

### Chapter 3: Assessment of Income

#### (iii) Partially Exempt Income

##### (b) Self Employment Income

<b>Intent:</b>	To outline the method to assess self employed income earned by a working Income Support recipient.
<b>Act:</b> (if applicable)	N/A
<b>Regulations:</b>	
<b>Overview:</b> (if applicable)	N/A
<b>Policy:</b>	<ul style="list-style-type: none"> <li>All applicants who have reported self- employment income are required to apply through the regular intake process.</li> <li>The Inspiring and Supporting Provincial Income Recipient Entrepreneurs (INSPIRE) is an initiative designed in partnership with <a href="#">Metro Business Opportunities (MBO)</a> to streamline the reporting process for self-employed clients. This helps make the process more efficient and consistent for staff and clients.</li> <li>New Income Support applicants who report self-employed income, as well as current recipients who are self-employed, will have their documents reviewed by Metro Business Opportunities (MBO). As MBO staff are well versed in this field, they help improve on service delivery by reviewing monthly claims from self employed clients. Departmental staff are provided with a report on each self-employed case that will indicate which expenses are legitimate and, after a period of time, recommendations are made as to the viability of businesses. MBO, as well as the local Community Business Development Corporations (CBDC), also offer Income Support clients a range of other services such as business counselling when requested.</li> <li>This process does not apply to individuals who are owners of an incorporated business as they receive dividends or salaries and are not liable for any debts incurred by the company. The salary will be assessed as partially exempt</li> </ul>

income, with no business expenses permitted. The exception to this is clients who have incorporated to avail of the Entrepreneurial Opportunities Program (EOP) but still require Income Support once the sponsorship has ended. They will be required to complete the monthly business income form and be assessed by MBO through the INSPIRE program.

- There are a number of ways in which people can be considered self-employed:
    - **Owner/Operator** – an individual who operates their own business (e.g. donut shop or garage)
    - **Unincorporated Partnership** – a business which is operated by more than one person but considered one entity (all partners equally responsible)
    - **Commissioned Sales** – an individual working as a representative for a company but their income depends on their sales
    - **Fee for Permission to Sell** – an individual who uses the company name (to whom they pay a fee) to sell under that company name (e.g. hair stylist paying fees for use of a barber's chair)
  - Applicants or current clients who become self-employed will be asked to sign a [MBO referral form](#) and to complete the [Monthly Self Employment Report](#) to have their income assessed by MBO.
  - The Business Income and Expense Report, which is utilized by MBO, is provided to self employed clients to record their income and expenses. MBO may request, at any time, that a client verify any or all expenses which they claim.
  - Clients who receive a supplement to their self-employment income will have their income assessed on a monthly basis by MBO.
  - Eligible expenses which can be considered are:
    - Advertising
    - Bank charges on business accounts
    - Bookkeeping and legal fees
    - Business and office equipment & supplies
    - Business insurance
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- Business loan repayments
  - Cost of goods purchased (less GST)
  - Delivery cost to receive or ship
  - Equipment-installment, purchase & rental
  - Income tax installments
  - Licenses, required fees or memberships in trade
  - Municipal property taxes (if business is in building other than primary residence)
  - Provincial sales tax portion of HST
  - Rent or mortgage for business premises
  - Repair and maintenance to equipment
  - Sub-contracting costs
  - Telephone expenses (if separate telephone line is required for business)
  - Utility costs (if business is in building other than primary residence)
  - Vehicle expenses (pro-rated based on use for business/pleasure)
  - Mileage is to be reimbursed at .30/km
  - Occupancy expense – at a flat rate of \$50/month if business is operated in a primary residence (covers expenses for home office, storage, etc.)
  - CSO's must pay particular attention when issuing childcare to a self-employed client and be cognizant of the [childcare policy](#). Specifically, it should be remembered that with the exception of the first month (second if required), that childcare costs should never exceed the earned income amount.
  - Although MBO calculates the income to be considered, staff should be aware of the types of expenses which are considered legitimate i.e. expenses for rent or taxes (other than business tax) should not be considered unless there is a separate building for the business. A client who operates a business out of their home or occupies space/storage in their
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	<p>home for a business can receive a flat rate expense of \$50/month.</p> <ul style="list-style-type: none"> <li>Applicants, who indicate that they have an unincorporated business that has not been in operation for four months or more, should not be referred to MBO to have an assessment completed. Applicants who indicate that their business is active but it has not generated any revenue, or the total revenue has been offset by expenses, should still be referred to MBO for an assessment.</li> <li>Clients, who report revenue of less than \$200/month for six consecutive months, should be considered for transfer to recurring pay.</li> </ul>
<b>Procedure:</b>	<ul style="list-style-type: none"> <li>The Client Services Officer (CSO) must scan and send, through an encrypted e-mail, the client's Business Income and Expense form each month.</li> <li>Staff at MBO will complete the assessment, converse with the client if required and provide a monthly financial calculation to AES staff, which will include the recommended income amount to be assessed for the month.</li> <li>CSO's will review MBO's recommendations and complete the client's Mailback (application). The regular process, as applied to all other employed clients, is followed when assessing the Mailback.</li> <li>Clients who are transferred to recurring pay due to low earnings are still required to provide a Business Income and Expense Report every six months which would be forwarded to MBO to confirm business activity.</li> <li>When MBO confirms that a business has closed, CSO's must refer the client to an Employment Services CSO to complete an exit interview which will help identify any training or educational needs.</li> </ul>
<b>Authority Level:</b>	Client Services Officer
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