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PURPOSE

1. To determine eligibility of persons with income from self-employment.

PRINCIPLE

2. Efforts should be made to reduce obstacles to employment that may confront the applicant.
3. Income from self-employment includes remuneration from any business or activity other than from regular employment.
4. Income from self-employment generally involves some “business” expenditures to generate the income.
5. Social Assistance is generally not intended to subsidize marginal or failing businesses. Applicants pursuing self-employment options may be assisted depending upon the viability of the business plan.
6. Standard business and tax practices should be used in determining income or assessing viability of small businesses.
7. Self-employed persons are required to keep a legible set of records documenting all income and expenses from self-employment.

POLICY

8. Short term assistance may be granted to a self-employed person in need. (Reg. 7(1)(b))
9. Self-employed persons with financial resources other than those exempted in Regulation 13(5) shall not be considered to be in need, unless legal action has been taken to liquidate such business assets.

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10. Financial resources for self-employed persons, in addition to those defined by Regulation, shall include business property, equipment, inventory, accounts receivable, line of credit, or any other form of asset that may be liquidated or used as collateral to meet short-term personal needs.

11. This policy is not intended to jeopardize viability of self-employment or to force liquidation of assets that would place an otherwise viable small business in such jeopardy. If refusal of assistance would do so, the circumstances must first be reviewed by the regionally designated authority.

12. The viability of a business, and self-employment, shall be assessed before establishing eligibility for assistance beyond four months. Such an assessment shall be conducted by an agency or organization designated by the Department, having the appropriate expertise; in this context, the Department may appoint an appropriate person to provide the assessment.

13. Part-time, casual or non-viable self-employment shall not be subsidized by Social Assistance unless the applicant’s opportunities for other employment would be extremely limited. Refer to Instructions to assess employability.

14. Income for self-employed persons shall be determined as follows:

	Gross Income	(Income from self-employment)
Deduct:	Expenses _____	(Expenses allowed by Revenue Canada As necessary to earn the income)
Equals:	Net Annual Business Income	
Add:	Other Earned Income _____	(Unless specifically exempted by Regulation)
Equals:	Total Annual Earned Family Income	

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15. Self-employed persons shall submit a copy of last year's income tax statement, for comparative purposes, and a financial statement (income and expenses) for the current year. Current year income and expenses shall be verified.

16. Unless otherwise stated in this policy, where income and expense statements cannot be verified, it shall be deemed that the applicant earns at least the minimum wage from his/her endeavours.

PROCEDURE

17. Calculation of Net Income

- (a) The following statement includes income and allowable expenses for income tax purposes and should be used as a guideline in determining net income:

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STATEMENT OF INCOME AND EXPENSES

INCOME

Sales, Commissions or Fees		\$ _____
Minus: GST/HST and PST (if included in sales)	\$	
Returns, allowances and discounts	\$	- _____
Net Sales, Commissions or Fees		\$ _____
Other Income (specify)		\$ _____
Gross Income		\$ _____

EXPENSES

Advertising		\$ _____
Bad Debts		_____
Business Tax, Fees, Licenses, dues, memberships & subscriptions		_____
Delivery, Freight and Express		_____
Fuel Costs (except for motor vehicle)		_____
Insurance		_____
Interest		_____
Legal, accounting and other professional fees		_____
Maintenance and Repairs		_____
Management and Administration Fees		_____
Meals and Entertainment (allowable part only)		_____
Motor Vehicle Expenses (not including Capital Cost Allowance)		_____
Office Expenses		_____
Property Taxes		_____
Rent		_____
Salaries, Wages and Benefits		_____
Supplies		_____
Telephone and Utilities		_____
Travel		_____
Other Expenses (Specify)		_____
Sub-Total		\$ _____
Allowance on eligible capital property		_____
Capital Cost Allowance		_____
TOTAL EXPENSES (Deduct from Gross Income)		-\$ _____
NET INCOME (before adjustments)		\$ _____

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- b) Only the expenses directly related to earning income are allowed:
- Rent, telephone, taxes, fire insurance and maintenance expenses may be allowed, but only in relation to the business and not a private residence;
 - Only the business portion of all automobile expenses is allowed, supported by a log of business and personal mileage. Mileage to and from the place of business is considered personal;
 - An automobile depreciation allowance shall be used rather than car payments

18. Net income should then be divided by 12 for the average monthly income and any applicable income exemptions granted.

19. **Fishers**

- (a) Fishers (boat owners) shall not be found in need during the fishing season, except where there may be extenuating circumstances such as illness, accident or loss of boat.
- (b) As some fishers are able to draw high E.I. benefits in spite of low fishing income, eligibility for out-of-season benefits should be calculated using (i) income from E.I. or (ii) average monthly income (E.I. plus Net Fishing Income divided by 12), whichever is higher.
- (c) Fishers are frequently able to obtain cash advances from their regular buyer to meet short-term needs.
- (d) Boat and gear, owned and used by an applicant, are exempt from the calculation of assets.
- (e) Cash advances shall be excluded from expense statements provided by the buyer as these are not fishing expenses. Boat payments must also be excluded. The cost of the boat itself shall be shown as the depreciated amount allowed by Revenue Canada.

20. **Farmers**

- (a) Although there is an exemption for breeding livestock, an applicant may be asked to dispose of livestock to meet short-term personal needs if the business is not viable or if it is unlikely to further jeopardize viability.
- (b) Crops in storage represent cash assets even though the market may be very low and a sale would mean a business loss.

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21. Consultation with, or assessment by, a lending authority or Department of Agriculture may be necessary to assess viability, financial resources and current income/expenses.

22. Income from Operating a Room and Board

- (a) Persons who are self-employed providing room and board shall provide income tax or other financial statements to allow the Department to determine net income. Where these are not immediately available an exemption of \$250 per person paying room and board may be used to determine short term need.
- (b) All other income from room and board shall be considered net income in the determination of eligibility.

23. Babysitting

- (a) Persons providing babysitting services in their own home shall be considered to receive 50 percent of their babysitting fee as income. If an applicant believes his/her expenses to be higher, a statement of income and expenses must be provided as per paragraphs 13 and 14.
- (b) Persons operating under license of the Child Care Facilities Board are considered in a business and a statement of income and expenses, as per paragraphs 13 and 14, must be used to determine net income. Subject to the Child Care Facilities Act, persons caring for more than six children are required to hold a license.

CROSS REFERENCE - 3-1 Eligibility - General
3-6 Employable Persons
4-3 Assets - Real or Personal Property
4-11 Income - Rental of Property