

## Calculating Premiums on the Labour Portion of Contract

If the equipment owner-operator is considered a worker of the principal, the principal must report the total amount of the contract (net of sales taxes) on the employer's payroll statement. The principal may deduct or recover from the owner-operator the sum equivalent to the premiums paid based on the labour portion of the contract up to the maximum assessable earnings amount per person per calendar year, and the firm's net premium rate for the work being completed.

### Example

Company A enters into a contract for \$3,000 with an owner-operator to complete an excavation project that requires the use of major equipment. Using the Assessment Schedule for Contract Labour (PRO 07/2004), Company A determines that 25% of the total contract value (net of sales tax) is assessable. Therefore, Company A reports \$750 as the labour portion of the excavation contract to Employers Services staff.

Total contract value (net of sales tax)	\$3,000.00
Multiplied by the labour percentage (25%)	x 0.25
Labour portion of contract	<hr/> 750.00

To determine WCB premiums required for the labour portion of the contract and the allowable portion to deduct from the contractor of the excavation equipment, Company A uses their net premium rate, which is \$1.67 per \$100 of assessable payroll:

Labour portion of contract	\$750.00
<i>per</i> \$100 of assessable payroll	<hr/> ÷ 100.00
	7.50
<i>multiplied</i> by principal's net premium rate	x \$1.67
Amount principal must remit and is allowed to deduct	<hr/> \$12.53