



## Quick Guide

### *Paying Subcontractors*

#### Abstract

This guide provides an overview of how to pay contractors.



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## Paying Subcontractors

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### Classify workers correctly as independent contractors or employees

For payroll tax purposes, workers are generally classified as employees or independent contractors. Whether a worker is an employee or an independent contractor depends on the amount of control the employer has over the worker and other circumstances. A worker's classification has certain payroll tax implications. You will pay payroll taxes for employees (like Employment Insurance), but you do not have to for contractors. A few simple questions can help you determine whether the person you are hiring is an employee.

- Will the work be performed on company premises?
- Will the individual work only for you?
- Will you provide tools for your worker to do his or her job?
- Do you control the hours the person works?

If you answered “yes” to any of the questions above, you’re probably hiring an employee and not an independent contractor. If the worker is classified as an employee, set him or her up as an “Employee” in QuickBooks. If the worker is classified as an independent contractor, set him or her up as a “Vendor” in QuickBooks. For more detailed information on how to classify a new hire, review the CRA’s website at <http://www.cra-arc.gc.ca/E/pub/tg/rc4110/>

### Paying Contractors

You pay contractors the same way you pay any other vendor: by entering and paying bills.

#### To do this task:

1. Enter a bill for the work the contractor performed.
  - a) Choose **Vendors > Enter Bills**.
  - b) Click the **Vendor** drop-down arrow and select a vendor, or select **Add New** to enter a new vendor/contractor.
  - c) Fill in the applicable fields.
  - d) Click the **Items** tab. You can edit items from your purchase order, enter new items, or both.
  - e) To enter shipping charges or taxes not associated with an individual item, click the **Expenses** tab. In the detail area, enter each charge, and associate it with its correct expense account.
  - f) Click **Save & Close**.
2. Pay the bill.
  - a) Go to the **Vendors** menu and click **Pay Bills**.



- b) If you have more than one bank account, go to the Account dropdown and choose the one that you want to use to pay these bills.
- c) Select the bills you want to pay.
- d) Set any discounts or credits that you want to apply to the bills.
- e) Choose the payment account and method you want to use, and (optional) assign a cheque number or a different payment date.
- f) Click the **Pay Selected Bills** button to record the bill payment.