



Personal services businesses



Did you incorporate to provide services to another business?

Your corporation may be a personal services business (PSB). Tax obligations of PSBs differ from other corporations.



Your corporation likely operates a PSB if:

- You, or a person related to you, is a specified shareholder of the corporation.
- Your corporation provides services to another business (i.e. hiring company, client, other entity).
- You would be considered an employee of the business you provide services to if your corporation did not exist.
- Your corporation employs five or fewer full-time employees throughout the year.
- Payments your corporation receives are not from an associated corporation.

Tax obligations of PSBs

A PSB must:

- file a T2 Corporation Income Tax Return
- issue T4 slips to its employees
- file GST/HST returns if applicable

A PSB cannot:

- claim the small business deduction
- claim the general tax rate reduction
- deduct the same expenses as other corporations

A PSB must pay:

- the full federal and provincial corporate tax rates
- an additional 5% tax on PSB income

The Canada Revenue Agency is reviewing PSBs, particularly those in the trucking industry, to identify non-compliance. **PSBs that do not meet their tax obligations can face reassessments and penalties.**

To help accurately report income, PSBs should receive a T4A slip from their hiring business by the end of February that reports the amounts paid to them in the previous calendar year.

Learn more about PSBs: canada.ca/personal-services-business