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# Fishers and Employment Insurance

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In this publication, we use the name "Canada Revenue Agency" and the acronym "CRA" to represent the Canada Customs and Revenue Agency. This reflects recent changes in the structure of the Agency.

# Introduction

This publication will help you determine if you are an individual or a corporation considered as a designated employer of fishers under the *Employment Insurance (Fishing) Regulations*. It explains your responsibilities as a designated employer, and how to calculate the insurable earnings of a fisher.

## Note

This publication is not for you if you are an employer in the fishing industry who hires workers as employees under contracts of service. Instead, use the publication called *Payroll Deductions (Basic Information)* (T4001) and the *Payroll Deductions Tables* (T4032).

## Related publications:

- *Payroll Deductions (Basic Information)* (T4001)
- *Remitting Payroll Deductions* (RC4163)
- *Filing the T4F Slip and Summary Form* (RC4200)
- *Employee or Self-Employed?* (RC4110)
- *Filing the T4 Slip and Summary Form* (RC4120)
- *Payroll Deductions Tables* (T4032)

# Glossary

Here are the definitions of words and expressions we use in this publication.

**Buyer** – A person who buys a catch to resell it raw or after processing it. A buyer does not buy a catch for food, feed, or bait.

**Catch** – Any natural product or by-product of the sea, or any other body of water, that a crew catches or takes. A catch includes fresh fish, cured fish, Irish moss, kelp, and whales. However, it does not include fish scales or seals.

If only part of a catch is delivered to a buyer, the part delivered is the catch. If more than one catch or part of a catch is delivered to a buyer at one time, the catches or parts delivered are the catch.

**Crew** – A group of fishers who generally or actually make a catch together. For a single fisher, it means that single fisher.

**Cured fish** – Fish and fish products identified as follows:

- salted groundfish, smoked and pickled herring, pickled mackerel, pickled turbot, pickled and salted alewives, pickled trout, and other pickled fish products; and
- cod oil and cod livers.

**Fisher** – A self-employed person who fishes. This means a person who does the following:

- makes a catch;
- builds a fishing vessel for personal use or for the use of a crew of which the person is a member in making a catch; or
- works to make or handle a catch. This includes loading, unloading, transporting, or curing a catch made by the crew of which the person is a member. It also includes preparing, repairing, dismantling, or laying up the fishing vessel or fishing gear the crew uses to make or handle a catch, when the person doing this work is also making the catch.

A fisher does not include a person under a contract of service or who fishes for personal or another person's sport.

**Fishing gear** – Any specialized equipment that a crew uses only to make a catch. It does not include hand tools or clothing.

**Fresh fish** – Fish that is not cured fish.

## Are You a Designated Employer?

Here are the various situations when a person can be considered the designated employer of a fisher.

### Buyer of a catch

When a member of a crew that makes a catch delivers it in Canada to a buyer or a buyer's agent, the buyer is considered the employer of the crew's fishers who share the proceeds from selling the catch.

### Head fisher of a crew

When a member of a crew that makes a catch delivers it to a person who is not the employer, and the gross returns from the catch's sale are paid to the crew's head fisher, the head fisher is considered the employer of all the other fishers in the crew.

### Agent who sells a crew's catch

When a crew member delivers a crew's catch to a person who is not the employer, and the gross returns from the sale of the catch are paid to the agent who sells the catch, the agent is considered the employer of all the fishers in the crew, whether or not the agent is a member of the crew.

### Common agent

A common agent acts at the same time for the crew and a buyer. The common agent may or may not be a crew member. In either case, the agent is considered the employer of all the other fishers in the crew. The common agent has to pay employer Employment Insurance (EI) premiums, but can recover them from the buyers.

## Responsibilities of Designated Employers

In this section we give you information about your responsibilities as the designated employer.

### Books and records

You have to keep books and records to determine the following:

- the earnings of your fishers;
- the EI premiums you have to pay; and
- the dates on which the EI premiums are payable.

The records should include the following:

- the name, address, and social insurance number of each crew member and the member's share of proceeds from the sale of a catch;
- the amount and date of each fisher's insurable earnings for the period; and
- the amount and date the EI premiums are payable.

Your records must accurately reflect all transactions and contain documentation to substantiate your claims. Do not send your records with your T4F return. However, you have to keep the records in case we need to verify them. If we determine that your books, records, accounts, and documents are inadequate, we may estimate the insurable earnings and premiums payable by calculating 5% of the estimated earnings.

#### Note

If you are a designated employer, you have to keep your books, records, accounts, and documents for your fishers separate from those of other insured persons.

## How long do you have to keep your books and records?

You have to keep your books and records for six years. However, if you want to destroy them before the six-year period is over, you have to get permission from the director of any tax services office. To do this, either use Form T137, *Request for Destruction of Books and Records*, or prepare your own written request. For more details, see Information Circular 78-10, *Books and Records Retention/Destruction*.

## Information return

To file the T4F information return, you have to complete T4F slips and the related summary form. You have to file an information return if:

- you are a designated employer and make EI premiums deductions for a self-employed fisher; or
- a fisher gives you a completed Form TD3F, *Fisher's Election to Have Tax Deducted at Source*, in a calendar year.

You have to file the T4F information return and give to each of your fishers and crew members their copies of the T4F slips, **each year by the last day of February following the calendar year to which the information return applies**. For more information on how to complete these forms, see the publication called *Filing the T4F Slip and Summary Form* (RC4200).

#### Note

**For the 2004 and 2005 tax years**, you can report the fisher's income on either a **T4F slip** or a **T4 slip**. Effective for the 2006 taxation year, the reporting of fisher's income on a **T4 slip will become mandatory**. For more information see the publication called *Filing the T4 Slip and Summary Form* (RC4120).

## Is the Fisher a Self-Employed Person?

A fisher, defined under the *Employment Insurance (Fishing) Regulations*, must be a self-employed person.

To be a self-employed person, a fisher:

- participates in making a catch;
- is not fishing for personal or another person's sport; and
- meets at least one of the following conditions:
  - owns or leases the boat used to make the catch;
  - owns or leases specialized fishing gear (not including hand tools or clothing) used to make the catch;
  - holds a Species Licence, issued by the Department of Fisheries and Oceans Canada, necessary to make the catch; or
  - has a right of ownership to all or part of the proceeds from the sale of the catch and is responsible for all or part of the expenses incurred to make the catch. This means the fisher is required to pay a predetermined amount or percentage of the expenses incurred by the crew to make the catch, regardless of the value of the catch. Such expenses can include the cost of fuel used to make the catch.

If a fisher does not meet any of the above conditions but believes that he or she is a self-employed person, he or she should contact the CPP/EI Rulings Section of any tax services office for a determination. It is important to determine a person's employment status as it could affect the processing of the person's file under the *Canada Pension Plan* and the *Income Tax Act*.

For more information about the employment status of workers engaged in fishing, see "Workers engaged in fishing-Employees or self-employed" on our Web site at [www.cra.gc.ca/fishers](http://www.cra.gc.ca/fishers). You can also see the publication called *Employee or Self-Employed?* (RC4110)

# Earnings of a Fisher

The earnings of a fisher are the amount paid or payable to the fisher from the proceeds of a catch. These earnings do not include amounts paid for a catch or part of a catch made by other persons who were not members of the crew.

## Determining the earnings of a fisher

Determining the earnings of a fisher depends on the circumstances of the particular fisher. To help illustrate the calculation of earnings, we have categorized the fishers as one of two types, either “1” or “2”. (This labelling is done for the purposes of this publication only in order to better explain the calculation process).

- Type 1: those that own or lease the boat or specialized fishing gear used to make a catch, or hire other persons to fish under a contract of service; and
- Type 2: those that are not part of “type 1”.

### Determining the earnings of a “type 1” fisher:

Calculate separately the earnings of a fisher who is a member of the crew and meets one of the following two conditions:

- owns or leases the boat or specialized fishing gear used to make a catch; or
- employs under a contract of service other persons to make a catch.

If a fisher meets either of the above two conditions, do not include the value of any part of a catch the crew did not make. The head fisher or an agent (if the agent is the employer) establishes this value.

From the **gross value** of a catch, deduct the following amounts:

- 25% of the **gross value** of a catch;
- the amounts paid or payable to other members of the crew according to the share arrangement; and
- the total amount of wages paid to others employed, as employees, to make a catch.

### Determining the earnings of a “type 2” fisher:

Calculate the earnings of a “type 2” fisher as follows:

- determine the amount paid or payable to the fisher from the proceeds of a catch based on the sharing arrangement agreed to prior to embarking on the fishing trip; and
- do not include any amount paid for a catch or any part of a catch made by other persons who were not members of the fisher’s crew.

### Note

A single fisher may have borrowed a boat and specialized fishing gear without compensation and have no employees. In this case, do not deduct 25% of the catch's gross value—the fisher would be considered a type “2” fisher. You should ask for the details of ownership or leasing from the person who makes the delivery.

## Determining the date of remuneration

If you are the employer and the **head fisher** or the **agent** of a crew, we consider that you paid remuneration on the last day of the week in which you received the proceeds from the sale of the catch.

If you are the employer and the **buyer** who settles accounts with a fisher at intervals of more than seven days, we consider that you paid remuneration on the day the account is settled.

If the employer is **any other person**, we consider remuneration to have been paid on the last day of the week in which the catch is delivered.

## Insurable Earnings

**E**ach employer has to deduct Employment Insurance (EI) premiums on the first \$39,000 of insurable earnings in each calendar year.

There is no **minimum** amount of insurable earnings. EI premium deductions start with the first dollar of insurable earnings until premiums have been deducted on \$39,000 in that calendar year. At that point, insurable earnings continue to accrue without any additional premium deductions by the employer.

For information on how to deduct and remit EI premiums, see the publications called *Payroll Deductions (Basic Information)* (T4001) and *Remitting Payroll Deductions* (RC4163). The publication called *Payroll Deductions Tables* (T4032) contains information on how to calculate the amounts you have to deduct from the remuneration of your employees.

### Note

We consider each employer separately. In other words, the first \$39,000 of insurable earnings applies to **each employer**. If an employee leaves one employer during the year to start work with another one, the new employer also has to deduct EI premiums without considering what the previous employer paid.

## Examples

We have included examples to explain the various types of earnings of a fisher and how to calculate insurable earnings. For information on calculating EI premiums, see the publication called *Payroll Deductions (Basic Information)* (T4001).

### Note

We use the 2004 EI premium rates (1.98%) in these examples.

#### Example 1

Catch: Fresh lobster	Gross value: \$1,200.00
Date caught: June 13	Date delivered: June 13
Crew: A – Owner and sole fisher	Sharing arrangement: A – 100%

		Insurable earnings
<b>Determining the earnings</b>		
Gross value of catch	\$1,200.00	
Deduct 25% (prescribed amount)	<u>– 300.00</u>	
		\$900.00
<b>EI premiums to be deducted on</b>		\$900.00
<b>Record of employment will show</b>		\$900.00
<b>The T4F slip will show</b>		
	<b>Gross earnings</b>	<b>EI insurable earnings</b>
	\$1,200.00	\$900.00
		<b>EI premiums</b>
		\$17.82

#### Example 2

Catch: Fresh clams	Gross value: \$100.00
Date caught: June 13	Date delivered: June 13
Crew: A – Sole fisher – no boat required	Sharing arrangement: A – 100%

		Insurable earnings
<b>Determining the earnings</b>		
Gross value of catch		\$100.00
<b>EI premiums to be deducted on</b>		\$100.00
<b>Record of employment (ROE) will show</b>		\$100.00
<b>The T4F slip will show</b>		
	<b>Gross earnings</b>	<b>EI insurable earnings</b>
	\$100.00	\$100.00
		<b>EI premiums</b>
		\$1.98

### Example 3

Catch: Fresh herring	Gross value: \$1,000.00	
Date caught: June 13	Date delivered: June 13	
Crew: A – Owner	Sharing arrangement:	A – 60%
B – Shareperson		B – 20%
C – Shareperson		C – 20%

#### Determining the earnings of A

#### Insurable earnings

Gross value of catch		\$1,000.00	
Deduct:			
-25% (prescribed amount)	\$250.00		
-Amount paid to B and C (\$200.00 each)	<u>400.00</u>	<u>- 650.00</u>	
			\$350.00

#### Determining the earnings of B and C

B has 20% of the gross value of the catch (\$1,000.00 × 20%)	\$200.00
C has 20% of the gross value of the catch (\$1,000.00 × 20%)	\$200.00

#### EI premiums to be deducted on

A	\$350.00
B	\$200.00
C	\$200.00

#### Record of employment (ROE) will show

A	\$350.00
B	\$200.00
C	\$200.00

#### The T4F slip will show

	Gross earnings	EI insurable earnings	EI premiums
A – Owner	\$1,000.00	\$350.00	\$6.93
B – Shareperson	\$ 200.00	\$200.00	\$3.96
C – Shareperson	\$ 200.00	\$200.00	\$3.96

### Example 4

Catch: Fresh mackerel	Gross value: \$1,000.00
Date caught: June 13	Date delivered: June 13
Crew: A – Owner of boat	Sharing arrangement: A – 65%
B – Owner of gear	B – 35%

**Determining the earnings**

**Insurable earnings**

Gross value of catch	\$1,000.00	
Deduct 25% (prescribed amount)	<u>– 250.00</u>	
		\$750.00
Divide proportionately		
A – 65% (\$750.00 × 65%)		\$487.50
B – 35% (\$750.00 × 35%)		\$262.50

**EI premiums to be deducted on**

A – 65%	\$487.50
B – 35%	\$262.50

**Record of employment (ROE) will show**

A – 65%	\$487.50
B – 35%	\$262.50

**The T4F slip will show**

	Gross earnings	EI insurable earnings	EI premiums
A – Co-owner	\$1,000.00	\$487.50	\$9.65
B – Co-owner	\$1,000.00	\$262.50	\$ 5.20

### Example 5

Catch: Fresh crab Date caught: June 13 Crew: A – Co-owner 60% of partnership B – Co-owner 40% of partnership C – Shareperson D – Shareperson	Gross value: \$1,000.00 Date delivered: June 13 Sharing arrangement: Co-owners – 15% off the top for boat From the balance: A – 45% B – 25% C – 15% D – 15%
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#### Insurable earnings

#### Determining the earnings of C and D

Gross value of catch	\$1,000.00	
Less 15% off the top for boat	<u>– 150.00</u>	
		\$850.00
C – 15% (\$850.00 × 15%)		\$127.50
D – 15% (\$850.00 × 15%)		\$127.50

#### Determining the net partnership amount of A and B

Gross value of catch		\$1,000.00
Deduct:		
-25% (prescribed amount)	250.00	
-Amounts paid to C and D	<u>255.00</u>	<u>– 505.00</u>
		\$495.00
Co-owner A (\$495.00 × 60%)*		\$297.00
Co-owner B (\$495.00 × 40%)		\$198.00

(\*Ignore 15% as boat share, as this is income of the co-owners.)

#### EI premiums to be deducted on

A – Co-owner		\$297.00
B – Co-owner		\$198.00
C – Shareperson		\$127.50
D – Shareperson		\$127.50

#### Record of employment (ROE) will show

A – Co-owner		\$297.00
B – Co-owner		\$198.00
C – Shareperson		\$127.50
D – Shareperson		\$127.50

The T4F slip will show	Gross earnings	EI insurable earnings	EI premiums
A – Co-owner	\$1,000.00	\$297.00	\$5.88
B – Co-owner	\$1,000.00	\$198.00	\$3.92
C – Shareperson	\$ 127.50	\$127.50	\$2.52
D – Shareperson	\$ 127.50	\$127.50	\$2.52