



Hiring Your Spouse or Child? What you NEED to Know!

So, you've decided to hire your spouse or a child to help out with your business. Fair enough. But once you start paying them for their work, did you know you'll need to take special care in the logistics of that relationship? In fact, without the proper documentation, the salary paid will be denied as a deduction, and the CRA could assess gross negligence penalties against you. Yep, it's like that. Let's go through what you need to do to keep everything above board.

Paying wages to a family member is a delicate matter (beyond the obvious relationship dynamics at play!) There has been enough fraud and impropriety in this area that you'll need to take extra care to lay all your cards on the table and document with extreme prejudice.

First of all, it's very easy to treat your 'new hire' as family instead of an employee of your company. By that I mean logistics around pay, hours worked, job description, etc. become casual and blurred. That approach will cost you down the road. Family or not, when you pay someone for their work in a company, by law, they become an employee. Period.

You will need to pay your spouse or child directly via cheque, e-transfer, or direct deposit into a separate, non-joint bank account. I guarantee that payments of cash or bartering work for chores or 'special favours' will not be looked upon favourably by the CRA!

You will need to document a clear definition of tasks and when you expect them to be completed. In other words, you will need to create a job description for your family member and a calendar of weekly, monthly, and annual tasks. Even better would be to complete time sheets documenting the actual work performed.

You will need to make sure there is a clear link between the work performed and the payment made. You can make that link with a *timesheet* and an *invoice*.

If your family member is required to make phone calls or send emails on behalf of the business, make sure you have evidence of those transactions. Have them include their signature on email or paper correspondence.

If you require your family member to travel for the business, make sure you fill out a travel log and keep associated receipts. Be sure to document the purpose of the trip. Umbrella drink inspections at an all-inclusive in Cabo will not fly as a business trip unless that actually is the nature of your business. (Cheers to you if it is!)

Labour law and the Human Rights Code demand that employers follow sound employment practices. That includes an annual performance review for all employees including your new 'family member employee.' You need to record that review and any negotiations of pay raises (or decreases). How you go about giving your spouse a performance review and still stay married is a topic in Dr. Phil's



wheelhouse and beyond my purview. I'm simply telling you that you are required to navigate that slope. (Hey, I didn't hire them—I'm just the messenger!)

It is a good idea to compile market statistics on the current wages or salaries paid in your market area for similar tasks. That way nobody can accuse you of inflating compensations inappropriately because of your relationship.

Make sure you document any capital contribution your family member makes to the corporation. For example, if they purchase any major assets or are involved in loaning funds to the business, then you will need to prove that contribution.

That's it. From a logistics perspective, hiring a family member will work as long as you are diligent about documenting that business relationship and remaining transparent in all transactions. The personal relationship dynamics perspective I leave to you. Good luck!