







Are you operating a personal services business?

If you have incorporated your business to provide services to one other company, you might be considered to be operating a personal services business (PSB). Generally, a PSB exists when the individual performing the work would be considered to be an employee of the hiring company if it were not for the existence of the corporation.

What you need to know about PSBs

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|  A PSB is responsible for: <ul style="list-style-type: none">✓ filing a Corporation Income Tax Return✓ issuing T4 slip(s) to its employee(s)✓ filing GST/HST returns |  A PSB is subject to: <ul style="list-style-type: none">✓ the full federal and provincial corporate tax rates✓ an additional 5% tax on PSB income |
|  The incorporated employee of the PSB is required to: <ul style="list-style-type: none">✓ file an Individual Income Tax and Benefit Return |  A PSB is not eligible to: <ul style="list-style-type: none">x claim the small business deductionx claim the general tax rate deductionx deduct all expenses |

The PSB pilot: Helping you understand your obligations

In 2022, the Canada Revenue Agency launched a pilot to analyze the business practices of PSBs and help them better understand their tax obligations.

- 1 Phase 1 (June to December 2022):** Identifying hiring businesses and industries through a voluntary review of their records (clients of PSBs).
- 2 Phase 2 (October 2023 to Fall 2024):** Identifying potential PSBs through educational outreach to learn more about how and why they operate using this business model and educate them on their filing obligations.

The results of both phases will help determine future educational and engagement activities.

Not sure if you are a PSB? Find out more:

canada.ca/personal-services-business

Learn more about the pilot:

canada.ca/personal-services-business-pilot