

Understanding the Underground Economy

No one likes paying taxes, and many people don't fully understand how they work. Visit the site canada.ca/taxes-underground-economy to explore some of the purposes of taxes, and the implications on self-employment income.

Near the top of the page is a video, "Be a part of the solution." View the video to identify some of the programs and services funded by taxes in Canada?

Education

Health care

Safety

Old Age Security

Parks

The tax system of Canada is based on people earning their living here self-assessing their taxes owed. This site defines the underground economy as **economic activity (income) not reported to the government**, which is often referred to as working under the table.

Name four examples from the list provided.

Answers will vary: tips/gratuities, employment, business, gig/sharing, gift cards, cash payment, barter, gifts

Visit the link to the information about the sharing economy. This includes a variety of potential sources of income, often generated by leveraging your skills or assets by connecting with consumers through an internet or app platform. What are the four options identified?

personal assets (e.g. Air bnb)

gigs (e.g. Crowdsourse)

P2P (e.g. Esty)

Influencers

If the sharing economy is your main or sole source of income, what tax form should you be submitting?

Form T2125, Statement of Business of Professional Activities

How does being self-employed affect your CPP contributions?

You pay both employer and employee portions

Most goods and services are subject to the federal GST and provincial sales tax. At what level of income do you have to register for a GST/HST account?

When you exceed \$30,000 in a single calendar quarter

The Canada Revenue Agency is committed to identifying individuals who attempt to evade paying taxes. If an individual's lifestyle is dramatically out of line with their tax filing, they might be subject to an investigation. What are some of the possible outcomes of under-reporting income?

Answers should include penalties ranging from 50 - 200% of the unreported income, criminal prosecution, and a jail term of up to 5 years

What advice does the government provide to help combat taxation abuse from the underground economy?

Consumers	Businesses
<ul style="list-style-type: none"> - avoid businesses that encourage you to pay cash and not get a receipt - hire contractors that provide a written contract - get a receipt when shopping or dining - insist on being on a payroll when employed - demand a receipt 	<ul style="list-style-type: none"> - report all income to protect the value of your business - protect yourself from risk - pay your employees on a payroll to protect them