Tax Forms For Remote Workers – Ask The Expert



Should my fully remote worker fill out tax forms for the province where the company is located or for the province in which they live?

When you employ remote workers, it's important to know everything you need to include in their job contract and offer– especially the correct forms for them to file when tax season comes around.

QUESTION

I would like to know which tax form a fully remote worker would fill out when they live in a different province than where the company is located. For instance, Company ABC is in British Columbia, John Smith lives in Ontario and was hired as a fully remote worker. Would John fill out the BC TD1 or the ON TD1?

ANSWER

John would fill out the ON TD1, as remote workers pay taxes according to the province in which they work, not the province in which your office is located.

EXPLANATION

It is critical for employers to understand which legislation their remote workers fall under. There can be significant variations in minimum wage, overtime, hours of work, vacation, public holidays, termination-related entitlements, and other requirements as between provincial and territorial jurisdictions.

Employees are governed by the jurisdiction where the work is done, not where the corporate offices are. This can become a bit of an issue if employees are abroad or in jurisdictions where insurance and other entitlements can vary, you may have foreign tax and payroll implications that can and will get very complicated.

In your example, the employee would need to fill out the Ontario TD1. As the employer, you also need to pay Ontario payroll taxes and other costs like worker's compensation as if you were operating in Ontario, because, in effect, you are with this single employee.

A lot of companies fly under the radar as jurisdictions have been slow to catch up with remote work arrangements, but there are plenty of cases to highlight that Revenue Canada and local governments are taking notice and fining employees and employers.

According to the CRA website, it is also important to note that “While your employer will tax according to the rules of their home province, you are required to pay provincial/territorial taxes where you reside. If there is a discrepancy between what your employer has remitted and what you owe, this will be reconciled with the Canadian Revenue Agency (CRA) when you file for taxes.”

Learn more about legal considerations you need to take when hiring remote workers in other provinces here.