

PRACTICE DIRECTIVE #22

PRINCIPALS' EARNINGS INFORMATION

Background:

Active principals of limited companies are automatically regarded as workers and as such, their earnings are fully assessable. The Assessments Department, through the "Employer Payroll and Contract Labour Report" (Form 1810), historically collected information from principals that included their individual earnings information.

Board officers often used the Form 1810 information to verify the earnings collected on the Form 7, the "Employer's Report of Injury or Occupational Disease."

As part of the implementation of the Employer Service Strategy (ESS) launched on September 7, 1999, the names of principals and their individual earnings information are no longer collected. Form 1810 only provides information regarding total principals' earnings and the number of principals in the firm.

Overview:

On June 15, 1999, the Panel of Administrators approved amendments to Policy Item # 35.24 in the *Rehabilitation Services & Claims Manual* ("RSCM") and policies 40:30:20 and 40:30:30 of the *Assessment Policy Manual* ("APM"). These changes remove references to the collection and use of detailed principals' earnings information.

Policy item #35.24, Workers Engaged in Own Business, of the RSCM now states in part that:

"In determining wage rates of principals for compensation purposes, regard is primarily had to the earnings rate reported by the employer."

Initial Rate:

Board officers should refer to the earnings information reported on the Form 7. This information can be accepted to set the initial rate on the claim if the Board officer is satisfied with the information that is provided. If, in the opinion of the officer, additional proof of earnings is needed, then a provisional rate should be set and further verification obtained.

Verification is usually in the form of income tax information but can occur in the following ways:

1. When there are only a few principals in a firm, Board officers can compare the total principals' earnings to the number of principals reported to the Assessments Department.

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2. Board officers can also confirm earnings either from another principal of the same firm or a certified accountant but again, in the event of concerns as to the accuracy of the information, income tax or other impartial information should be obtained.
3. In some cases the worker may advise that the Board recently audited the firm. Contact Assessments for the information.

8-Week Review:

At the eight-week point of a claim, an eight-week rate review must be undertaken as per policy items #67.20 and #66.11 of the RSCM. Confirmed income tax information if not previously obtained, or other impartial evidence of verified earnings, is required at this point.

If, based on the earnings information received at the 8-week review or at any other time, it appears that the worker has misrepresented the initial earnings provided to the Board, an overpayment should generally be declared.