Canada Revenue Agency | Agence du revenu du Canada

Fishers and Employment Insurance

T4005(E) Rev. 08

Canada

Is this guide for you?

If you are a designated employer of fishers under the *Employment Insurance (Fishing) Regulations*, you need this guide to explain your responsibilities and to show you how to calculate the insurable earnings of a fisher.

There are 4 types of designated employers:

- the buyer
- the head fisher
- the agent; and
- the common agent.

For more information on each type of designated employer, see page 5 of this guide.

If you hire workers as employees in the fishing industry, you do not need this guide. Instead, see guides T4001, *Employer's Guide – Payroll Deductions and Remittances*, and T4032, *Payroll Deductions Tables*.

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

Cover Photo Credit: Fisheries and Oceans Canada

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

Table of contents

Definitions

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 single fisher or a group of fishers who make a catch together.

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.

Designated employer – A person who is considered to be the employer of self-employed fishers. For more information, see page 5 of this guide.

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 who works as an employee or who fishes for sport. For more information, see page 6.

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?

You are a designated employer if any of the following conditions applies to you.

Buyer of a catch

You are the designated employer of all the self-employed fishers who make the catch if you buy the catch and:

- it is bought for resale and not for your own use as bait, feed, or food; and
- it is delivered in Canada to either you or your agent.

If you do not operate under these conditions, for example, the delivery is made to an American buyer in the United States, you are not the designated employer.

Head fisher of a crew

You are the designated employer if you are the head fisher of a crew and:

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

You are the designated employer to all fishers who are members of the crew, but not yourself.

Agent

You are the designated employer if you are an agent acting either for the buyer or for the crew and:

- the buyer of the catch is not the designated employer;
- the catch is delivered by a member of the crew; and
- the gross returns from the sale of the catch are paid to you.

If you are a member of the crew, you are the designated employer of all the other fishers who are members of the crew, but not yourself. In this case, the buyer is considered to be your employer.

Common agent

You are a common agent if you act for both the buyer and the crew at the same time. You can be a member of the crew. You are the designated employer of all the other fishers who are members of the crew, but not yourself.

What is a self-employed fisher?

To be a fisher as defined under the *Employment Insurance (Fishing) Regulations*, an individual has to be a self-employed person and also has to:

- participate in making a catch;
- not be fishing for personal or another person's sport; and
- meet at least one of the following conditions:
  - own or lease the boat used to make the catch;
  - own or lease specialized fishing gear (not including hand tools or clothing) used to make the catch;
  - hold a Species Licence, issued under the authority of the Department of Fisheries and Oceans Canada, necessary to make the catch; or
  - have a right of ownership to all or part of the proceeds from the sale of the catch and be responsible for all or part of the expenses incurred to make the catch. This means the worker 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 worker in the fishing industry does not meet any of the above conditions but you believe that he or she is a self-employed individual, you can write to the CPP/EI Rulings Section of your tax services office. To find the address, visit **www.cra.gc.ca/tso** or call **1-800-959-5525**. It is important to determine a person's employment status as it affects your responsibilities and 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, see Guide RC4110, *Employee or Self-Employed*?

What are your responsibilities as a designated employer?

If you are a designated employer of self-employed fishers, you are responsible for:

- calculating the insurable earnings of each fisher;
- deducting EI premiums from each fisher and paying the EI premiums, including the employer portion, to the CRA;
- filing a T4 information return; and
- keeping records.

Calculating the insurable earnings of a fisher

The insurable earnings of a fisher are the amounts paid or payable to the fisher from the sale 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.

Calculating the insurable 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 guide only to help explain the calculation process).

"Type 1" fisher – a member of the crew who either:

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

"Type 2" fisher – any self-employed fisher who is not considered "type 1." This includes a single fisher who **borrows** a boat and specialized fishing gear and has no employees. In this situation, you should ask for the details of ownership or leasing from the person who makes the delivery.

Calculations

To calculate the insurable earnings of a **"type 1" fisher**, start with the **gross value** of a catch, not including the value of any part of a catch the crew did not make. Then subtract:

- 25% of the **gross value** of the 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.

The remaining amount is the insurable earnings of the "type 1" fisher.

To calculate the insurable earnings of a **"type 2" fisher**, use 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. 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.

Deducting and paying EI premiums

When you pay self-employed fishers, you have to deduct EI premiums from the first $41,100 of insurable earnings for 2008. There is no minimum amount of insurable earnings. You start deducting EI premiums on the first dollar of insurable earnings, and you only stop when you have deducted the maximum of $711.03 for 2008. At that point, the worker can continue to earn income without having any additional EI premiums deducted by the employer.

You have to send the premiums you deduct, plus the employer portion, to the CRA on a regular basis. The due date of your payment depends on the date we consider you to have paid your employee or employees.

- If you are the employer and the **head fisher** or the **agent** of a crew, we consider that you paid your employee(s) 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 your employee(s) on the day the account is settled.
- If you are the employer and the **common agent**, we consider that you paid your employee(s) on the last day of the week in which the catch is delivered.

For information on how to deduct and remit EI premiums, see Guide T4001, *Employers' Guide – Payroll Deductions and Remittances*. For information on how to calculate the amounts you have to deduct from the remuneration of your employees, see Guide T4032, *Payroll Deductions Tables*.

> **Note**
> If an employee leaves one employer during the year to work for you, or if an employee has another job, you still have to deduct EI premiums on the first $41,100 (for 2008). In other words, you cannot use the EI premiums deducted by any other employer when you calculate the premiums of your employees.

Earnings of a fisher may be subject to employee and employer Provincial Parental Insurance Plan (PPIP) premiums in Quebec. For information see the publication TP-1015.G-V, *Guide for Employers – Source Deductions and Contributions*, which you can get from Revenu Quebec.

Filing a T4 information return

A T4 information return includes T4 slips **and** the related T4 summary. You have to file an information return if:

- you are a designated employer and make EI premium 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 each of the fishers and crew members 2 copies of their 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 Guide RC4120, *Employers' Guide – Filing the T4 Slip and Summary*.

Keeping records

You have to keep records to support the following:

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

Your records should include:

- 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 have to accurately reflect all transactions and contain receipts and other documents to substantiate your claims. Do not send your records with your T4 return, but keep them in case we ask to see them. If we determine that your records do not support the insurable earnings you report, we may estimate the insurable earnings. Your premiums payable will be calculated as 5% of our estimate.

> **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.

You have to keep your records for six years. If you want to destroy them before the six-year period is over, you have to get permission from the director of a 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, visit our Web site at **www.cra.gc.ca/records** or see Guide RC4409, *Keeping Records*.

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

Note
We use the 2008 EI premium rates (1.73%) in these examples.

Example 1

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

Gross value: $1,200
Date delivered: June 13
Sharing arrangement: A – 100%

Determining the earnings			**Insurable earnings**
Gross value of catch		$1,200	
Deduct 25% (prescribed amount)		– 300	
			$900
EI premiums to be deducted on			$900
Record of employment will show			$900
The T4 slip will show	**Gross earnings**	**EI insurable earnings**	**EI premiums**
	$1,200	$900	$15.57

Example 2

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

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

Determining the earnings			**Insurable earnings**
Gross value of catch			$100
EI premiums to be deducted on			$100
Record of employment will show			$100
The T4 slip will show	**Gross earnings**	**EI insurable earnings**	**EI premiums**
	$100	$100	$1.73

Example 3

Catch: Fresh herring		Gross value: $1,000	
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	
Deduct:			
– 25% (prescribed amount)	$250		
– Amount paid to B and C ($200 each)	400	– 650	
			$350

Determining the earnings of B and C

B has 20% of the gross value of the catch ($1,000 × 20%)	$200
C has 20% of the gross value of the catch ($1,000 × 20%)	$200

EI premiums to be deducted on

A	$350
B	$200
C	$200

Record of employment will show

A	$350
B	$200
C	$200

The T4 slip will show	**Gross earnings**	**EI insurable earnings**	**EI premiums**
A – Owner	$1,000	$350	$6.06
B – Shareperson	$ 200	$200	$3.46
C – Shareperson	$ 200	$200	$3.46

Example 4

Catch: Fresh mackerel	Gross value: $1,000
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	
Deduct 25% (prescribed amount)	– 250	
		$750.00
Divide proportionately		
A – 65% ($750 × 65%)		$487.50
B – 35% ($750 × 35%)		$262.50
EI premiums to be deducted on		
A – 65%		$487.50
B – 35%		$262.50
Record of employment 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	$487.50	$8.43
B – Co-owner	$1,000	$262.50	$4.54

Example 5

Catch: Fresh crab	Gross value: $1,000
Date caught: June 13	Date delivered: June 13
Crew: A – Co-owner 60% of partnership	Sharing arrangement:
B – Co-owner 40% of partnership	Co-owners – 15% off the top for boat
C – Shareperson	From the balance: A – 45%
D – Shareperson	B – 25%
	C – 15%
	D – 15%

Determining the earnings of C and D		**Insurable earnings**
Gross value of catch	$1,000	
Less 15% off the top for boat	– 150	
		$850.00
C – 15% ($850 × 15%)		$127.50
D – 15% ($850 × 15%)		$127.50

Determining the net partnership amount of A and B

Gross value of catch		$1,000.00
Deduct:		
– 25% (prescribed amount)	250	
– Amounts paid to C and D	255	– 505.00
		$495.00
Co-owner A ($495 × 60%)*		$297.00
Co-owner B ($495 × 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 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	$5.14
B – Co-owner	$1,000.00	$198.00	$3.43
C – Shareperson	$ 127.50	$127.50	$2.21
D – Shareperson	$ 127.50	$127.50	$2.21

For more information

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

To get any forms and publications you may need, visit **www.cra.gc.ca/forms** or call **1-800-959-2221**.

Teletypewriter users

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

Electronic mailing lists

We can notify you immediately about new information on payroll, electronic filing for businesses and more. To subscribe, free of charge, see **www.cra.gc.ca/lists**.

Our Web site

To get the most up-to-date information and products, visit our Web site at **www.cra.gc.ca/fishers**.

Your opinion counts

If you have any comments or suggestions that could help us improve our publications, 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