS INCOME MINUS EXPENSES/ ALLOWABLE EXPENSES

Gross Income Minus Costs – After allowable expenses are deducted from gross income, the Work Incentive provision should be applied to the remaining net income. One work incentive calculation (Option “D”) is used for all participants who report employment and self employment earnings. Farming income is included as self-employment income.

The participant is required to submit a cash disbursement record and receipts for allowable expenses in chronological order each month (Appendix G) for Non Enhanced and (Appendix J) for Enhanced along with their income declaration. Only those actual and essential costs associated with operating the business will be allowed. Once net business income is calculated, it is subject to earnings exemptions.

The ability to launch a business venture may depend upon obtaining a business loan. Business loans are exempt from consideration as a financial resource as long as the EIA Program Manager/Community Social Services Supervisor is satisfied the loan is being used solely for business purposes.

Vocational Rehabilitation (VR) Grants – VR provides grants of \$2,000 to applicants that have submitted a well developed business plan. For those VR participants who are on EIA and in receipt of this grant, this \$2,000 is exempt from consideration as a financial resource. EIA participants must however be able to substantiate this grant is being used solely for business expenses otherwise it will be considered as a resource.

APPENDIX H

WRITING A BUSINESS PLAN

A Business Plan helps you evaluate the viability of a new business idea and decide if your business will be successful. This outline provides information on what to include in a Business Plan for Employment and Income Assistance purposes.

A BASIC BUSINESS PLAN OUTLINE SHOULD INCLUDE THE FOLLOWING INFORMATION:

1. Cover Sheet:

- the business name
- address
- phone number
- brief description of the business

2. Statement of Purpose:

- overview of the key information of the business
- status of the business (new or existing)

3. Products/services:

- what products/services you will be selling
- how will the product/services be packaged
- how broad your product line will be
- whether you plan to introduce any new products in the future
- what makes your product/services unique or desirable

4. Market Analysis:

- why will customers use your services/buy your products
- who is your market i.e. who will purchase your products/use your services (geographic, demographic)
- location of area served
- competition (if any)
- size of your market
- how will you plan to reach your target market

5. Marketing plan:

- management and operations
- personnel
- application of loan & effect of loan or investment
- why will you be successful in this business
- what is your success in the business
- what is special or unique about your business
- why will your business be successful

6. Financial Information:

- projected financial statement
- income statement
- cash flow
- supporting documents (historical statements, tax returns, reference letters, purchase orders, contacts)

APPENDIX I

DEFINITIONS

SELF EMPLOYMENT: For the purposes of the Act and Regulation, (16.1.3) self employed persons are:

Self Employed/Small Business Operator: Persons of independent livelihood, such as farmers, fishers, trappers and small business operators.

- Self employed individuals do not receive wages from an employer; they pay for own expenses and taxes.

Independent Contractors: As defined by *The Employment Standards Act of Manitoba* independent contractors are persons who undertake to do certain work for another person but who are not paid employees of another person or agency. Such persons are not entitled to the minimum wage or other general provisions of the labour laws. Their work situation is characterized by its independent nature whereby the person has undertaken to produce a given result without the direction or control of an employer.

- Babysitters or childcare providers who are not registered employees of an organization or household who provide childcare in their own home; Avon distributors, real estate agents, and commissioned sales people are examples of independent contractors. For EIA purposes, such earners are to be considered self-employed.
- The independent contractor does not receive wages from an employer, pays own expenses and taxes and receives no employee benefits.

Non Self Employed:

Paid employees - An individual who serves an employer and receives wages, salary or other remuneration for services rendered. This includes child care providers/nannies who are members of another person's household staff, who are paid minimum wage and subject to Manitoba labour laws. These workers are considered employees and are thus eligible for the Rewarding Work Allowance.

Dependent Contractors - Dependent contractors are considered employees under Revenue Canada. They are however allowed some of the same deductions as an independent contractor for income tax purposes as they may be required to incur expenses in order to perform their job (i.e. hairdressing or esthetician products; salon chair rental; gas; taxi cab rental for non taxi cab owners etc.). (Appendix E). Enter as EFT or EPT on CCEM not as SE.

Sole proprietorship:

As per Revenue Canada Agency, sole proprietorship is a non incorporated business entirely owned by one person. Its liabilities are the personal liabilities of the business owner.

As the business owner the individual undertakes the risks of the business for all assets owned. It does not matter whether the assets were for personal use or part of the business. The income and expenses of the business are included on the personal tax return.

Partnership:

A business partnership exists between people who operate a common venture.

Each person contributes money, property, labour, or skills, and expects to share profits or losses of the business. A partnership can exist without a written contract.