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## MANAGEMENT

# Summer Employees

**H**iring students for the summer months helps your company's staffing during vacation times and often provides much needed resources for summer projects. For the students, these job opportunities help them gain valuable work experience as well as finance their return to school in the fall.



If you are currently recruiting students for summer employment or have some already on board, make sure they have the information they need to make a smooth transition from school into the workplace. As with any new employees, a well-planned orientation program will help avoid miscommunication and ensure the students adapt to the job and workplace faster.

While the orientation for a seasonal employee will not be as extensive as the one you may provide to full-time employees, it is important to introduce student employees to the company and the job to ensure a positive attitude right from the start. The key areas include:

- Meet the company.
- Meet the team.
- Here is how you fit in.
- These are the company's safety policies and procedures.

### The Week Before

- Call or e-mail the student to confirm the time they are to arrive the first day and other important details that they may have forgotten in the hiring process.
- Ask if they have any questions or concerns.
- Send the student any materials you may have that describe your company and its products/services (e.g., a company brochure).
- Prepare a folder for each student with the employment forms and documents that need to be signed on the first day.
- Ensure the student's work area is set up and supplies and/or safety equipment are ready and in place.

### The First Day

Plan your student orientation carefully so you do not overload the new employees with information on the first day. Focus on what they need to know in order to do their job well.

- Take them on a tour of the office, plant or job site and introduce them to people and processes.
- Introduce them to their supervisor and explain the reporting responsibilities.
- Explain the job and their specific duties. Provide a written job description and outline the expectations for performance.
- Set up a buddy system and match each student with an experienced employee to ensure the training continues on the job. This person should be the new employee's first resource for questions and concerns.
- Even if the job tasks are simple and straightforward, the work should be interesting and appropriately challenging right from the start to give the student a feeling of accomplishment. If possible, find opportunities for the student to observe client and staff meetings or watch work processes in other areas or departments.

### Safety First

Statistically, new recruits are involved in more accidents than experienced workers. For this reason, safety is a critical aspect of the student's

orientation program. The assigned employee-buddy should be responsible for helping the student learn the job as well as demonstrating and monitoring proper safety procedures.

- When you take the students on their orientation tour of the office, plant or job site, take time to point out on-site hazards and the protective measures in effect.
- Provide a copy of a straightforward explanation of the company's safety policies.
- Point out the symbols and signs that indicate hazardous goods or situations.
- Explain emergency preventative and response procedures and how accidents are reported.
- Show them where emergency equipment is located, such as fire extinguishers and the first aid kit.

If the job requires using tools and equipment:

- Demonstrate the safe use of tools and equipment and then give them guidance and feedback as they try it.
- Demonstrate the appropriate use of safety equipment and clothing. Emphasize when it must be worn and the dangers of not using it correctly.

- Ensure the buddy continually monitors and coaches on safety procedures on the job.

Depending on the job, some of the topics that will need to be covered include:

- Fall prevention.
- The proper use, set up and maintenance of ladders, scaffolding or guardrails.
- Housekeeping and storage of tools, chemicals, and parts.
- Electrical dangers such as overhead wires, water near electrical wires, and tools.
- The importance of a buddy system in risk areas.

The enthusiasm of student workers eager to earn their place with seasoned veterans of the work world can be invigorating for the owner/manager and the employees who work with them on the job. In addition to wanting to ensure their summer jobs are safe and rewarding, keep in mind that some of these part-time students may well be your full-time employees after graduation. ■

## TAXATION

# Employee or Independent Contractor?

Owner-managed businesses often hire contract workers for various economic and business reasons. While both the employer and contractor might consider the position to be self-employment, the Canada Revenue Agency (CRA) may view the contractor as an employee.

Both owner/managers and the contract worker must exercise care when establishing the working relationship that exists between them. Should the CRA determine that the independent contractor is in fact an employee, both the individual and the company will be obligated for payments of taxes and other levies.

Individuals cannot simply decide that they are self-employed for tax purposes. To be self-employed for tax purposes, they must meet a series of common law tests that are used to determine whether they are an employee or an independent contractor.

Using the common law tests, the CRA may ask:

- Whether the individual has the flexibility to determine his or her own work schedule.
- Whether there is a contract stating the individual is an independent contractor.
- How much control the employer has over how the individual's work is done.
- Who supplies the tools the individual uses.
- Whether the individual invoices for the services rendered.

- Whether the individual has the chance of profit and the risk of loss.
- Whether the individual provides services to more than one client.
- Whether the individual is to work on a specific project or has been contracted for an indefinite period of time.

No one issue will determine whether the relationship is one of an independent contractor or an employee. Depending on the type of work the person does, some of these factors may be given more weight than others.

### What's at Stake?

If the CRA does not view the arrangement as being one of self-employment, the worker will only be allowed the tax deductions available to an employee and not the additional deductions available to independent contractors, increasing his or her tax bill substantially.

The organization will also have a lot at stake. If the company treats a contract employee as self-employed but they are found to be an employee, the company will be responsible for paying EI premiums, CPP contributions, workers' compensation and other payroll taxes. The employer will be obligated to pay these contributions and interest on the late payments and will also be subject to penalties based on the amount owing.

### Request for Ruling

The issue of employed versus self-employed is not always clear. Because this issue is important for both the employer and the contract worker, consider asking the CRA to determine if the relationship is one of an independent contractor or an employee. However, their bias is more than likely that the individual is an employee.

### Independent Contractors Get All Those Deductions

Self-employed individuals certainly do have tax advantages in their ability to deduct reasonable expenses that they incur to earn their business income, unless the expense is specifically denied in tax law. Deductions could include meals and entertainment, promotion, automobile expenses, home office expenses and capital cost allowance on assets used in the business. They can also deduct the accounting and legal fees necessary to run their business, including the cost of having their chartered accountant prepare their personal income tax return. Personal expenses, of course, are not allowable deductions.

But there are other important considerations to their self-employed status. While not having to pay employment insurance (EI) premiums may, at first blush, seem an advantage, they are not able to collect EI benefits should they find themselves out of work. The employer must match the CPP contributions dollar for dollar for its employees. Independent contractors must pay all CPP contributions themselves; however, the additional one-half of the premiums is tax deductible.

Independent contractors are not entitled to company fringe benefits. To have coverage under a medical or dental plan, they would have to pay for the plan themselves. They can, however, claim the costs as a business deduction. In addition, they cannot contribute to a company pension plan.

If their taxable revenues exceed \$30,000 annually, independent contractors have to register for GST/HST and charge it on the supply of most goods and services to their customers or clients. But like all businesses, they can claim input tax credits (ITCs) on their expenses and most capital purchases.

Of course, along with these advantages and disadvantages come the recordkeeping and compliance aspects. Independent contractors must keep careful records and supporting documents for income tax, GST/HST and other purposes. They must also consider whether they have provincial sales tax (PST) obligations. Generally, they should register their business name with the province. In some situations, they may also have to determine whether it is necessary to obtain a license to meet the requirements of their particular municipality.

We have all heard self-employed individuals waxing on about writing off business losses. Yes, tax relief is generally available for independent contractors who suffer business losses as long as the business is carried on in pursuit of profit and is not a personal endeavour. However, for taxation years commencing after 2004, draft legislation proposes a reasonable expectation of profit test that will only allow business losses if it can be shown that the business expects a cumulative profit over the lifetime of the business.

### Talk to Your Chartered Accountant

The contract working arrangement has advantages and disadvantages as well as business risks for both the owner-managed business and the independent contractor. Whether you are an employer or an independent contractor, be sure to discuss your situation with your chartered accountant. ■



# Online Banking

**O**nline banking, high speed

Internet services and sophisticated security practices are making the management of the company's banking and cash flow easier than ever before.

Online financial services have many more benefits than not having to line up at a teller or ABM. For the busy owner/manager, this quicker and more convenient access to banking services can mean reduced costs and faster access to information for managing the company's bottom line.

Just a few years ago, online banking meant going online to access account balances and make payments. Today you can transfer funds between accounts, download and import transaction information to your accounting software, monitor the company's cash position and more, whenever and wherever. And as the number of companies using Internet banking services continues to steadily increase, financial institutions are customizing their available services to meet the specific needs of the customer as well as continuing to expand their online service offerings.

## Payments

You can pay bills online, make loan payments, set up or cancel post-dated automatic bill payments and download your statements to your accounting package. Automatic bill payment services allow you to list amounts that are to be paid at specific dates to improve cash planning and avoid late payment and interest charges. You can also create, list and remove stop payments. When you consider the costs and time required to print, process, mail

and reconcile cheques, the convenience and speed of doing these transactions online helps to reduce costs.

Transferring funds between accounts has never been easier. This function alone may be worth its weight in gold as it permits a business to easily manage separate accounts for employee payroll, employee withholdings or GST/PST. The allocation of funds at the end of a pay or GST/PST cycle permits faster reconciliation and better cash management while reducing the chances of error or misappropriation from the general operating account.

Many online banking systems provide the ability to apply for letters of credit. If your suppliers require guarantees of payment, this feature is a must for establishing confidence with your suppliers.

A business with operations in different geographical locations may find that payments, such as payroll, would be better served from the local branch. Electronic transfers easily facilitate this arrangement. Similarly, if your company needs to establish a banking presence in a location, set up a system for customers to pay through automatic debits at their local branch. This circumvents the "cheque in the mail" excuse for late payments. The head office can also quickly determine the cash flow stream from that location and its impact on overall operations.

## Cash Flow

Increased control over the company's cash flow is another important advantage. You can see almost immediately that your transaction has cleared your account. Therefore, if any transactions appear that you did not authorize, you can contact your financial institution immediately. You

can also search for specific transaction information based on criteria you provide.

Other services include the ability to provide the financial institution with a listing of cheques that are issued each day so that the bank can immediately notify you of any discrepancies. You can view the front and back images of incoming and outgoing cheques online as well as run activity reports on the corporate credit cards issued by the bank.

## Signing Authority

You can separate employees' duties by giving them different levels of access through user-specific IDs and passwords to limit their ability to handle payments or deposits and access documents. If your company requires two signatures on cheques for amounts in excess of pre-authorized limits, one employee can authorize the cheque, which is then held in a password-protected file and released only when authorized by the other party.

## Convenience

A key benefit of online banking is the "away-ability" for monitoring the company's financial transactions while you are away from the office. Tracking accounts receivable, payroll, supplier payments and overall cash flow are easily accomplished when you are home or on the road. With a computer and modem, you can monitor your accounts and address any urgent financial issues from anywhere.

Talk to your financial institution and your chartered accountant about the particular online services that make sense for your business. Online banking may be a viable way to boost efficiency and improve cash flow. ■

# Telephone Service with a Smile



**C**ompanies are increasingly communicating with their customers with e-mail from their palm pilots, notebooks, desktop and even their cell phones. While text messaging does offer many advantages, the telephone continues to play a key role in marketing, sales and customer satisfaction and loyalty.

Despite the many advances in communications technology, telephones are still a widely-used business tool in today's workplace. As a frontline customer contact, your employees' telephone skills and courtesy, or lack thereof, can make or break your business.

## Call Us

Every company receives calls from its customers and potential customers. In addition to website and e-mail contact information, a company's advertising will often include messages that encourage callers to "call us direct" or "call our toll free hotline". Poor telephone responses to telephone inquiries create a bad impression... and lose business.

To ensure your callers know that you value their business, review the ways telephone calls are being handled in your company and make sure every employee has the skills and techniques to make the telephone an effective business tool.

## Two Rings

Instruct staff to answer the telephone within the second ring. Nothing frustrates callers more than a telephone that rings incessantly without a response. Of course, sometimes employees are on the line or away from their desks. Set up the voice mail system to answer immediately when employees are on the telephone and on the third ring if they are away from their desk. Make sure employees know the importance of both the message they leave to greet the caller and a prompt response. Some companies set a benchmark such as responding to every customer voice message within 24 hours.

## Greetings

Employees should greet the caller by identifying themselves by name and company name. "Good morning, John speaking. You've reached ABC Company. How may I help you?" gives the caller the information they need to proceed. This also applies to answering calls that are transferred to another employee.

Similarly, when employees call customers they should begin the conversation by clearly stating their name, the company's name and the purpose of their call. If they are leaving a voice mail, they should also spell their name and clearly state the telephone number twice.

Remind employees to update their voice mail messages daily. Encourage them to sport a smile when they record their greeting as it helps convey a

friendly tone. The message should also give callers the option to call another extension or reach a receptionist if they do not want to leave a message.

## Hold Please

"May I put you on hold?" is a question that everyone has heard (and likely used). Of course, there may be a valid reason for putting a caller on hold; however, it is important that employees wait to hear the customer's response before pushing the hold button. The caller's permission should be acknowledged with a "Thank you. I'll be right back". If the caller cannot hold, they should take a few seconds to jot down the caller's name and number and call back as soon as possible.

In busy times, on-hold messages are often necessary for telephone processing. Studies show that callers will hang up just 15 seconds after being put on hold. Most callers do not have the patience or the time to wait. Other reasons cited for not staying on the line are long distance charges, cell phone charges, interruptions, or calling from locations where holding is not possible.

If the caller must wait because of the high volume of incoming calls, make sure the on-hold message is professional and clearly indicates the reason and the estimated wait time until a company representative can answer. Give callers the option to leave a message. Both of these strategies communicate that the call is important and will not be ignored. Studies show that most callers prefer hearing messages when they are on-hold rather than silence or the radio.

When the individual is not available, staff should not offer specific reasons but rather a brief, polite and general statement that the person is not available and offer to take a message.

Employees should not ask callers to call later as that transfers the company's responsibility to respond and this may result in lost orders and customers. Naturally, it is best to have the call returned within the hour whenever possible. If you are expecting an important call, your assistant should be instructed to call you on your cell phone when that customer calls. If you will be away from the office, make sure that someone is delegated to follow up on important calls in your absence.

### **Visitors**

While support staff should be instructed to intercept drop-in visitors when you are on the telephone, inevitably people do pop in. If you are engaged in a telephone conversation and someone walks into your office, acknowledge the visitor non-verbally and, if possible, indicate you cannot be interrupted. If necessary, terminate the telephone conversation quickly and politely with a promise to call back or say "Excuse me – a colleague has just walked through the door. May I put you on hold for a moment?" As with any on-hold situation, once you have the caller's approval, explain that you will be right back, greet the walk-in, and return to your telephone conversation as quickly as possible.

### **Meetings**

Answering the telephone or cell phone while you are meeting with a customer or prospect will quickly damage the

relationship. Certainly there may be times when it is necessary to pick up a prearranged call and, certainly if you have call display, you will know when the call arrives.

If an important call may interrupt a meeting, be sure to explain this to your visitor at the outset. When the call comes through, excuse yourself and take the call in another office. Speaking to one customer in front of another does not convey a sense of confidentiality and may inhibit what you say to the individual on the telephone.

### **Staff Training**

Even when a company has state-of-the-art telephone systems, it is the people factor that makes the difference.

Untrained employees contribute to poor customer service and loss of business.

By maximizing your employees' telephone skills, you can show customers that your company values their business.

In addition to stressing the importance of good telephone etiquette and ensuring everyone knows how to use your telephone system to best advantage, a training program should teach employees how to:

- Understand the customer's needs.
- Ask probing questions to clarify their needs.
- Help customers understand the company's products or services.

- Ensure the customers receive an adequate level of service.
- Deal with enquiries and develop sales opportunities.
- Handle and resolve complaints.
- Use the telephone effectively and time-efficiently.

The training program does not have to be developed in-house. Consider a packaged training program. Many of these are offered on videotape, some of which include humorous vignettes that drive the customer service message home. Larger businesses may wish to outsource the program to a company that will present on-site telephone training sessions. In addition, when you upgrade your telephone systems, be sure to ask about training support as a component of the provider's quotation.

### **Your Call is Important**

The way a company handles its inbound and outbound calls immediately communicates to customers and prospects whether it is prepared to provide the personal attention that callers expect. Make sure all employees understand your company's telephone protocols and their importance in enhancing your company's image. ■

BUSINESS MATTERS deals with a number of complex issues in a concise manner; it is recommended that accounting, legal or other appropriate professional advice should be sought before acting upon any of the information contained therein.

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