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# MONEY MATTERS

*Money Matters* is one of a series of 5 brochures for people working in the sex industry. The others cover *Security, Law, Dancing, and Health Matters*.

## Money Matters is about:

- ★ Managing money
- ★ Filing income tax
- ★ Government programs, and
- ★ Private insurance.



*Sex Trade Advocacy and Research  
Défense du travail du sexe et projet de recherche*

[www.uwindsor.ca/star](http://www.uwindsor.ca/star)

Information in the brochures comes from research conducted with escorts, masseuses, street workers, dancers, and doms in Toronto and Montreal from 2001 to 2003. The information is most useful to workers who are paid as employees (see “Working as an Employee”). If someone is keeping a record that you have been working (e.g., an agency, parlour, club or bar) or how much you have made/been paid (e.g., if you work on salary or get a fixed amount for each call) then you might find it useful to read on. The information applies to sex workers who are Canadian Citizens and Permanent Residents. **Select the tips that work best for you or modify them to meet your needs.**

## FINANCIAL PLANNING

It is hard to think about the future when there is no money in your pocket. You can make your money stretch farther if you manage it carefully.

### Know what you need or want to do with your money:

- The first step to managing your money is figuring out your monthly expenses and the cost of other things you want to buy.
- Keep a record of when your bills, rent, etc. are due.

### Know where your money goes and how to budget:

- A budget can help get rid of, or prevent debt and make sure your money will last for the entire month.
- Budgeting can help you put money into savings plans for retirement, an emergency, or when you want to treat yourself.
- If you use the services of a shelter or community group that you trust, see if they have a “banking system” or if they can help you plan a budget.

### Save for the future:

- You can save for the future using Registered Retirement Savings Plans (RRSPs), or buying mutual funds, guaranteed investment certificates (GICs), stocks, bonds, businesses, property, or a home.
- A RRSP is a plan you or your spouse/common-law partner register and pay into. Benefits of having a RRSP include:
  - Whatever you pay in reduces your taxes.
  - Any interest your RRSP earns is usually tax-free as long as it stays in the plan.
  - You only pay tax when you cash in or take money from the plan. If this isn’t done until you retire or are earning less money, your taxes will probably be low.

conditions). If you pay for private health insurance this can be declared when you pay income tax and may lower your taxes. For information contact the Canadian Life & Health Insurance Association, Consumer Assistance Center 1-800-268-8099.

## WHERE TO GO FOR FINANCIAL ASSISTANCE OR ADVICE

Local sex worker or women’s organizations/advocacy groups, or the organizations listed below may be able to answer your tax questions or help you find a financial or tax advisor.

Canada Revenue Agency (CRA)	<a href="http://www.cra-arc.gc.ca">www.cra-arc.gc.ca</a>
Tax tips	<a href="http://www.taxtips.ca">www.taxtips.ca</a>
Canadian Bankers Association	<a href="http://www.cba.ca">www.cba.ca</a>

This pamphlet is only meant to provide some basic financial and tax information. If you need financial or tax help, please consult with a financial or tax advisor.

*Aussi disponible en français.  
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### Canada Pension Plan (CPP) or Quebec Pension Plan (QPP)

Paying into CPP or QPP gives you a monthly retirement pension as early as age 60. It also offers disability, survivor and death benefits. To get CPP or QPP you must pay taxes and CPP/QPP contributions each year. What you pay into the plan over your life determines if you can make a claim and how much you will get. While receiving CPP/QPP you must report any money you earn, including that earned through sex work. However, when you make a report it can change the benefits you receive. Information on CPP is available at: 1-800-277-9914 or [www.hrdc-drhc.gc.ca/isp](http://www.hrdc-drhc.gc.ca/isp). Information on QPP is available at: 1-800-463-5185 or [www.rqgouv.qc.ca/an/rente/11.htm](http://www.rqgouv.qc.ca/an/rente/11.htm)

### Employment Insurance (EI)

EI is for workers with an employer (see “Working as an Employee”) who submits taxes, EI and CPP contributions for them. It replaces a portion of your income when you lose your job, provides courses to help you qualify for a new job, and helps you find work. To qualify you can't be considered at fault for losing your job. You also must show you have not been working for at least 7 days in a row, and that you have worked for a set minimum amount of time in the last 52 weeks (or since your last claim). The amount of time you must work is based on where you live and the unemployment rate in your region. When collecting EI you must claim any money you earn, including money earned through sex work. However, when you make a report it can change the benefits you receive. Information is available at: 1-800-206-7218 or [www.ei-ae.gc.ca/en/ceic/ceic\\_home.shtml](http://www.ei-ae.gc.ca/en/ceic/ceic_home.shtml)

### Maternity/Parental/Sickness Benefits Through EI

These benefits are for workers with an employer who submits taxes, EI and CPP contributions for them. If you are pregnant, caring for a newborn, have adopted a child, or are too sick to work, you may qualify. There are restrictions on who qualifies for these benefits. The same rules apply as for EI if you earn money while collecting benefits. Information is available at: 1-800-206-7218 or [www.hrsdc.gc.ca/asp/gateway.asp?hr=en/ei/types/special.shtml&hs=tyt](http://www.hrsdc.gc.ca/asp/gateway.asp?hr=en/ei/types/special.shtml&hs=tyt)

## PRIVATE INSURANCE

There are a variety of private insurance plans available including: life, auto, travel, disability, homeowners'/tenants', or private health. These are plans you pay for yourself. Private health plans cover many of the medical costs not covered by provincial health care plans. There are limits on: the amount they pay (e.g., some only cover a portion of the cost); who can get private health insurance; and the type of coverage you can get (e.g., you must be living in Canada legally and cannot be HIV+ or have certain other health

## FILING TAXES

When you're a sex worker it may seem best not to pay income tax. If you don't pay taxes you keep all of your earnings for yourself and avoid having a public record of your earnings with the Canada Revenue Agency. However, there are benefits to paying taxes (see “Some Benefits” below).

**When deciding whether or not to file an income tax return, consider the following:**

- For many types of work there is a record that you have worked and earned an income. This is the case if you:
  - Are a licensed worker. A license is seen as an intention to work and is a public record that the Canada Revenue Agency (CRA – see below) can access.
  - Have an employer who pays you a salary/wage (e.g., a strip club, massage parlour). Employers must keep a record of what you were paid and take off and submit taxes for you from your pay to CRA.
  - Use the services of an escort agency in a city where escort agencies are licensed. Licensed agency owners must record all calls workers are sent on and CRA can demand to see those records.
- If you make money and don't pay taxes, you can be charged with tax evasion under the *Income Tax Act*. This can result in fines and/or prison time. If you are found guilty of violating tax laws, CRA will keep a closer watch on you and if you are a licensed worker, you could lose your license.
- Some benefits to filing and paying taxes:
  - There is a financial record of your income. This can help when buying large items (e.g., homes, cars), getting loans, mortgages, lines of credit, renting, etc.
  - It provides money for your future (e.g., Old Age Security, Canada Pension Plan or Quebec Pension Plan).
  - It provides help if you are an employee and lose your job (Employment Insurance) or are unable to work (Worker's and Victim Compensation Programs).
  - You can deduct business related expenses.

Sex worker organizations, legal, and financial advisors may be of help when trying to decide if you should file a tax return. If you decide to file, the information below may be useful.

### Canada Revenue Agency (CRA)

Collects fees and taxes for the Government of Canada. The *general rule* is that your annual *income tax return* must be filed on or before April 30<sup>th</sup> of the following year. For more information call 1-800-959-8281. Quebec residents

must file 2 tax returns, one to CRA and one to Revenue Quebec. For information go to: [www.revenu.gouv.qc.ca](http://www.revenu.gouv.qc.ca). Aboriginal people are subject to the same tax rules as other Canadian residents unless their income is eligible for the tax exemption under section 87 of the *Indian Act*. For more information go to the CRA website: [www.ccr-a-adrc.gc.ca](http://www.ccr-a-adrc.gc.ca)

### Preparing and filing a tax return

You can fill in your own return with pen or pencil, use a computer tax software package, or pay someone to complete your return for you (e.g., a private accountant, tax advisor/consultant, the services of tax preparation businesses).

- Tax advisors can set up your finances in a way that follows the *Income Tax Act*, yet minimizes the amount you pay.
- When hiring someone to help you with your taxes it is good to ask questions about the services they provide and the fees they charge. There are different rates charged, so shop around. If you are getting a tax refund, places that offer you a refund right away charge a fee for this service.
- Most tax advisors have codes of ethics, which means they should treat you respectfully. Shop around until you find people with experience helping sex workers with tax issues.
- Once your tax form is complete you can either mail it or submit it over the Internet via e-file. Tax advisors usually submit your return for you and are there to answer any questions that CRA might have.

### WORKING AS AN EMPLOYEE VERSUS AN INDEPENDENT CONTRACTOR

#### Working as an employee:

- An employee is an individual who is paid a salary or a wage to work for another person (an employer).
- Income from employment (wages, salary, tips) is taxable.
- Employers must take taxes, Employment Insurance (EI), and Canada Pension Plan (CPP)/Quebec Pension Plan (QPP) contributions off salaries and wages paid to employees and submit them to CRA.
- Employers must give an employee a T4 slip each year (an official form that lays out what the employee was paid and the taxes and contributions taken off).
- Employees can hardly ever claim business expenses (deductions). It is assumed that employers cover most of these costs.

#### Working as an independent contractor (IC)

- If you work independently but use the services of an agency or work out of a strip club or massage parlour, the person who owns or manages the business you work with is *not* your employer.
- For ICs there are business expenses that can be claimed as legitimate

tax deductions: work clothing/costuming, advertising, transportation, phone expenses (if work is arranged by phone), internet access charges and part of your computer (if work is advertised and arranged via the internet), etc.

- Although it is possible to deduct some of your rent or mortgage payments if you do in-call work, you need to be careful since this would create a written record that you are violating s.210 of the *Criminal Code of Canada* (see *Law Matters* for details).
- Since it is hard to identify legitimate business expenses, it may be helpful to consult a tax adviser.
- In order to qualify for CPP/QPP, you must file a tax return and pay your taxes and CPP/QPP contributions.
- Since no one is taking off and submitting taxes for you to CRA, you must put aside the money you will owe each year. If you owe more than \$2000 in a tax year, CRA will require you to pay your taxes every 3 months the following tax year.

## GOVERNMENT PROGRAMS

Below is information on some government programs that provide assistance when you need help, are pregnant, or retired. Some programs require you pay income tax in order to qualify.

### Social Assistance

Provides financial help to individuals and families in need; emergency assistance for basic needs and shelter; and sometimes covers health, dental, moving, transportation and funeral expenses. While collecting benefits, you are supposed to tell the office when you receive or sell something of value, or earn anything, including money earned from sex work. However, when you make a report it can change the benefits you receive. For information contact your local social assistance office. See the government services blue pages of your phonebook. You can also call local community groups who help people on social assistance.

### Disability Insurance

Each province has its own disability insurance program. There are 2 types of programs: Income Support (for disabled people not working); Employment Support (for disabled people who are working). Eligibility requirements vary based on: age; financial situation; "disability" (mental or physical); level of disability; expected length of disability, etc. Similar rules apply as for Social Assistance if you earn money while collecting benefits. For information go to: [www.disabilityweblinks.ca/pls/dwl/dl.home](http://www.disabilityweblinks.ca/pls/dwl/dl.home)