

Fact sheet:

Liability:

Employers Contracting Work

As an employer, when hiring a contractor, it's important to consider your potential liability to WorkplaceNL. The term contractor includes the person or company initially hired to do a job and any subcontractors.

Hiring an Incorporated Company

When hiring an incorporated company, both the workers and the directors are covered by WorkplaceNL. As the principal contractor, you can be held liable for the company's unpaid assessments, relating to the labour portion of the contract.

To avoid this, request a clearance letter from WorkplaceNL. A clearance letter is assurance that a business has met our reporting and payment requirements. You should get clearance when you award a contract and each time a payment is made to the contractor.

Hiring a Non-Incorporated Company (with workers)

When hiring a non-incorporated company, the workers have coverage but the individual owner(s) (known as proprietor or partners) do not. To avoid being charged for the company's unpaid assessments, request a clearance.

If the proprietor or partners are performing the work, you may be liable for a civil suit in the event of a work-related injury as they do not have automatic coverage with WorkplaceNL.

To avoid this, you can require that the proprietor or partners performing the work purchase Optional Personal Coverage. You can then request a clearance to ensure that they have purchased coverage and the specific time period that coverage exists.

Hiring an Individual (no workers)

Contractors that work for themselves with no other workers and are not incorporated are considered either your worker or an independent operator. To avoid being charged assessments for these individuals, request a determination from WorkplaceNL prior to hiring them.

Individual is considered your worker:

Report the labour portion of the contract as assessable earnings in your current year estimate and on your payroll statement.

Individual is considered an independent operator:

Any assessments associated with the individual will not be charged to you as the principal. However, you may be liable for a civil suit in the event of a work-related injury, as coverage does not automatically exist.

To avoid this, you can require the person performing the work to purchase Optional Personal Coverage. You can then request a clearance to ensure that they have purchased coverage and the specific time period that coverage exists.

Clearance

You can request a clearance letter through your **connect** account. You can also create a list of hired contractors and be notified when a contractor's status with WorkplaceNL changes. If you don't have a **connect** account, sign up today at workplacenl.ca.

If you get clearance on a contractor during the year, you do not have to report them on the contractor statement of your annual employer statement.

If you cannot get clearance, contact us to determine the liability associated with hiring the contractor. You may withhold the liability amount from the contractor until a clearance from WorkplaceNL is provided. You can also pay the liability amount of the contractor to obtain a clearance.

For questions on clearance call us at 709.778.1198 or 1.800.563.9000.