

EI Benefits: Six questions self-employed people should ask

Being your own boss has many benefits, but access to Canada's federal Employment Insurance plan isn't among them. If you're self-employed and want to take time off to care for an ailing parent or new baby, or your own health prevents you from working, you're on your own.

That's changing. Under the EI Measure for Self-Employed People, you can now pay into EI and be eligible to claim certain benefits previously available only to salaried workers and wage-earners: maternity, parental, sickness, and compassionate-care.

You've probably seen TV commercials about this and all the other great new programs and tax cuts the government has made available to Canadians (I think this ad campaign is a government program to help the TV stations get through

Tax Talk

Scott Taylor



the recession).

Like anything else coming out of Ottawa, 30 seconds isn't nearly enough time to cover the details. If you're self-employed and thinking about opting into EI, here are some points to consider:

Are you "self-employed"?

The EI Measure for Self-Employed People defines the "self-employed" as someone who operates his own business or is an employee of a corporation but not eligible to participate in EI because he controls more than 40% of the voting shares.

What EI benefits can I receive?

There are four types of "special" EI benefits for the self-employed: maternity and parental benefits, for people who are pregnant, have recently given birth, are adopting a child, or are caring for a newborn; sickness benefits, for people who are sick, injured, or quarantined; and compassionate care benefits, for individuals who have to be away from work temporarily to care for a family member who is gravely ill with a significant risk of death. You must wait 12 months from your enrollment date before you can claim EI benefits.

How much are the premiums?

The premiums are payable on the amount of your earnings up to an

annual maximum (\$43,200 in self-employment earnings 2010), based on your income tax return for the year you register. The 2010 EI premium rate for self-employed people is \$1.73 per \$100 of earnings, which is the same rate that employees pay. This means the maximum EI premium you can pay for the 2010 calendar year is \$747.36.

EI premiums are payable on your self-employment income for the entire year, regardless of the date you register. Whether you register in April or December, you'll pay EI premiums on your self-employment income for the entire year.

If you're a shareholder of a corporation and have registered for the program, your EI premiums will be based on the amount of your T4 slip.

How do I sign up?

Register with the Canada Employment Insurance Commission (the Commission) through Service Canada's online 'My Service' account. You must have earned \$6,000 in self-employment income during 2010 to be eligible to file claims in 2011.

After you enroll, you have 60 days to reconsider and opt out without having to pay any premiums. Once the 60-day grace period has elapsed, your participation lasts indefinitely, unless you terminate it.

How do I opt out?

EI is voluntary for the self-employed, and you can terminate your participation at any time provided you have never received EI benefits as a self-employed person. Your participation will end on Dec. 31 of the year in which you file the notice of termination with Service Canada.

That means regardless of the date you file the notice of termination, you must pay EI premiums on your self-employment income for the entire calendar year. If you end your agreement on Apr. 20, 2011, you must continue to pay EI premiums until Dec. 31, 2011. Your access to EI special benefits will continue until the end of the year in which you terminate your agreement.

Again, you can only terminate your agreement if you have never claimed EI special benefits during your period of self-employment. If you have received benefits, you cannot terminate your agreement. In other words, after you receive EI special benefits, you have to continue to pay EI premiums on your self-employment income for the duration of your self-employment career, regardless of any change in the nature of your employment.

What if I'm out of work?

Remember, this program extends maternity, parental, sickness, and compassionate-care benefits to the self-employed. There's no compensation if you lose your job. Take time to learn the details at www.servicecanada.gc.ca. □

— Scott Taylor is vice-president of TFS Group, a Waterloo, Ont., company that provides accounting, fuel tax reporting, and other business services for truck fleets and owner/operators. For information, visit www.tfsgroup.com or call 800-461-5970.