Canada Revenue Agency
Agence du revenu du Canada

Fishers and Employment Insurance

T4005(E) Rev. 07

Canada

Do you need more information?

If you need more help after you read this publication, visit our Web site at **www.cra.gc.ca** or call **1-800-959-5525**.

You can get forms and publications from our Web site at **www.cra.gc.ca/forms** or by calling **1-800-959-2221**.

Teletypewriter users

If you use a teletypewriter (TTY), you can call our bilingual enquiry service at **1-800-665-0354**.

Our Web site

To get the most updated information and products, visit **www.cra.gc.ca/fishers**.

Your opinion counts!

If you have any comments or suggestions that would help us improve the information contained in this publication, we would like to hear from you.

Please send your comments to:

Taxpayer Services Directorate
Canada Revenue Agency
750 Heron Road
Ottawa ON K1A 0L5

If you have a visual impairment, you can get our publications in Braille, large print, or etext (CD or diskette), or on audio cassette or MP3. For details, visit our Web site at **www.cra.gc.ca/alternate** or by calling **1-800-959-2221**.

La version française de cette publication est intitulée *Les pêcheurs et l'assurance-emploi.*

Table of contents

Cover Photo Credit: Fisheries and Oceans Canada

Before you start

This publication will help you determine if you are 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, see the T4001, *Employers' Guide – Payroll Deductions and Remittances*, and the T4032, *Payroll Deductions Tables.*

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 to use it 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 individual 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 in an employee/employer relationship 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

Generally, the buyer of the catch is considered to be the employer of all the self-employed fishers who make the catch. In order for the buyer to be considered the designated employer, these two conditions must be met:

- the catch must be bought for resale and not for the buyer's own use as bait, feed, or food; and
- the catch must have been delivered in Canada to either the buyer or an agent of the buyer.

If the buyer does not operate under these conditions, for example, the delivery is made to a U.S. buyer in the United States, read the following to find out who is the designated employer.

Head fisher of a crew

The head fisher is considered to be the designated employer under the following conditions:

- the buyer of the catch is not the designated employer; and
- the gross returns of the catch are paid to the head fisher.

The head fisher will be the designated employer to all fishers who are members of the crew, but not himself.

Agent

An agent can be acting either for the buyer or for the crew, and can be a member of the crew. An agent is considered to be the designated employer under the following conditions:

- the buyer of the catch is not considered to be the employer and the catch is delivered by a member of the crew;
- the gross returns from the sale of the catch are not paid to the head fisher; and
- the gross returns of the catch are paid to the agent.

An agent who is a member of the crew, will be the designated employer to all the other fishers who are members of the crew, but not to himself. In this case, the buyer would be considered the agent's employer.

Common agent

A common agent acts for both the buyer and the crew at the same time. This person can be a member of the crew.

The common agent is considered to be the designated employer. An agent who is a member of the crew, will be considered the designated employer of all the other fishers excluding himself. An agent who is not a member of the crew is considered to be the designated employer of all the fishers who are members of the crew.

A common agent who has been designated as an employer has the right to recover from the buyer the employer's portion of EI premiums paid.

Responsibilities of designated employers

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

Keeping records

You have to keep records to determine the following:

- the earnings of the 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 T4 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 the fishers separate from those of other insured persons.

How long do you have to keep your records?

You have to keep your 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 information, see **www.cra.gc.ca/records** or Guide RC4409, *Keeping Records*.

Information return

To file the T4 information return, you have to complete T4 slips **and** the related T4 summary. 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 T4 information return and give to each of the fishers and crew members their copies of the T4 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 T4 slips, see the RC4120, *Employers' Guide – Filing the T4 Slip and Summary*.

Is the fisher a self-employed individual?

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

To be a self-employed individual, 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 under the authority of 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.

A fisher who does not meet any of the above conditions but believes that he or she is a self-employed individual should consult the CPP/EI Rulings Section by contacting any tax services office. 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*, *Employment Insurance Act*, 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" at **www.cra.gc.ca/fishers** or Guide RC4110, *Employee or Self-Employed*?

Earnings of a fisher

The earnings of a fisher are the amounts 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

Each employer has to deduct Employment Insurance (EI) premiums on the first $40,000 of insurable earnings for 2007.

There is no **minimum** amount of insurable earnings. EI premium deductions start with the first dollar of insurable earnings until premiums have been deducted from $40,000 for 2007. 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 T4001, *Employers' Guide – Payroll Deductions and Remittances*. Guide T4032, *Payroll Deductions Tables,* contains information on how to calculate the amounts you have to deduct from the remuneration of your employees.

Notes
We consider each employer separately. In other words, the first $40,000 (for 2007) 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.

Earnings of a fisher may be subject to employee and employer Provincial Parental Insurance Plan (PPIP) premiums in Quebec. For information see, *Guide for Employers – Source deductions and contributions*, which you can get from Revenu Quebec.

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 T4001, *Employers' Guide – Payroll Deductions and Remittances.*

Note
We use the 2007 EI premium rates (1.80%) in these examples.

Example 1

Catch: Fresh lobster
Date caught: June 13
Crew: A – Owner and sole fisher

Gross value: $1,200.00
Date delivered: June 13
Sharing arrangement: A – 100%

Determining the earnings			**Insurable earnings**
Gross value of catch		$1,200.00	
Deduct 25% (prescribed amount)		– 300.00	
			$900.00
EI premiums to be deducted on			$900.00
Record of employment will show			$900.00
The T4 slip will show	**Gross earnings**	**EI insurable earnings**	**EI premiums**
	$1,200.00	$900.00	$16.20

Example 2

Catch: Fresh clams
Date caught: June 13
Crew: A – Sole fisher – no boat required

Gross value: $100.00
Date delivered: June 13
Sharing arrangement: A – 100%

Determining the earnings			**Insurable earnings**
Gross value of catch			$100.00
EI premiums to be deducted on			$100.00
Record of employment (ROE) will show			$100.00
The T4 slip will show	**Gross earnings**	**EI insurable earnings**	**EI premiums**
	$100.00	$100.00	$1.80

Example 3

Catch: Fresh herring	Gross value: $1,000.00
Date caught: June 13	Date delivered: June 13
Crew: A – Owner B – Shareperson C – Shareperson	Sharing arrangement: A – 60% B – 20% 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)	400.00	– 650.00	
			$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 T4 slip will show	**Gross earnings**	**EI insurable earnings**	**EI premiums**
A – Owner	$1,000.00	$350.00	$6.30
B – Shareperson	$ 200.00	$200.00	$3.60
C – Shareperson	$ 200.00	$200.00	$3.60

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)	– 250.00	
		$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 T4 slip will show	**Gross earnings**	**EI insurable earnings**	**EI premiums**
A – Co-owner	$1,000.00	$487.50	$8.78
B – Co-owner	$1,000.00	$262.50	$4.73

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%

Determining the earnings of C and D		Insurable earnings
Gross value of catch	$1,000.00	
Less 15% off the top for boat	– 150.00	
		$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	255.00	– 505.00
		$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 T4 slip will show	**Gross earnings**	**EI insurable earnings**	**EI premiums**
A – Co-owner	$1,000.00	$297.00	$5.35
B – Co-owner	$1,000.00	$198.00	$3.56
C – Shareperson	$ 127.50	$127.50	$2.30
D – Shareperson	$ 127.50	$127.50	$2.30