

# HOW TO BECOME AN INDEPENDENT CONTRACTOR





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# FOREWORD

Business Link is Alberta's entrepreneurial hub. We are a non-profit organization that helps Alberta entrepreneurs start their own businesses. We provide one-on-one support and guidance, market research, access to experts, training, networking opportunities and specialized support for Indigenous entrepreneurs.

## Indigenous Services (IS)

### Tax and Legal Advice

Are you considering operating a business within your First Nation community? Did you know Indigenous Services (IS) can provide access to accounting and legal professionals to clarify any questions you have about setting up your company correctly- accessible through our Ask an Expert service? Connect with one of our Indigenous Business Facilitators for more information.

### Guidebooks

Did you know Indigenous Services (IS) provides informative business planning resources such as the Indigenous Business Planning Workbook and the How to Become an Independent Contractor Guidebook. To receive a complimentary copy, connect with one of our Indigenous Business Facilitators today.

Business Link:

- Acknowledges the traditional territories, histories and communities of Treaty 6, 7, 8 and Métis Settlements, along with Inuit people within Alberta.
- Honours and respects the Indigenous circle's diverse cultures, languages, identities, and protocols of Indigenous clients and communities in both urban and rural areas, while being considerate of the Truth and Reconciliation's (TRCs) initiatives specifically [economic reconciliation](#) - especially when visiting communities within Alberta.
- Is committed to providing a holistic approach while building relationships with aspiring entrepreneurs, advancing businesses to provide access to educational tools, resources and referrals at any level of the business cycle stages.
- Is dedicated to establishing collaborative partnerships that are inclusive of Indigenous and Non-Indigenous service providers, organizations, post-secondary institutions, industry and stakeholders that share our passion of promoting Indigenous entrepreneurship, Indigenous youth and showcasing the success of Indigenous clients and communities within Alberta.

This publication is part of a series of informative guides designed for Indigenous Albertans in business. To find out more about Business Link's Indigenous Services and to request copies of our guides, contact us at:

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Email: [IndigenousServices@businesslink.ca](mailto:IndigenousServices@businesslink.ca) Web Page: [www.businesslink.ca](http://www.businesslink.ca)

# INTRODUCTION

An independent contractor is a person, business, or corporation that provides goods or services to a hiring company under the terms of a contract. Independent contractors supply a broad range of products and services in a variety of industries including trades, manufacturing, health care, and transportation.

This guide is a useful tool for entrepreneurs looking to start any type of independent contractor business. At the end of each section you will find a short list of **Useful Resources** where you can find additional information. You will also find symbols throughout the guide to help you identify information that is specific to certain types of businesses. These symbols are:



Information for businesses that are set-up and run on reserve.



Information for businesses looking to contract with industry such as mining, construction, oil and gas, forestry, etc.

## Are You Ready to Start Your Own Business as an Independent Contractor?

Starting a business requires time, commitment, and careful planning. By planning ahead, you will be able to predict any potential problems and/or opportunities your business might face.

Before starting your business, consider the quality of your business idea, how you plan to get your business up and running, whether you can afford all the costs associated with starting your business, and whether your business idea will be profitable over the long-run.

To help determine if you are ready to be an independent contractor, consider the following questions:

- Are you self-motivated?
- How much risk are you comfortable with?
- Are you ready to take on the financial costs of running your own business?
- Do you have a support system in place?
- Are you good at time management?

## What is the Difference between an Employee and an Independent Contractor?

An **employee** works on behalf of an employer. An employee is someone who is hired by an employer to perform specific duties under an employment contract.

An **independent contractor** works on behalf of themselves. An independent contractor is someone who provides goods or services to a hiring company based on the terms and conditions of a contract.

If you work as an employee for a company and are asked to become an independent contractor, but your role and responsibilities do not change, then there is a risk that you will not be recognized as an independent contractor and you will have to pay back CPP, EI, etc.

**TIP**

The Canada Revenue Agency (CRA) uses benchmarks to determine whether someone is an independent contractor or an employee. Even if you sign a contract that states you are an independent contractor, the CRA may still consider you to be an employee. The CRA takes the following four factors into consideration when determining whether you are operating as an independent contractor or an employee.

### Control

- If you are a business owner, the hiring company does not control how or when the work is done. If you are an employee, the hiring company decides your rate of pay as well as the time, place and manner in which the work should be done.

### Ownership of Tools

- If you are an independent contractor, you purchase, maintain and use your own equipment and tools. If you are an employee, you use the equipment and tools that belong to the hiring company.

### Chance of Profit/Risk of Loss

- If you own your own business, you might make money or you might lose money. Income is not guaranteed; it depends on getting and completing contracts. If you are an employee, there is no financial risk. You are entitled to your pay regardless of whether the business makes or loses money.

### Integration

- If you are an independent contractor, you act on your own behalf and do not depend on any of the business activities of the hiring company. If you are an employee, you are required to participate in the business activities of the hiring company (for example, participating in "new hire" training).

## Case Study

Paul and his wife Shelley Smith live in Fort McMurray. Paul recently finished his degree at culinary (cooking) school where he specialized in baking breads and pastries. Paul's goal is to become self-employed. Paul submits an application to a local catering company that is looking for a pastry chef.

The catering company hires Paul to produce baked goods including bread and pastries. The company asks Paul to submit his ideas and they select a number of his recipes to be featured on their menu. Paul and the catering company both sign a contract that states that Paul will supply the catering company with specific amounts of baked goods twice per week for a set price. The company agrees to pay Paul weekly.

Paul is responsible for buying all his own ingredients and supplying his own baking tools and equipment. He arranges to rent a local commercial kitchen. Paul is an **independent contractor** because:

- He determines how, when, and where he will bake his products.
- He is responsible for supplying his own equipment and finding his own kitchen space.

Paul's wife Shelley has over 10 years' experience as an office manager. After seeing how much freedom and control her husband has at his job, Shelley decides she will try to become self-employed as an administrative assistant.

Shelley attends an interview with a construction company that is looking for a part-time data entry clerk. The company tells Shelley she can work from home, but she has to work from 10am – 2pm, Monday to Friday. They tell Shelley they will pay her an hourly wage and they will give her a laptop so she doesn't have to use her personal computer for work. The company tells Shelley that before she starts she will have to attend an orientation session to learn all of the company policies and procedures. Shelley likes all of the terms and conditions the company offers her, so she agrees to take the job.

Shelley is an **employee** because:

- The company controls her hours of work and her wage.
- The company provides her with the equipment she needs to get the job done.
- The company expects her to participate in company orientation training.

## Is Your Business Idea Possible?

It is critical to understand if your idea has potential or value in the market. Below are some questions to consider to help determine if your business idea is practical and sustainable:

- Does your product/service create value for customers? What makes your product/service attractive to customers? Why would a customer choose your product/service over your competitors' products/services?
- Where are your customers located? How will you access them?
- Are there enough customers for you to continue to make money and grow your business?
- Will you be able to grow your business (is the business scalable)?



## Do You Need a Business Plan?

Yes! A business plan allows you to organize your ideas and goals for your business and plan, step-by-step, how you will achieve them. It can be used to share with potential partners and business advisors and is usually required to apply for any type of financing.

Your business plan should be a professional looking document that includes the following sections:

1. **Cover Page:** Title, Business Name, Owner(s) Name(s) and Date.
2. **Executive Summary:** Summary of Business Plan, Goals and Objectives OR Purpose of the Plan.
3. **Company Description:** Background and History of the Business, Company's Mission and Vision Statements, Detailed Product/Service Descriptions, Company's Competitive Strengths and Weaknesses.
4. **Marketing:** Market Analysis that considers Industry Analysis, Customer Profile, Product and Service Strategies, Competitive Analysis, SWOT Analysis (Strengths, Weaknesses, Opportunities, and Threats). Marketing Plan that includes Objectives, Promotional Strategies/Tactics, Location and Distribution Strategies and Pricing Strategy.
5. **Operations:** Production and Service Delivery Procedures/Processes, Land and Building Needs, Equipment Needs, Insurance, Suppliers, Government Regulations and Bank Information.
6. **Human Resources:** Staffing Needs, Key Managers and Employees, Professional Resource Team (e.g. accountant, lawyer, business advisors etc.), Legal Structure.
7. **Finance:** Current Funding Needs, Funding Needs Over the Next Three Years, Use of Funds, Source of Funds, Projected Financial Data (First Three Years), Financial Statements, Break-even Analysis.
8. **Appendices:** Resumes of Key Managers, Pictures of Products, Contracts, Client Testimonials.

Refer to the Business Link's Indigenous Business Planning Workbook for more information about writing a business plan.

**TIP**



## Can You Afford to Start and Run Your Business?

It is important to know how much money (capital) you will actually need to start and to run your business. Consider the following questions when thinking about your business finances:

- How much money is required to start your business?
- How much of your own money do you have to invest in the business?
- Do you already own any of the equipment and tools (assets) needed to start your business?
- Do you have a strong personal credit rating or a line of credit available?

If you apply for funding, a lender will review your credit history (credit score) to assess the probability you will repay a loan or debt. A high credit score increases the likelihood you will be approved for financing. A low credit score can hurt your chances of accessing funding, or if you're approved for financing, could result in you having to pay a higher interest rate.

For information about how to improve your credit rating or for help recovering from debt, contact **Money Mentors**, [www.moneymentors.ca](http://www.moneymentors.ca); or the **Credit Counselling Society**, [www.nomoredebts.org](http://www.nomoredebts.org).

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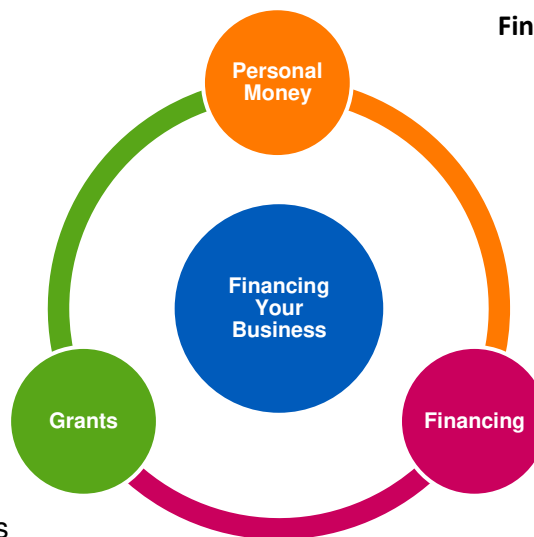
### Financing Options

**Personal Money** includes:

- Savings
- RRSP's
- Personal line of credit
- Personal overdraft
- Friends
- Family

**Grant** options include:

- Federal and provincial government organizations
- Economic development agencies



**Financing** includes:

- Investors
- Loans
- Commercial banks
- Credit unions
- Leasing companies
- Specialized lenders



*If you live on-reserve and are planning to start a business, you may be eligible for a grant directly from your First Nation. Meet with your First Nation's Economic Development Officer or Band Manager to inquire.*

## Funding Opportunities

If you are looking for funding for your business start-up, consider the following:

- **Alberta Indian Investment Corporation (AIIC)** provides interest-bearing loans to First Nation entrepreneurs to help establish, acquire, diversify, or expand a business. [www.aiicbusiness.org](http://www.aiicbusiness.org)
- **Alberta Women Entrepreneurs (AWE)** offers business advisory and mentorship resources, including training and access to funding for women entrepreneurs. [www.awebusiness.com](http://www.awebusiness.com)
- **Apeetogosan (Metis) Development Inc.** provides interest-bearing loans to Metis entrepreneurs to help establish, acquire, diversify, or expand a business. [www.apeetogosan.com](http://www.apeetogosan.com)
- **Business Development Bank of Canada (BDC)** offers consulting and financial services for Indigenous businesses, including peer lending and financing. [www.bdc.ca](http://www.bdc.ca)
- **Futurpreneur** provides financing, mentoring, and support tools for entrepreneurs aged 18-39 years. [www.futurpreneur.ca](http://www.futurpreneur.ca)
- **Indian Business Corporation (IBC)** provides development lending and financial services to First Nations' businesses. [www.indianbc.ca](http://www.indianbc.ca)
- **National Aboriginal Capital Corporation Association (NACCA)** is a network of Indigenous financial institutions who provide business loans, financial consulting, and start-up support. [www.nacca.net](http://www.nacca.net)
- **Settlement Investment Corporation (SIC)** provides access to funding and business planning resources for members of Metis Settlements. [www.settlementinvestcorp.com](http://www.settlementinvestcorp.com)

## Business Grants

- **MEAP/SEAP Grant Program** is funded through the Government of Canada. The Program is administered through Apeetogosan. [www.apeetogosan.com](http://www.apeetogosan.com)

## Case Study

After a short time baking pastries for a local catering company, word gets out that Paul's baked goods are exceptionally tasty. Before he knows it, Paul is being asked to bake pastries and breads for a number of local restaurants. Paul decides that if he wants to meet the demand for his products, he'll need a bigger kitchen and help to assist with deliveries. Paul's wife Shelley agrees to quit her job to help Paul with the business.

Paul and Shelley know owning and running a small bakery business will be challenging, so they want to make sure they do things right. They start the planning for their business by reviewing their personal financial situation to determine what savings and RRSP's they can access to get the business up and running. Paul and Shelley agree that they can afford to invest \$15,000 in the business, but they need an additional \$20,000 to purchase necessary equipment.

Paul and Shelley discover they are eligible for a grant. They write a detailed business plan to submit along with their application for the grant. The funders are impressed with Paul and Shelley's research, especially the information about the customers who have already requested their products. Paul and Shelley are awarded the grant. With enough money to get started, Paul and Shelley begin their search for the perfect location to set up their business.



### Useful Resources

- **Alberta Learning Information Service:** Self-Employment: Is it for me? Employee or Contractor? [www.alis.alberta.ca/pdf/cshop/Self-Employment.pdf](http://www.alis.alberta.ca/pdf/cshop/Self-Employment.pdf)
- **Business Development Bank of Canada:** Business plan template. [www.bdc.ca/EN/articles-tools/entrepreneur-toolkit/templates-business-guides/Pages/business-plan-template.aspx](http://www.bdc.ca/EN/articles-tools/entrepreneur-toolkit/templates-business-guides/Pages/business-plan-template.aspx)
- **Canada Business Network:** Find government grants. [www.canadabusiness.ca/eng/page/2868/](http://www.canadabusiness.ca/eng/page/2868/)

## SETTING UP YOUR BUSINESS

In order to start working as an independent contractor, you must first set up your business. It is recommended that you spend time researching the requirements of your industry. For example, the oil and gas industry almost always requires contractors to be incorporated. It will save you time and money if you set up your business the right way, the first time.

The amount of work it takes to set up a business depends on the type of business you are starting. In general, it can take anywhere from two days to two weeks to complete all of the necessary requirements to get your business up and running. For a complete check-list, turn to page 44 and refer to the *Small Business Start-Up Checklist*.

To set up your business, you must complete the following:

1. Choose your business structure.
2. Name and register your business.
3. Secure your business licenses and permits.
4. Get a business number and determine your taxation requirements.
5. Establish your insurance requirements.
6. Implement your workplace safety requirements.

For more information about starting and running your business, visit:

**Business Link**

[www.businesslink.ca](http://www.businesslink.ca)

**Small Business Alberta**

[www.smallbusiness.alberta.ca](http://www.smallbusiness.alberta.ca)

**TIP**

## 1. Choose Your Business Structure

When trying to decide on the type of business structure that will work best for you, consider the following:

**Nature of your industry** – Do the hiring companies you intend to contract with require you to operate under a particular business structure?

**Cost associated with set-up** – Can you afford the cost associated with setting up a corporation? If not, can you start off as a sole proprietor, and incorporate later?

**Future operations** – Do you plan to just do business in Alberta? Or is there the possibility that you will do business in more than one province or territory, or across all of Canada?



## Sole Proprietorship

A sole proprietorship is a business that is owned by one person. It is the easiest and least expensive business structure to form.

Sole Proprietorship	
Advantages	Disadvantages
<ul style="list-style-type: none"><li>✓ All profits belong to the owner.</li><li>✓ The owner is the only decision-maker.</li><li>✓ Set-up is easy and start-up costs are low.</li><li>✓ There is less annual paperwork.</li><li>✓ Simpler tax – profits are taxed at personal rates.</li></ul>	<ul style="list-style-type: none"><li>✗ The owner is held responsible for all debts.</li><li>✗ The business doesn't function without the owner.</li><li>✗ Creditors can take personal assets (money, vehicle, home, etc.) for failing to pay loans/credit cards.</li><li>✗ The owner can sell the business' assets (tools, vehicle, etc.), but cannot sell the business itself.</li></ul>

## Partnership

A partnership is a business that is owned by two or more people under a legal structure similar to a sole proprietorship. It is a good business structure if you want to carry on a business with a partner and you do not wish to incorporate your business.

## Corporation

A corporation is a legal business that can enter into contracts and purchase property separate from its owner(s). It is important to know that even if you incorporate your business and plan to operate alone (with no other owners or employees) you will not simply represent yourself, but rather, you will represent the corporation, which is a separate legal entity.



It is usually a requirement of hiring companies in industries such as oil and gas, construction, mining, etc., that independent contractors be incorporated.

## Corporation

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>✓ The owner(s) have limited personal responsibility (liability) because the business itself might be held responsible, instead of the person.</li> <li>✓ Ownership is transferable (the business can be sold to someone else).</li> <li>✓ It is easier to raise money (capital).</li> <li>✓ There are possible tax advantages.</li> </ul>	<ul style="list-style-type: none"> <li>✗ It is the most expensive form to organize.</li> <li>✗ Extensive record keeping is required by CRA.</li> <li>✗ A personal guarantee may still be required by the bank when seeking financing.</li> <li>✗ It is closely regulated – there are specific legal and tax requirements.</li> </ul>

When deciding which business structure is right for you, it is important that you take into consideration all of your options. Incorporating can help reduce your personal liability, but if you are the Director of the company you may still be held personally accountable.

As a small business owner you need to know who you are doing business with. If it is a corporation, you need to deal with the person who has the necessary authority to make decisions.

**TIP**

A sole proprietor does not have the same protection as a corporation, but you can purchase business insurance to help protect you.

You may want to set up your business as a corporation because it can provide tax advantages, however, a sole proprietor can also receive tax advantages (especially during the start-up phase when your business isn't earning profits) by falling into a lower tax bracket and by deducting losses from your personal income.



*If you live on-reserve and are planning to start a business, you may require a Band Council Resolution (BCR) as approval to operate your business. Visit your Band Administration Office for more information on this requirement and the process to obtain one.*

*If you intend to only operate your business on reserve as a sole proprietor, with no employees, you are not required to register your business off-reserve. If you intend to hire any employees and/or want to conduct business off reserve, you will need to register and/or incorporate off-reserve.*

## 2. Name and Register Your Business

It's important that you choose a name for your business carefully. If you choose a name that is the same as, or similar to, an existing business name, corporate name, or trademark, the owners of the other name could take your business to court, and ask for a judgment to stop you from using the name, and/or seek a fine (payment for damages).

### Corporate and Business Name Reports

Corporate and business name reports are helpful tools for choosing a business name because they identify other companies with similar names. If the name you want to use is already in use, or is too close to the name of another business in your industry, you may need to choose a different name.

An **Alberta Business Names Report** displays a list of Alberta's corporation and business names that are similar to the name being searched. If you are setting up a sole proprietorship, you would use this report. To conduct a Business Names Report, visit a local Registry Agent (at the same place you get your Driver's License).

A **Corporate Name Report**, also called a Newly Upgraded Automated Name Search (NUANS) report, displays a list of corporation names that are similar to the name being searched. If it's not already taken, the proposed name is reserved for 90 days for the person requesting it. If you are setting up a corporation you would use this report.

It's a good idea to choose three different business names before conducting a name search in case your first and/or second choice is already taken. You can conduct a name search of all three names for the same price as one.

**TIP**

To conduct a NUANS® report, visit the website at: [www.nuans.com](http://www.nuans.com) or visit a local Registry Agent (at the same place you get your Driver's License).

### Naming and Registering a Sole Proprietorship or Partnership

As a sole proprietor, you can operate your business under your own name, or you can choose a different, more creative business name (a trade name). There is no requirement for your trade name to be unique; more than one business can have the same trade name.

Registering your business' trade name does not give you ownership of the name. It is simply proof that you conduct business under a name other than your own personal name. Registering your business' trade name allows customers to identify you as the owner of the business.

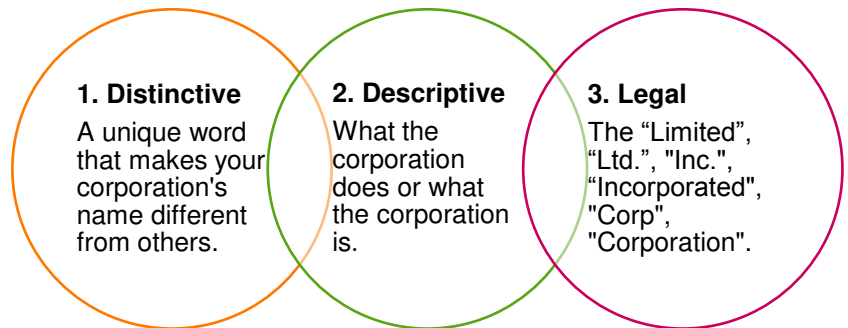
To register a **sole proprietorship** in Alberta:

1. Choose a business name.
2. Complete a Declaration of Trade Name Form – information about the business and the owner (i.e. owner's name and company name, address, description, etc.).
3. Register your trade name with a Registry Agent (the same place you get your Driver's License).

To register a **partnership** in Alberta, do the same thing as registering a sole proprietorship, and then complete and file a Declaration of Partnership Form. The information required for a Declaration of Partnership Form includes: business name and address, type of business, the date the business started (as a partnership), and the names and contact information of all partners.

## Naming and Incorporating a Company

You can choose to register your company as a numbered company (and operate under a trade name), or with a business name. In Alberta, a corporation's name must contain three parts: a distinctive word, a descriptive word, and a legal word (ex. ABC Building Supplies Ltd.).



## Provincial Incorporation

If you plan to do business in just Alberta, you only need to incorporate your business provincially. If you decide later that you want to do business in other provinces, you can then register your corporation with each individual province in which you will be doing business.

Provincial incorporation does not protect your company name in any other province, and registering in other provinces later means you may have to operate under a different business name, if your business name is already taken.

Incorporating your business can be a complex task, therefore it is recommended that you seek assistance from a professional such as a lawyer.

**TIP**

To form a corporation in Alberta:

1. Decide on a business name or choose to go with a numbered company instead.
2. Get an Alberta NUANS Report (for a business name instead of a number).
3. Complete Articles of Incorporation – legal document that sets out the primary rules of how the corporation will be managed (i.e. number of directors, types of shares, etc.).
4. Complete a Notice of Address Form (provide the address of the business and the address where you keep your records) and a Notice of Directors Form (name and address of each director of your company).
5. Take all of your incorporation information and your NUANS report to a Registry Agent to incorporate.



**What Are Directors?** Directors are appointed or elected members of the board of directors of a company who have the responsibility of determining and implementing the company's policies. A company director does not have to be a stockholder (shareholder) or an employee of the firm. As the company's agents, directors can enter into contracts with third-parties such as buyers, lenders, and vendors on behalf of the company. You can have any number of directors on your company's board.

For example, you may set up your company's board of directors to include anyone who has invested money in your business or anyone who you trust to make wise decisions on behalf of your company.

**What Are Shareholders?** Shareholders are a company's owners. When someone invests money (buys shares) in a company, they become one of its owners. Investors that are willing to put up money usually don't expect to get paid back right away. Instead they usually become shareholders (own shares) and are entitled to a portion of the company's profits (dividends). Money is usually paid back to investors monthly, quarterly or annually.

For example, you may ask your friends or family to contribute money (capital investment) to your business. In return, you would give them shares in the company (they would become part owners) and you would create terms and conditions about how and when you would repay them (ex. You may agree to pay them 5% of profits every month).

Simple incorporations, with only one owner, that are usually set up by an independent contractor usually include this owner as a director and shareholder.

## Federal Incorporation

If you plan to do business across Canada, even if it's not in the near future, it is a good idea to incorporate your business federally. Federal incorporation will give your business name protection across the country, and this will allow you to conduct business in any of the provinces/ territories. However, you will still be required to register your company in each province that you conduct business.

The downside to federal incorporation is that it can cost more money, and it requires more annual paperwork, for example Directors Minutes.

Even if you are federally incorporated, you will follow provincial regulations for each province in which you operate.

**TIP**

The process to form a federal corporation is similar to provincial incorporation. Some additional steps are:

- Get a Canada-based NUANS Report (if you choose a business name).
- Complete Initial Registered Office Address and First Board of Directors Form.
- File Articles of Incorporation online at [www.ic.gc.ca](http://www.ic.gc.ca) or through a lawyer.

## Case Study

*Paul and Shelley Smith know they want to set-up a corporation but they can't decide whether to incorporate provincially or federally. Paul and Shelley discuss the future of their business and they decide the following:*

- *For now, they want to stay in Fort McMurray and focus on getting regular clients in the local area.*
- *In the future, they want to expand to become a producer and distributor of baked goods for rural communities across Northern Alberta, British Columbia, and Saskatchewan.*

*Paul and Shelly conduct a Federal Corporate Name Search (NUANS search) and discover their preferred business name, 'Rise and Shine Bakery', is available for use.*

*Paul and Shelley decide to incorporate federally, instead of provincially. Even though it costs more money, requires more annual paperwork, and they don't plan to do business outside of Alberta for at least a few years, when they do expand, they want to be able to operate under their business name 'Rise and Shine Bakery Inc.', instead of having to potentially use a different trade name.*

*Paul and Shelley seek the assistance of a lawyer to file their Articles of Incorporation. For now, they register to conduct business in Alberta only.*



## Useful Resources

- **Service Alberta:** Alberta incorporation documents and information, declaration of a trade name and a list of registry agents. [www.servicealberta.ca](http://www.servicealberta.ca)
- **Corporation Canada:** Guide to Federal Incorporation. [www.ic.gc.ca/eic/site/icgc.nsf/eng/h\\_07102.html?Open&src=mm2#ic-sub-menu](http://www.ic.gc.ca/eic/site/icgc.nsf/eng/h_07102.html?Open&src=mm2#ic-sub-menu)

## 3. Secure Your Business Licenses and Permits

A business license allows you to legally conduct business. Usually you will get your business license from your municipality, town or city office; however, you may also need to get provincial, federal and other licenses and permits (ex. environmental and/or health permits).

Business licenses and permits vary depending on industry and type of business so research is required to determine what is required for your company. If you have a home-based business you may also require a Home Occupation Permit. You can get a Home Occupation Permit from your municipality, town or city office.

Operating your business without the required licenses and/or permits can result in fines and or an order to stop work.



*If you will be operating a business on-reserve, band policies and community bylaws may impact your business and where it can be located. Part of your Band Council Resolution (BCR) application will be to provide information including a business summary and a land description of where you want to locate your business. Based on this, your Band Council will be able to identify any necessary licenses and/or permits that may be required to operate on-reserve.*

*If you plan on operating off reserve, you may also be subject to Municipal, Provincial and/or Federal licensing and permit requirements. Further research will be required.*



### Useful Resources

- **BizPal Alberta:** Information on permits and licenses. [www.bizpal.ca](http://www.bizpal.ca)
- **Service Alberta:** Provincial licensing information by industry. [www.albertacanada.com/business/invest/register-your-business.aspx](http://www.albertacanada.com/business/invest/register-your-business.aspx)
- **The City of Calgary:** Business License Application and Instructions. [www.calgary.ca/businesslicenses](http://www.calgary.ca/businesslicenses)
- **The City of Edmonton:** Guide to Business Licenses. [www.edmonton.ca/businesslicenses](http://www.edmonton.ca/businesslicenses)

## 4. Get a Business Number and Determine Your Taxation Requirements

The Canada Revenue Agency (CRA) is the government department that administers Canada's tax laws. As a small business owner, there are certain tax and reporting requirements you must follow. For more information about the tax laws that apply to you, contact the CRA directly, or visit the CRA website at [www.cra-arc.gc.ca](http://www.cra-arc.gc.ca).

### Business Number

A business number (BN) is an identification number issued by the CRA that makes it easier for the CRA to track your business. Not all businesses require a business number. You only need a business number if you require any of the following business accounts:

- GST/HST
- Corporate Income Tax
- Payroll
- Import/Export

Before you apply for a BN, make sure you have the following information ready:

- Business name and address.
- Business legal structure and financial year end date.
- Business activity (services and/or products).
- Social insurance number (SIN) of at least one director.
- Contact person and business representative.

**TIP**

## Taxation

The type of business structure you choose will determine the way you report your income and the taxes that you pay. Taxes can be a complicated matter. For help with your taxes, seek the assistance of an accountant or trusted business advisor.

### Direct Tax (Income Tax)

If your business is a sole proprietorship or a partnership, you will pay taxes by reporting income on your personal income tax and benefit return (T1 General Income Tax and Benefit Return).

If your business is a corporation (separate legal entity), you will file a separate income tax return and your business will potentially have to pay corporate income tax (T2 Corporation Income Tax Return). As an employee and/or director of the corporation, you can earn money from the salary or wages you earn or from the dividends (profits) you collect. You will then have to file a personal income tax return to claim your own income.



*If your business is incorporated, any revenue earned by your company may be subject to corporate tax. If you are a sole proprietor or collect a salary as an employee of your corporation (not as a shareholder), the following, may apply:*

- *If you live on-reserve and conduct 90% or more of your business on-reserve, any income earned through self-employment may be exempt from tax.*
- *If you live on-reserve and conduct less than 90% of your business on-reserve, (that is, you split your work between on and off-reserve), any business done off-reserve may be subject to tax. Any work done on a reserve may be exempt from tax.*

### Indirect Tax (Sales Tax)

Goods and Services Tax (GST) is taxed on most goods and services in Canada at a rate of 5%. To collect GST from your customers, you must register for a GST account with CRA and have a GST number. **Any business with annual sales greater than \$30,000 must register for a GST number.**

If you will be doing business in a province that has Provincial Sales Tax (PST) or Harmonized Sales Tax (HST) your business will be responsible for collecting and paying the applicable tax.

**TIP**

You may want to register for a GST number even if your annual sales are less than \$30,000 per year to recover GST you may have paid out of your business to vendors. Once you get a GST number you are required to start collecting GST even if you have not earned \$30,000.





*If your business is on-reserve and is incorporated, any goods purchased are subject to GST and/or any applicable provincial sales tax.*

*For any goods you sell on-reserve (to Treaty Status), you do not need to collect GST, but you must document applicable status details such as band/family name/number for every sale. GST must be charged to all non-status customers, on or off-reserve.*

## Case Study

*After Paul and Shelly federally incorporate their business, they visit the Canada Revenue Agency (CRA) website to research taxation related requirements that might apply to them.*

*Paul and Shelley learn that because they are federally incorporated, they will automatically receive a business number (BN) from the CRA within 45 days of incorporating. This is great news for Paul and Shelley who thought they'd have to apply for a BN separately (they'd only have to apply separately if they provincially incorporated).*

*Next, Paul and Shelley learn that because their business is incorporated, they will have to start filing a separate income tax return. They also realize that because they earn more than \$30,000 per year, they need to apply for a GST number. Finally, Paul and Shelley discover that because they are both considered employees at Rise and Shine Bakery Inc., they also need to apply for a Payroll account.*

*Paul and Shelley are happy that they can apply for all of the accounts they need online on the CRA website.*



## Useful Resources

- **Canada Revenue Agency:** Information and applications for business accounts and business numbers. [www.cra-arc.gc.ca/bsnsss/menu-eng.html](http://www.cra-arc.gc.ca/bsnsss/menu-eng.html)
- **Alberta Treasury Board and Finance:** Tax & Rebate FAQ's. [www.finance.alberta.ca](http://www.finance.alberta.ca)

## 5. Establish Your Insurance Requirements

Insurance is an important part of your business start-up. Having the proper insurance coverage in the right amount reduces the risk of loss. Contact an insurance agent to determine your business insurance requirements. Some types of insurance to consider include:

<b>General Liability</b>	Protection against claims for damages or injury caused by being careless while working on the job.
<b>Product or Service Liability</b>	Covers claims for damages or injury as a result of using your product(s) or service(s).
<b>Business Vehicle Insurance</b>	Covers claims for damages to vehicles or claims for personal injury or damages to private property as the result of a collision.
<b>Errors and Omissions Insurance</b>	Protects against claims for administrative errors and mistakes (professional negligence).
<b>Business Premise/Content Insurance</b>	Provides compensation for damages to building contents including stock, equipment, furniture and machinery.
<b>Disability/Critical Illness/ Life Insurance</b>	Provides financial compensation in the event of a sickness, disability, or the death of an individual.
<b>Key Person Insurance</b>	Provides financial compensation following the death of a key person, such as a business owner or other executive employee.
<b>Bonding Insurance</b>	Covers claims for damages or loss caused by your employees such as mistakes due to carelessness, internal fraud, or theft.

If you will be using your personal vehicle (car or truck) to go to meetings or to run errands for the business, you will need to update your vehicle insurance to make sure that you are covered for both business and personal use.

**TIP**



In many cases, independent contractors are required to purchase bonding insurance before they are eligible to work. Bonding insurance will protect your business from losses caused by an employee (ex. theft, damage to a client's property, etc.).



### Useful Resources

- **The Insurance Bureau of Canada:** Insurance information. [www.ibc.ca](http://www.ibc.ca)
- **My Insurance Shopper™:** To find an insurance broker. [www.myinsuranceshopper.ca](http://www.myinsuranceshopper.ca)

## 6. Implement Your Workplace Safety Requirements

Regardless of the size of your business, being prepared will protect you, your employees, and your business from losses as a result of health and safety issues.

### Workers' Compensation Board (WCB) Coverage

Coverage purchased through Alberta Workers' Compensation Board ([www.wcb.ab.ca](http://www.wcb.ab.ca)) compensates injured workers for lost income, health care, and other costs related to a work-related illness and/or injury. In many cases, companies will require independent contractors to show proof of WCB coverage prior to awarding a contract for service.

There are a number of industries in Alberta that are exempt from having to purchase WCB coverage. However, if you work in an exempt industry, you can still apply for voluntary coverage.

**TIP**

**As an Alberta business owner you are required to purchase WCB coverage within 15 days of hiring your first employee.**

If you do not have any employees, personal coverage is optional and can still be purchased to protect you as a sole proprietor from the potential hardships of a work-related injury or illness.

For information about industries that are exempt from purchasing WCB coverage, visit the Alberta WCB website at: <https://www.wcb.ab.ca/resources/for-employers/>

### Occupational Health and Safety (OH&S)

Alberta's OH&S legislation outlines the rules and regulations related to the health, safety and welfare of people engaged in employment. The goal of Alberta's OH&S legislation is to ensure safe and healthy workplace environments. To learn more about Alberta's OH&S legislation, review the *OHS Code Explanation Guide* that contains easy to understand information to help you interpret Alberta's OH&S legislation.

As an employer, you are required to have a copy of the OH&S legislation available to your employees. OH&S legislation has three parts:

Providing a safe workplace for your employees is not only the right thing to do, it's required by law (Alberta's provincial OH&S legislation).

**TIP**

1. The "Act", which is the legal basis.
2. The "Regulation", which establishes rules as they apply to Alberta workplaces.
3. The "Code", which explains in greater detail what is required.

For information about Alberta's OH&S legislation or to order copies of the Code, contact the OHS Contact Centre at 1-866-415-8690.

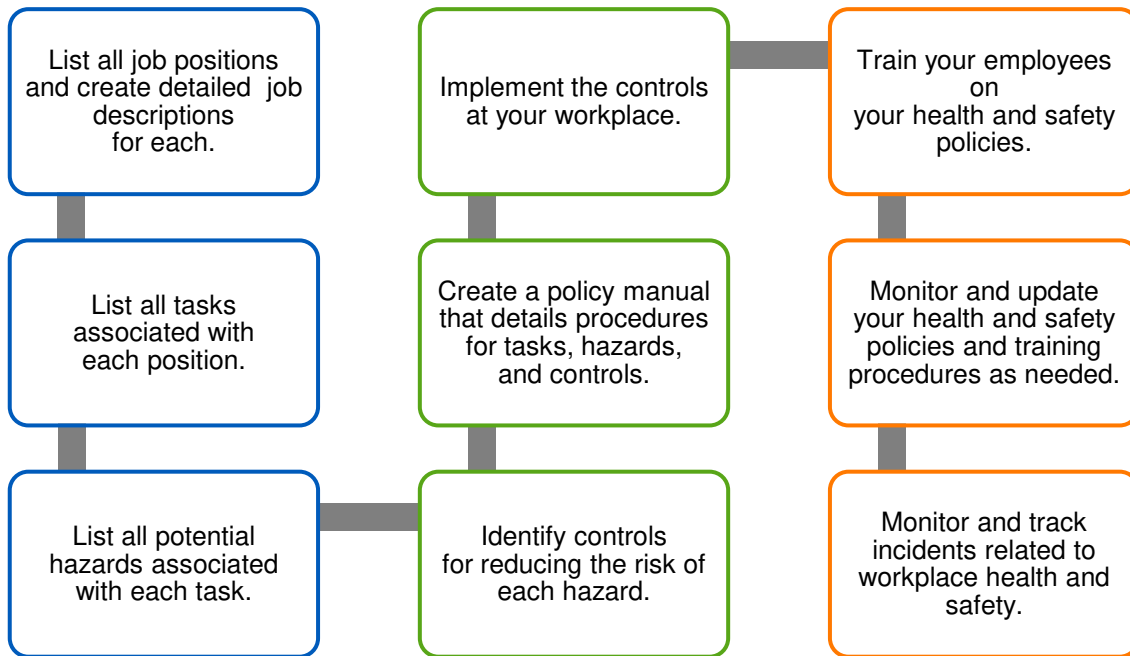
## Safety Program

A Safety Program is required for all types of businesses. It consists of policies, procedures and responsibilities to limit workplace injuries for yourself, your employees and for any sub-contractors that you may hire. This can include a safety manual, a safety training plan, safety checklists, an emergency plan, an appointed workplace safety specialist(s), etc. The following are just a few examples of the types of policies that you may need to create:

<b>Driving Policy</b>	Rules about operating a vehicle for work purposes.
<b>Working Alone Policy</b>	Rules about operating tools and equipment, etc. while working alone.
<b>Drugs and Alcohol Policy</b>	Rules about consuming drugs and alcohol during work hours or arriving to work intoxicated from drugs or alcohol.



This visual outlines how to put together a safety program. Your safety program must be customized to the type of product or service that you provide. For example, a freelance bookkeeper operating out of a small office may only need a Fire Policy, while an independent contractor in the oil and gas industry may need a number of safety policies depending on the type of the work.



## Case Study

*Paul and Shelley find a small commercial space to lease, and are approved for a business license and for the necessary permits they need to operate. To protect the business, Paul and Shelly purchase insurance for general liability, product liability, and business premise/content coverage. To protect themselves, Paul and Shelley both purchase illness, disability, and life insurance, and update their vehicle insurance so that they can use their truck for work.*

*Next Paul and Shelley research whether they require WCB coverage. Because they are both considered employees at Rise and Shine Bakery Inc., they set up a WCB account. They also put together a safety plan.*



## Useful Resources

- **Alberta Jobs, Skills, Training, and Labour:** Information about OHS Code. [www.work.alberta.ca/occupational-health-safety.html](http://www.work.alberta.ca/occupational-health-safety.html)
- **Occupational Health and Safety Toolkit for Small Businesses:** [www.work.alberta.ca/documents/ohs-tool-kit-small-business.pdf](http://www.work.alberta.ca/documents/ohs-tool-kit-small-business.pdf)

# MANAGING YOUR BUSINESS

Once you've set up your small business, the path to success is managing and growing it responsibly. The following sections discuss some of the most important elements involved in successfully managing and growing your business.

## Setting up a Business Bank Account

Opening a business bank account is one of the first things you should do when you start your business. A business bank account will keep your business and personal finances separate.

A business bank account will give your company credibility. For example, paying vendors with company cheques appears more professional than using personal cheques.

**TIP**

If you've started a corporation, a separate bank account is required. It's a good idea to open your business bank account at a bank that is different than where you have your personal account to prove you made the effort to avoid the mixing of finances. Also, if your business ever gets into financial trouble and your business bank account is frozen, you are less likely to have your personal bank account affected. If your personal finances are at the same bank as your business, you're more likely to have both accounts frozen while an investigation takes place.

If you've started a sole proprietorship a separate bank account is not required, but it is recommended to avoid confusion with your personal financial transactions.

Securing a line of credit before you need it will ensure you have quick access to funds. It is a good idea to have a back-up plan in place in case you experience an emergency and your business needs cash in a hurry.

**TIP**

## Managing Cash Flow

Cash flow refers to the movement of cash into and out of your business. Monitoring your cash flow is an essential part of managing your business. You should be able to anticipate your cash needs so that you are always able to balance your cash obligations.

It is important to keep in mind that:

- If you issue invoices to your customers you will only get paid every 30-90 days, which will delay the amount of cash you have coming into your business.
- If you purchase goods/services from vendors you will be required to pay them within 30 days.
- No matter when you get paid by your customers you must always have enough money to pay your business expenses, such as paying your vendors, your employees, and yourself.

- If you do not have enough cash to pay your employees, you can try to access additional funds three ways:
  - Follow-up with any customers who owe you money and ask them to pay you as soon as possible.
  - Call your vendors and ask them if you can delay your payment(s) to them until a certain date when you know you'll be cash flow positive.
  - Withdraw funds from a line of credit.

### BANK ACCOUNT BALANCE



In the example above, there is not enough cash in the bank to pay your staff (salaries). Borrowing from a line of credit will top up the bank account and cover expenses until new sales dollars are received.

## Case Study

*Paul and Shelley have been busy trying to keep up with all of the orders they've been getting at the bakery. Despite being extremely busy, Paul and Shelley realize they are low on cash and cannot pay the companies that supply their flour and sugar on time.*

*Shelley starts to investigate why they are so low on cash, even though they should be earning more than enough considering the amount of sales they've been making.*

*Shelley discovers a number of the invoices haven't been paid. It seems that the local restaurants that purchase baked goods from Rise and Shine Bakery Inc. haven't been paying their bills on time.*

*What Shelley discovers is that she's got a number of bills to pay, and no cash to pay it.*

*Paul and Shelley have to scramble to find money to pay their vendors. The first thing they do is call their vendors directly to ask for more time to pay. The vendors agree to give them a 2 week extension.*

*Paul and Shelley then get on the telephone and start calling all of their overdue clients asking them to pay their late invoices. Luckily, many of their clients pay their invoices right away. They then make a trip to the bank to withdraw money from their line of credit to cover the remaining amount they owe.*

*In an effort to get paid on time in the future, Paul and Shelley revise their invoicing procedure to:*

- *Make sure their clients receive their invoices with each delivery.*
- *Implement a 30 day payment policy.*
- *Commit to regularly following up with clients who are past due on their invoices.*

## Bookkeeping

Bookkeeping means you keep, organize, and track all of your financial records related to purchases, sales, earnings, and payments. Financial records are:

- Receipts.
- Sales invoices.
- Purchase invoices.
- Appointment books.
- Banking information.
- Income tax and GST/HST returns.
- Agreements/contracts.
- Directors/shareholders minutes – records of events such as details from shareholder meetings, tax filings, by-laws, and other legal information.
- General ledger – the complete record of financial transactions over the lifetime of a company.



The Canada Revenue Agency (CRA) has laws about how you manage your financial records:

- Your records must be kept neat and orderly.
- Any records you have on your computer must be kept on your computer, even if you have copies on paper printouts.
- All your records must be kept in Canada.
- You must keep your records for six years from the end of the last taxation year to which they apply.

Payroll information must be kept securely locked in order to protect the privacy of your employees' information.

**TIP**

## Payroll Records

If you have employees you must keep specific records related to payroll. These records include:

- The hours worked by each employee.
- Source deductions - Canada Pension Plan (CPP) contributions, Employment Income (EI) premiums, or taxes that you withheld from each employee.
- The Personal Tax Credits Return form (TD1), completed by each employee.
- CRA letters of authority that let you reduce tax deductions for certain employees.



*If your business is on-reserve and you have First Nation employees, EI premiums must be deducted from your employees' salaries/wages. Your First Nation employees' are exempt from paying CPP and income tax.*

## Hiring Staff

It is often difficult for a small business owner to decide when to hire an employee(s). The need for employees comes at different times for every business and depends on your industry, location and skills as a business owner. In addition, hiring employees requires you to maintain adequate cash flow so that you have enough money to pay your employees on time. Business owners need to carefully consider whether hiring an employee(s) is affordable.

Be selective when hiring employees they represent your business.

**TIP**

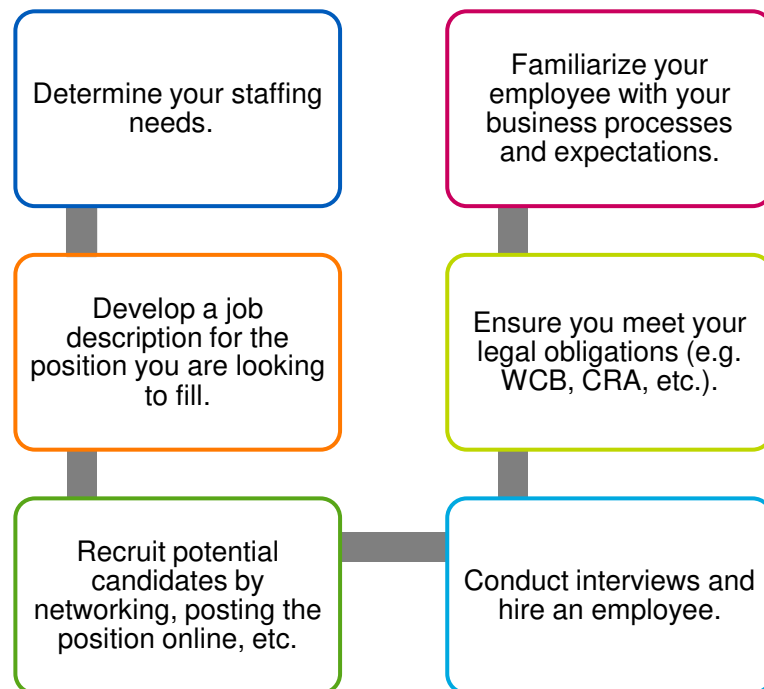
## Subcontractors

When thinking of hiring help, you should consider the type of work you need done. Is the work short-term or a one-time occurrence? If so, you should consider hiring a subcontractor. Many services can be outsourced temporarily or for specific expertise, such as bookkeeping, web-site design, or marketing. Hiring a subcontractor can save you money and time.

## Employees

If you require long term or permanent help, you may want to proceed with hiring an employee. When hiring an employee you will need to:

- Maintain enough cash flow so that you can pay your employees on-time.
- Obtain WCB coverage.
- Open a Payroll account with CRA and understand and follow all CRA payroll policies and requirements.
- Understand and follow Alberta's Employment Standards.
- Understand protected areas and grounds under the Alberta Human Rights Act.



*If your business is located on-reserve, your employees will be subject to Alberta's Employment Standards Code. However, there are exceptions depending on the type of business you have. Consult a business lawyer or Human Resource (HR) professional to understand the employment rules and regulations that apply to you.*

## Case Study

*After two years in operation, Paul and Shelley's business, Rise and Shine Bakery Inc., has built a reputation for good food and great service. The business has been profitable so far. Paul and Shelley continue to sell their baked goods to local restaurants and they have a number of steady walk-in clients at the bakery.*

*Paul and Shelley are at a point where they want to grow the business. To do this, they determine that they need to hire two permanent staff to help Paul in the kitchen. Shelley also requires help marketing the business. With all of her responsibilities, Shelley hasn't had any time to work on building the company's brand, including creating a website. Paul and Shelley post job ads for all three positions in the local newspaper and with the local employment resource centre.*

*Paul and Shelley interview a number of applicants and hire two full-time assistant bakers. They add the two new employees to Rise and Shine Bakery Inc. payroll and update the bakery's WCB coverage.*

*Paul and Shelley decide they cannot afford to hire a third full-time employee to help Shelley with marketing the business. Instead, they decide to subcontract to an independent marketing expert who can also design websites. Paul and Shelley draw up a short-term contract with the marketing specialist, agreeing to pay a set price for the design of a new logo and website, as well as some marketing materials such as business cards and brochures.*



### Useful Resources

- **Alberta Jobs, Skills, Training and Labour:** Information on Alberta's Employment Standards. [www.work.alberta.ca/employment-standards.html](http://www.work.alberta.ca/employment-standards.html)
- **Canada Revenue Agency:** Information about payroll. [www.cra-arc.gc.ca/payroll](http://www.cra-arc.gc.ca/payroll)
- **Alberta Human Rights Commission:** Information about the Alberta Human Rights Act. [www.albertahumanrights.ab.ca](http://www.albertahumanrights.ab.ca)
- **Alberta Learning Information Service:** Information about career planning and workplace issues. [www.alis.alberta.ca/](http://www.alis.alberta.ca/)

## GROWING YOUR BUSINESS

Finding business opportunities in your industry can be difficult if you don't know where to look. Luckily, there are strategies that you can implement to help you successfully grow your business.

### Procurement

**Procurement** is the purchasing of goods or services from an external source (contractor). The goods or services must meet the needs of the hiring company in terms of quality, quantity, time, and location, and are purchased at the best possible price. In summary, procurement is the process by which hiring companies acquire goods and services via a bidding process.

When a company announces a bidding opportunity, they may request an independent contractor to submit a proposal. Popular terms used to reference bid submission requirements include:

**RFP:** Request for Proposal

**RFQ:** Request for Qualifications

**RFB:** Request for Bid

**ITT:** Invitation to Tender



### Useful Resources

- **Canada Business Network:** A listing of the definitions of common procurement terms. [www.canadabusiness.ca/eng/page/2756/sgc-48/#sgcselect](http://www.canadabusiness.ca/eng/page/2756/sgc-48/#sgcselect)

### Be Visible and Build Relationships

By getting involved in your industry, you can build strong relationships and stay well-informed of upcoming contract opportunities. Consider the following ways to become known as a local supplier in your industry and to be considered for contract opportunities:



- **Contact hiring company purchasing specialists directly.** If you provide business-to-business services, reach out to the companies that you are interested in working with and ask to speak to a purchasing (procurement) specialist or the local Field Supervisor. Ask if the company has an Indigenous Liaison Officer who you can talk to. Many corporations are committed to using more Indigenous-owned businesses, and can tell you what you need to do in order to be considered a contractor.
- **Register with business databases/directories.** Research business directories or databases for you to register your company. Registering on these types of listings will make your business more visible to anyone looking to find a contractor. For example, Canada's Aboriginal Business Directory ([www.ic.gc.ca](http://www.ic.gc.ca)) is a directory that is available to Industry and the federal procurement community to identify Aboriginal-owned businesses. See page 43 for a list of helpful websites.



- **Join an industry association.** Industry associations are great sources of information such as market research data and tender (RFP) listings and can provide excellent networking opportunities through workshops, conferences, and trade shows where you can showcase your business and meet other people.

## Get Your Company Pre-Qualified



Many hiring companies will require you to become a 'pre-qualified' supplier. Becoming pre-qualified means your business meets all of their regulations such as safety, bonding, insurance, and resource and equipment requirements.

Some companies may require you to register with industry-specific contractor/supplier management databases. The purpose of these databases is to help hiring companies create lists of 'preferred vendors/suppliers/contractors' for specific types of work (i.e. Water Trucks, Reclamation, Emergency Services, Catering, etc.).

Once you have met all of the pre-qualification criteria, you are added to a 'preferred list'. Being on a preferred list means that when contracts become available (for the type of work your company does), you will be asked to bid for the work.

The advantage of pre-qualifying your company and getting on a contractor/supplier management database, is that you will then only compete against a handful of contractors which will improve your chances for success. The most popular Supplier/Vendor Management databases in Alberta are:

- ISNetworld ([www.isnetworld.com](http://www.isnetworld.com)).
- Complyworks ([www.complyworks.com](http://www.complyworks.com)).
- Avetta ([www.avetta.com](http://www.avetta.com)). (formerly PICS Auditing)
- CQN – Contractor Qualification Network ([www.cqnetwork.com](http://www.cqnetwork.com)).

Part of getting your business ready for pre-qualification is getting your safety program recognized by external experts. The following sections introduce you to Partners in Injury Reduction, Certifying Partners, and the Small Employer Certificate of Recognition (SECOR).

It costs money to maintain a membership with Pre-Qualification databases. You should carefully consider who your potential customers (hiring companies) are when choosing which database(s) to register with.

**TIP**

## Partnerships in Injury Reduction (PIR)

The Partnerships in Injury Reduction program promotes health and safety through partnerships with safety associations, industry groups, educational institutions, and labour organizations.

A Partner is an association, corporation, or organization that has entered into a formal agreement with the Alberta government to become a Partner in Injury Reduction. The government and each Partner sign a Memorandum of Understanding (MOU) outlining the specific commitments made by both organizations. Partners are committed to taking a leadership role in health and safety. There are about 70 Partners in Alberta.



### Useful Resources

- **Alberta Job Skills, Training, and Labour:** Information on the Partnership in Injury Reduction Program. [www.work.alberta.ca/occupational-health-safety/partnerships-in-injury-reduction.html](http://www.work.alberta.ca/occupational-health-safety/partnerships-in-injury-reduction.html)

## Certifying Partner (CP)



A Certifying Partner can assist you in developing a good safety program for your business by providing guidance and training. A CP will review (audit) your safety program to ensure it meets WCB standards.

You must choose a CP that is appropriate for your industry if you wish to pursue a SECOR (described in the next section).

When choosing a CP, ask yourself the following questions:

- Which Certifying Partner best fits your company and industry?
- Where do they offer training?
- What is the availability of training?
- What safety services do they offer?
- What are the costs of training and safety services?

You may be able to reduce your WCB premiums by up to 20% by voluntarily joining the Alberta WCB Partnerships in Injury Reduction program and obtaining your SECOR. Visit the Alberta WCB website ([www.wcb.ab.ca](http://www.wcb.ab.ca)) to learn more.

**TIP**



### Useful Resources

- **Alberta Job Skills Training and Labour:** A list of Certifying Partners in Alberta. [www.work.alberta.ca/occupational-health-safety/cor-find-a-certifying-partner.html](http://www.work.alberta.ca/occupational-health-safety/cor-find-a-certifying-partner.html)

## Small Employer Certificate of Recognition (SECOR)

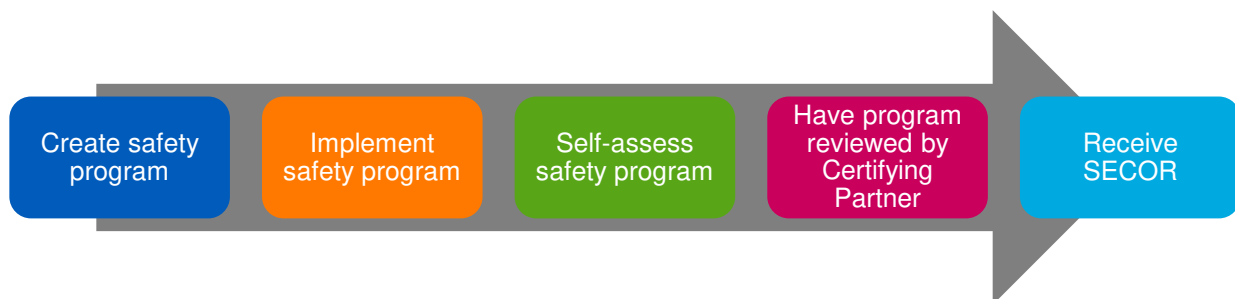


An employer that develops a health and safety program that meets their industry's standards can apply for a Small Employer Certificate of Recognition (SECOR). The SECOR is for businesses with up to 10 employees. If your business has more than 10 employees, you would qualify to apply for the standard Certificate of Recognition (COR).

Check with your Community to see if there is a company that already has their SECOR/COR – you might be able to bid on contracts using their SECOR/COR status.

**TIP**

To get a SECOR, you must conduct a self-assessment of your health and safety management system, then have the assessment reviewed by your Certifying Partner.



Obtaining SECOR status is beneficial because:

- You will show existing and future employees that you care about their safety.
- You will have better leverage when bidding on tenders/contracts.
- You may qualify for a discount on your WCB premiums.

### Case Study

*Paul and Shelley want to earn a reputation for being a safe workplace and learn that they can potentially save on WCB premiums if they have a Small Employer Certificate of Recognition (SECOR). They conduct some research and discover that Alberta Food Processors Association (AFPA) is a SECOR Certifying Partner. Paul and Shelley register with the WCB Partnerships in Injury Reduction Program naming AFPA as their Certifying Partner.*

*AFPA sends Shelley on a two-day health and safety training course. Shelley updates the Safety Plan for Rise and Shine Bakery Inc. so that it meets the requirements of AFPA and WCB's Partnerships in Injury Reduction Program. Paul and Shelley's Safety Plan is audited by an AFPA-certified auditor and passes the audit.*

*Paul and Shelley receive a SECOR, which they are told is valid for three years so long as they conduct an internal audit of their safety plan every year and AFPA reviews and approves the audit. Paul and Shelley also become eligible for a rebate of up to 20% of their WCB premiums.*

## Find Contract Opportunities



A contract opportunity is called an 'open tender'. It is a formal invitation to qualified suppliers/contractors to bid to supply products/services for a specific project or on a contract basis. There are a number of places you can look for open tender opportunities including:

- **MERX** is a Canadian electronic-tendering service which includes listings of public tenders, private tenders and private sector construction news. [www.merx.com](http://www.merx.com)
- **BuyandSell.gc.ca** is a Canadian electronic tendering service for public works and government services. <https://buyandsell.gc.ca>
- **The Alberta Purchasing Connection (APC)** is the Province of Alberta's official system for posting and distributing purchasing opportunities from the Alberta public sector. [www.purchasingconnection.ca](http://www.purchasingconnection.ca)
- **Unicom Systems Inc. BidsCanada** is a website that searches a number of other websites for RFP and RFQ opportunities and then consolidates all opportunities into one place for one-stop access. [www.bidscanada.com](http://www.bidscanada.com)

### Case Study

*Paul and Shelley decide that the best way to grow their business is to get a contract catering to the oil and gas work camps in Fort McMurray. After a month of research including phone calls and meetings, Paul and Shelley learn that in order for Rise and Shine Bakery Inc. to become a preferred supplier for any of the camps, their business needs to be bonded and they have to compete for work through a procurement process. Paul and Shelley contact their insurance broker to discuss what bonding insurance they should buy. Next, they begin searching tender websites for contracting opportunities.*

*Paul and Shelley find a Request for Proposal (RFP) for a one year contract with a company who owns multiple camps and needs a bakery to supply fresh baked goods including bread, pastries, cookies, and cakes. They carefully read through the RFP and agree that they can meet all of the requirements and qualifications the company is looking for. They check the deadline to submit a response to the RFP and find out they have a month to write their proposal.*



## Understanding the Request for Proposal (RFP)

The RFP is a bid process that asks the bidder (contractor) to submit a scope of work and cost estimate to complete that work. Once you come across a contract opportunity that's right for you, you will need to prepare a response in the form of a proposal. To make sure your response meets the client's requirements, take the time to review the opportunity carefully. A typical RFP will have five main sections:

1. Pre-submission Information.
2. Instructions to Bidders.
3. Bidder Acknowledgement Form.
4. Scope of Work.
5. Cost.

Each section details what the company is looking for from the bidder (your business) and how it wants that information to be presented. The graphic below provides some of the key details that need to be reviewed and/or are usually required as part of your proposal.

Once a proposal is submitted, it is a legally binding document. Even a simple spelling mistake can bind you to the error. For example if the cost of doing the work is \$70,000 but you accidentally say that it is \$7,000, then you will be required to provide the service at that price. If you are chosen to do the work.

**TIP**

Pre-submission	Instructions	Acknowledgement	Scope of Work	Cost
<ul style="list-style-type: none"><li>• Nature of work.</li><li>• Information sessions.</li><li>• Bid evaluation criteria.</li></ul>	<ul style="list-style-type: none"><li>• Due date.</li><li>• Instructions on how to complete and submit your bid.</li></ul>	<ul style="list-style-type: none"><li>• Used by companies to determine your interest in the work.</li></ul>	<ul style="list-style-type: none"><li>• Details of what work is to be completed, by whom and by when (detailed work plan).</li><li>• What equipment/tools will be needed.</li></ul>	<ul style="list-style-type: none"><li>• How to submit your cost for the work to be completed.</li><li>• What it will cost for you to do the work.</li></ul>

### Pre-submission Information

This section outlines the general nature of the RFP and should give you a quick idea about your suitability. When reviewing this section, consider whether your company can complete the work in terms of experience (capability) and employees (capacity).

In addition, many RFP processes will have an information session (bidders meeting) that will allow you to meet with the hiring company to discuss questions you might have about the RFP. It is recommended that you **ALWAYS** attend these meetings. It is a chance to get a further explanation of the RFP, gather information about your competitors, hear questions about the RFP that you didn't think about before, and meet and expand your contact network. If you have any questions, this is the time to ask.

Another critical piece of information to look for in this section is the bid evaluation criteria, which is how your response will be evaluated. In this section the hiring company will tell you what is important in determining the winner of the contract. You will need to fully understand what the hiring company is evaluating the responses on so you can tailor your response to receive maximum points and win the contract.

### Instructions to the Bidder

This section will usually indicate the due date for submissions. This is very important in the bid process. Hiring companies will not accept late bids; even those that are just two minutes past the posted deadline. Make sure you know when the response is due and that you submit it on time.

Finally look through this section for instructions on how to complete your proposal. The hiring company (the buyer) is looking for the easiest way to compare bids. Provide the information they have asked for in the format they have requested to give you the best opportunity to score maximum points.

### Bidder Acknowledgement Form

The acknowledgement form can be used to request information from the bidder (your company), but it is generally used to give the buyer (hiring company) some indication as to the general level of interest in the RFP opportunity. It also confirms who received the RFP (which companies are planning to submit a proposal) and that all possible bidders are included in the process.

### Scope of Work

This section details the work that needs to be done and when it must be completed. Understanding what is required to complete the project is the only way to know what the project will cost you to complete.

Many RFP's require the bidder to sign a contract when the work is awarded. You will be held legally responsible to deliver all requirements within the contract, so be sure you can deliver on what you say you can OR state any limits or exclusions that your company has. For example, if the contract is for emergency services and you don't have a big enough fleet to do medical transfers, then you will have to state this in your response so that it does not form part of your potential future contract.

### Price of Work

You may only get one chance to quote a price so bid the price you believe will win, but will also make your company money. Sometimes the RFP will indicate the price should come in a separate envelope. This is because in some cases, the hiring company will only open the price quotes for the bidders/contractors who meet the minimum requirements (as described in the pre-submission or evaluation section of the RFP).

Writing a proposal takes a lot of time and effort for which you do not get paid. Focus on bidding for work that you have a good chance of winning (i.e. you meet all of the qualifications and requirements).

**TIP**

## Pricing Your Bids

Before you start figuring out your fees, you need to know what your overhead costs are (fixed and variable costs of doing business) and how much profit you want to make (as a percent of overall costs).

**Fixed costs** are costs that remain the same regardless of how much product you sell or how many jobs you take. These include rent, insurance, loan repayments, etc.

**Variable costs** change based on how much work you do. They include cost of materials, packaging, transportation, etc. For example, you would order different quantities of paint for a house versus an office building, so the cost to you as the business would be variable (goes up and down) and is harder to plan for.

When choosing how much profit to include, consider what is fair for your risk, time, and skill and what the competition is charging.

The three most common ways to determine your fees are:

1. **Daily Fees (per diem)** – charging a certain rate for the amount of time you directly spend on the project. This fee is a combination of your labour, overhead, and profit requirements. Determine an annual figure for your labour and overhead, and then divide by 261 to get a daily figure (261 is the number of weekdays in a year\*). Add to this the percentage of profit you want and you will have a daily rate.

### Example of Daily Fees (per diem):

You want to make \$50,000 per year, which works out to \$191.57 per day. When you add your overhead expenses of \$100 per day, plus 20% profit, your per diem rate will be approx. \$350.

\$	191.57 (labour)
	100.00 (overhead)
+	<u>58.31 (profit)</u>
\$	<b>349.88</b>

\*When calculating your daily fee, consider how many days you will actually be working in the year. You may work seasonally and you would then divide your annual figure by 90 days or 150 days. Factor in your work schedule, seasonal trends, holidays, and sick time.

2. **Fixed Price** – a flat rate charged for the entire project. It includes your labour, overhead costs, expenses, and profit. Many clients like this because it allows them to know total costs before any work is done so they can budget and be assured what their final costs will be. For you as a contractor, this method of costing may be more risky. Unforeseen expenses or delays will come out of your pocket. When using this method, make sure you estimate the project as accurately as possible and include costs such as photocopying and transportation expenses. If you can, break down the project into small pieces and allocate costs for each section. Try to anticipate unforeseen costs.

**Example Fixed Price:**

You want to make \$50,000 per year, which works out to \$191.57 per day. Add your overhead expenses of \$100 per day, plus 20% profit.

You figure out that a project will take you three months to complete and will require you to work four days per week, 8 hours per day (48 days). Your fixed rate price will be \$16,794.43.

\$	9,195.36 (labour = \$191.57/day x 48 days)
	4800.00 (overhead = \$400 x 48 days)
+	<u>2799.07 (profit)</u>
<b>\$</b>	<b>16,794.43</b>

3. **Fixed Price plus Expenses** – this model is the same as a fixed rate except all direct expenses are charged to the client. Try to estimate what these will be, but make sure your contract states that the payer is responsible for all direct expenses. These could include expenses such as travel, postage, supplies and materials, permits, etc.

**Example of Fixed Price plus Expenses:**

You want to make \$50,000 per year, which works out to \$191.57 per day. Add your overhead expenses of \$100 per day, plus 20% profit.

You figure out that a project will take you three months to complete and will require you to work four days per week, 8 hours per day (48 days). Your fixed rate plus expenses price will be \$16,794.43 plus expenses.

\$	9,195.36 (labour)
	4800.00 (overhead)
+	<u>2799.07 (profit)</u>
<b>\$</b>	<b>16,794.43 plus expenses</b>

## Case Study

*Paul and Shelley spend a lot of time considering how to price their proposal for Rise and Shine Bakery Inc. to supply baked goods to the oil and gas camps. They start by considering their overhead and labour costs including the following:*

- *Ingredients and packaging.*
- *Delivery fees including leasing or purchasing an additional delivery truck, fuel, insurance, and servicing OR subcontracting delivery services to a private delivery driver.*
- *Administration (record keeping and account management).*
- *Labour, including the bakers, the delivery driver, and the account manager.*

*Next Paul and Shelley consider how much profit they want to make.*

*Finally, Paul and Shelley consider potential additional costs that might arise and affect their overall cost to meet the contract requirements.*

*Paul and Shelley decide to price their bid using the fixed price plus expenses model. Paul and Shelley already know how much it will cost them to produce the quantity of baked goods required by the camps. They have all of the necessary tools and equipment on hand, and can use their existing kitchen to process all of the orders. They have a great deal in place with the company that supplies their ingredients and buying bulk keeps costs low. Paul and Shelley agree they do not want to lease or purchase an additional delivery truck or hire an additional delivery driver. Instead, they decide they will subcontract a delivery company and charge all of the transportation expenses incurred directly to the client.*



When calculating your fees, ask yourself the following questions:

- How long will the job take?
- Can I do the job by myself? How many hours of my time will it take?
- If additional help is needed, how many people will it take? How much do I have to pay each additional person?
- Will there be expenses? What are they and how much will they cost?

As a contractor you do not get benefits. Be sure to account for this in your pricing.

Create a 'rainy day' fund so that if you have no work for an extended period of time, you have some savings to fall back on.

As a self-employed person, you are not eligible for Employment Insurance (EI).

**TIP**

## Write a Winning Proposal

When responding to any Request for Proposal (RFP), expect to prepare a response (proposal) that outlines your solution to the buyer's needs. Be sure your proposal follows the format requested in the tender, or if there is no requirement, include the following sections:

- **Cover Page** – client's name and contact information, name of contract, date of the proposal, your contact information, and an expiry date for your proposal.
- **Executive Summary** – a short summary of your proposal.
- **Table of Contents** – list of what information is in your proposal and what page it is on.
- **Understanding of Expectations** – what you understand the work/contract to be.
- **Statement of Work** – what you will provide to the client, your experience, timeline for completion, resources required, your team, etc.
- **Special Considerations/Exclusions** – such as who owns intellectual property rights or things that your company will not do as part of the contract.
- **Fees (Pricing)** – consider expenses like travel, equipment, subcontractors, supplies, etc.
- **Terms of Payment** – initial payment, date of invoices, payment terms and acceptable payment methods.
- **Cancellation Provision** – cancellation penalty, contingency plans.
- **Date and Signature** – sign and date your proposal.

**When writing your proposal, keep the following in mind:**

- Read the instructions twice.
- Create an outline of what they want.
- Find or create the information you need for each section.
- Use convincing language.
- Answer all the questions.
- Keep it short and easy to read.
- Do not use slang words.
- Remove repetitive information.
- Use the pricing method they provide.
- Check spelling and grammar.
- Use a consistent format.
- Submit your response on time.

**TIP**

## Winning a Contract

If you are successful in winning the bid, a contract will be provided to you, based on the terms and conditions you agreed to in the RFP. The sample contract that follows provides an example of the type of information you will find in a contract.

Managing your time and your job (project) is critical to your success. You may find yourself juggling 2 or 3 jobs, as well as estimating and bidding on new jobs, and dealing with a stack of invoices and bills. To become a successful independent contractor, you need to find a way to keep on top of all your business and job activities.

**TIP**

## CONTRACT FOR SERVICES

This contract for services is made this *DAY* of MONTH, 201\_\_

BETWEEN:

*NAME OF HIRER*  
(The "COMPANY")

&

*NAME OF CONTRACTOR*  
(The "CONTRACTOR")

It is agreed as follows:

The CONTRACTOR shall provide the COMPANY with the following *DESCRIBE TYPE OF SERVICES* services as an independent contractor:

1. *DETAILED DESCRIPTION OF WORK.*
2. (THE "WORK").
3. The CONTRACTOR shall commence the work on *DATE* and *INDICATE PERCENTAGE %* complete it by no later than *DATE*.
4. The total contract price (the "Contract Price") payable to the COMPANY to the CONTRACTOR for doing the work, exclusive of any authorized extras, is *WORD AMOUNT* dollars \$*AMOUNT*, plus applicable taxes *FIGURE AMOUNT*.
5. Subject to any statutory holdbacks under any applicable construction or mechanics lien legislation, the COMPANY shall pay the Contract Price as follows: *INSERT TERMS AND TIME OF PAYMENT(S)*.
6. The CONTRACTOR is only liable to perform and the Company is only liable to pay for extra services, in addition to the Work, that are authorized in writing setting out the price of the extra services and signed by both parties "*AUHZORIZED EXTRAS*".
7. The CONTRACTOR is entitled to interest at the rate of *NUMBER%* per annum on any overdue payments for doing the Work and any Authorized Extras under this Agreement.
8. The CONTRACTOR shall indemnify and save the COMPANY harm from any and all claims against the COMPANY arising out of the performance of the CONTRACTOR'S services under this Agreement.
9. Time is of the essence of this Agreement.
10. The terms of this Agreement may only be amended in writing signed by both parties.
11. This Agreement is governed by the laws of the Province of *PROVINCE*.
12. The CONTRACTOR shall act under this Agreement strictly as an independent contract and not as an employee of the COMPANY.
13. The CONTRACTOR shall provide his service with reasonable care and skill and to the best of his ability.

Executed this *DAY* day of *MONTH*, 201\_\_

\_\_\_\_\_  
*HIRER* Name

\_\_\_\_\_  
*CONTRACTOR* Name

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date

## SMALL BUSINESS RESOURCES

The table below highlights some key organizations that can assist you in setting up your business, obtaining financing, coaching and/or networking.

Organization	Website
<p><b>Business Link</b></p> <p>A non-profit organization that helps Alberta entrepreneurs start their own businesses.</p>	<p><a href="http://www.businesslink.ca">www.businesslink.ca</a></p>
<p><b>Northeastern Alberta Aboriginal Business Association (NAABA)</b></p> <p>A non-profit organization that consists of a growing interest group of Indigenous Businesses, committed to enhancing and creating an environment, which promotes businesses, jobs, and training for the betterment of all native people in the Northern region.</p>	<p><a href="http://www.naaba.ca">www.naaba.ca</a></p>
<p><b>Community Futures Treaty Seven</b></p> <p>Has a dual mandate of entrepreneurship and training and employment within its Southern region.</p>	<p><a href="http://www.t7edc.com">www.t7edc.com</a></p>
<p><b>Alberta Small Business Resources</b></p> <p>A Provincial directory of business resources for new and established entrepreneurs</p>	<p><a href="http://www.smallbusiness.alberta.ca">www.smallbusiness.alberta.ca</a></p>
<p><b>Canada Business Network</b></p> <p>A Federal repository of tools and resources for Canadian entrepreneurs</p>	<p><a href="http://www.canadabusiness.ca/en">www.canadabusiness.ca/en</a></p>
<p><b>Aksis</b></p> <p>A membership driven, not-for-profit organization created to serve as a central meeting point for Edmonton's Indigenous business community to connect, collaborate and flourish.</p>	<p><a href="http://www.aksisyeg.ca">www.aksisyeg.ca</a></p>
<p><b>Idea Connector</b></p> <p>A virtual collaboration platform to connect, share, engage and prosper offering resources to help you improve your success, find opportunities and grow your business.</p>	<p><a href="http://www.ideaconnector.net">www.ideaconnector.net</a></p>
<p><b>Canadian Indigenous and Minority Supplier Council</b></p> <p>Delivers programs and processes to promote and facilitate procurement opportunities between major corporations in Canada and suppliers of all sizes owned and operated by Canadian Aboriginals and Minorities</p>	<p><a href="http://www.camsc.ca">www.camsc.ca</a></p>
<p><b>NationTalk</b></p> <p>Canada's Premier Indigenous newswire, employment, event and tender service.</p>	<p><a href="http://www.nationtalk.ca">www.nationtalk.ca</a></p>

## SMALL BUSINESS START-UP CHECKLIST

- ✓ Think of a business idea you would like to pursue.
- ✓ Do research to confirm your business idea is possible.
- ✓ Write a business plan.
- ✓ Consider meeting with a professional (lawyer, accountant, business consultant, mentor, etc.) who can offer business advice.
- ✓ Explore financing options.
- ✓ Choose a business structure.
- ✓ Select a location for the business.
- ✓ Register the business name at a registry office.
- ✓ Apply for any required business licenses and permits.
- ✓ Learn about the tax implications for your business from the CRA (Canada Revenue Agency), i.e. declaring revenue, deducting expenses, etc.
- ✓ Have a system in place for your book-keeping or talk to an accountant.
- ✓ Obtain a business number from the Canada Revenue Agency if required.
- ✓ Set up a business bank account.
- ✓ Acquire any commercial or business insurance you may need (i.e. liability insurance).
- ✓ Get a telephone number/fax line for the business.
- ✓ Develop marketing materials (i.e. design logo, print business cards, etc.).
- ✓ Create stationery and standard office templates (e.g. letterhead, fax coversheet, invoices, etc.).
- ✓ Develop and implement Safety Program.
- ✓ Understand the human resource requirements if you will be hiring employees.
- ✓ Contact the WCB (Workers Compensation Board) if you are hiring employees.
- ✓ Hire a lawyer to assist in creating business contracts or other agreements.
- ✓ Consider which methods of payment you will be accepting (e.g. cash, cheque, credit card, debit card, etc.).
- ✓ Purchase a receipt book.
- ✓ Purchase office supplies.
- ✓ Purchase tools and equipment.
- ✓ Order inventory.
- ✓ Organize your business information, paperwork and files by creating categorized folders/binders.
- ✓ Obtain the rights for a website domain name and set up an email address.





**Website: [www.businesslink.ca](http://www.businesslink.ca)**  
**Business Information Line: 1-800-272-9675**

