

# Do You Know the Difference between Gig Workers & Self-Employed Persons?



More than 1 in 3 (37%) Canadian businesses utilize persons who perform some kind of gig work on a non-employment, independent contractor basis. But while it's easy to lump these independent contractors together as "[gig workers](#)," some of these people may actually be "self-employed." If your company is making these kinds of gig arrangements, you need to be able to differentiate between a gig worker and a self-employed to ensure you classify them accurately for tax, payroll and employment standards purposes.

## **The 4 Differences between Gig Workers & Self-Employed Persons**

There are 4 significant differences between a gig worker and a self-employed person:

### **1. Different Kinds of Work**

**Gig workers** generally perform ride-hailing, delivery, pet-sitting, or other short-term, task-based jobs, such as Uber drivers.

**Self-employed persons** typically carry out a wider range of work assignments for a client on a continuing and ongoing basis.

### **2. Different Kinds of Business Structure**

**Gig workers** operate as individuals rather than as a company or other formal business entity that has its own legal existence.

**Self-employed persons** often set up a separate business which may have its own physical location, employees, tools, and equipment.

### **3. Different Kinds of Relationships with Clients**

**Gig workers** generally get work assignments from an online platform or app and have little personal interaction with the client.

**Self-employed persons** usually market to and have direct and ongoing relationships with their clients.

#### 4. Different Levels of Control Over Work

**Gig workers** carry out work assignments subject to the client's terms and control without negotiation—if they don't like the deal, they don't have to accept it.

**Self-employed persons** often negotiate the terms of their business arrangements and exercise a larger degree of control over the work.

#### Legal Consequences of Classification

Distinguishing a gig worker from a self-employed person isn't just a matter of semantics. Classification also has major tax ramifications for both the individual and the company:

- Unlike gig workers, self-employed persons must register for a Business Number with the CRA so they can properly report their business expenses and income.
- Gig workers would report their gig income on their T1 personal tax return, while self-employed workers would use the T2125 Statement of Business or Professional Activities.
- While both gig workers and the self-employed must register for GST/HST if their business income exceeds \$30,000 in the last 4 quarters, gig workers who are ride-sharing drivers must register to GST on the first day they start earning income.

In addition to the tax implications, accurate classification is particularly important in provinces BC and Ontario which have recently adopted employment standards protections for gig workers—known as, "[online platform workers](#)" in BC and "[digital platform workers](#)" in Ontario.