



Canadian Trucking Alliance

Driver Inc. Misclassification and Noncompliance in the Canadian Trucking Industry

**Prepared for the Standing Committee on Transport, Infrastructure and Communities
(TRAN)**

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Introduction

As the committee will see, the crisis of Driver Inc. in Canada’s trucking industry is not a situation that lacks solutions—it is a situation that lacks political will. Despite repeated warnings and mounting evidence, meaningful action has been delayed. In the Fall Economic Statement of 2022, the federal government committed to addressing this issue, yet that promise remains unfulfilled. While CTA cannot speak to the reasons for that inaction, this briefing aims to make one thing clear: the damage caused by Driver Inc. is escalating, and so are the consequences—for safety, for lawful businesses, for workers, and for Canada’s supply chain.

What Is Driver Inc.?

Driver Inc. emerged from what could be described as a “polyamorous marriage” of policy failures:

- The misuse of the Personal Services Business (PSB) tax classification,
- A long-standing moratorium on T4A enforcement, and
- Poor insight, weak enforcement and a general lack of coordination between enforcement agencies, including CRA, ESDC, TC and provincial counterparts.

Together, this structure has enabled what is now a widespread and calculated scheme. Through a lack of enforcement over time on what started as tax evasion and labour code violations, has now grown to also include immigration fraud, commercial licensing abuse, insurance fraud, forced labour, and illegal cross-border operations.

The result is a dangerous erosion of public safety, especially on our highways, and the collapse of law-abiding trucking companies that are being undercut and driven out of business by illegal operators.

The following will break down these areas identified above from a labour, taxation, immigration and safety perspective, providing insight into the core problems at play and the solutions that have been put forth by industry.

Contents

- **Labour**Pages 1–9
- **Taxation**.....Pages 10–16
- **Immigration**Pages 17–18
- **Safety**Pages 18–25
- **The Cost of Driver Inc..**(Appendix A).

What is Driver Inc. From a Labour Perspective?

Under the Driver Inc. model, trucking companies treat drivers—who operate company-owned vehicles — as if they were independent contractors. These drivers are often required to incorporate and regularly bypassing mandatory deductions for EI, CPP, and income tax. It also encourages widespread tax evasion, with workers knowingly or unknowingly under-reporting income, claiming ineligible deductions, or simply not paying taxes at all.

This arrangement in turn allows carriers to sidestep a wide range of obligations, including overtime pay, vacation pay, paid sick days, personal leave, severance, provincial workers' compensation coverage, pay equity requirements, and employer contributions to CPP and EI.

It is conservatively estimated that companies can save at least \$20,000 to \$30,000 per driver annually through this scheme. For even modest sized fleets, this amounts to millions in illegal savings each year. For the government, this translated into billions in lost revenue.¹

In a 2018 memo to the Canadian Trucking Alliance, ESDC ruled that Driver Inc. misclassification was illegal and in contravention of the Canada Labour Code.² However, since that time the problem has only gotten worse. Recent ESDC inspections reveal just how widespread the non-compliance now is with the following noncompliance rates found in 2025:

- 40% nationally,
- 42% in Quebec,
- 62% in Ontario.
- Significant non-compliance identified in virtually every province and region.

Through enforcement activities across the country, ESDC has found gross non-compliance. For example, in joint enforcement efforts at truck weight scales and through other focused initiatives, ESDC has found the following:

- ESDC Blitz and inspections in Quebec (2024): 40% of employers visited were found in non-compliance with misclassification provisions.
- ESDC and WSIB Ontario Roadside Blitz Numbers (2025): Over 50 companies identified for potential audit related to labour law violations. Over 30 companies

¹ See Appendix A.

² https://cantruck.ca/wp-content/uploads/2018/10/ESDC-driver-Inc_public.pdf

identified for potential violation of provincial workers compensation laws by provincial authorities.³

- ESDC Winnipeg Blitz (2025): 64% of active employers visited that week were found in non-compliance with misclassification provisions (some were no longer in business).⁴
- ESDC Edmonton Blitz (2025): 50% of employers visited that week were found in non-compliance with misclassification provisions.⁵
- ESDC has previously reported that as many as 25% of companies identified as noncompliant 'simply disappear' when they attempt to conduct enforcement or follow up enforcement.⁶

These numbers are reinforced by industry data that reflects this noncompliance within the labour market. In an April 2025 industry survey, CTA found that more than one in three truck drivers applying for a job with Canadian trucking companies are asking to work under Driver Inc. type conditions. In Ontario, the province where the so-called Driver Inc tactic is most prevalent, nearly half of applicants want to work in the growing underground economy.⁷ In this, working in the underground economy has become so normalized in some parts of the industry, that hiring drivers to be on traditional payroll is itself becoming a challenge.⁸

Driver Inc. Drivers Are Not Independent Contractors

Over the years, some have attempted to confuse the Driver Inc. scheme with true independent contractors (known as Owner-operators). Legitimate owner-operators own or legitimately lease their trucks, control their work, assume financial risk in their business, and file taxes as businesses. In contrast, Driver Inc. drivers operate company-owned trucks, or engage in bogus lease agreements, work under direct supervision, and are incorporated solely to bypass payroll deductions. In this, these drivers are virtually indistinguishable from a traditional employee.

Though attempting to be classified as self-employed on paper, they lack business independence and are denied basic labour protections such as paid leave and overtime. This misclassification – despite clear rulings from ESDC – is what allows companies to exploit workers while avoiding their legal responsibilities and associated costs.

³ <https://cantruck.ca/enforcement-blitzes-unveil-non-compliance-insanity-facing-trucking-industry/>

⁴ <https://cantruck.ca/enforcement-blitzes-unveil-non-compliance-insanity-facing-trucking-industry/>

⁵ <https://cantruck.ca/enforcement-blitzes-unveil-non-compliance-insanity-facing-trucking-industry/>

⁷ <https://cantruck.ca/a-third-of-truck-drivers-demand-to-work-illegally-cta/>

⁸ Ibid.

Impacts on Carriers

Driver Inc. is destabilizing the industry by creating a two-tier system. Law-abiding carriers are forced to compete with those who gain an unfair cost advantage by misclassifying workers and avoiding payroll taxes, employment standards, and other costs like workers' compensation premiums.

The consequences include:

- Undermined competition
- Deteriorating labour conditions
- Increased pressure on compliant companies to either break the law or go out of business

Meanwhile, misclassified drivers face an increased risk of wage theft, unsafe conditions, and no job security. The result is a race to the bottom, eroding industry professionalism, government revenues, and long-term viability.

Why Governments Should Care

Driver Inc. affects economic fairness, worker rights, public revenues, and public safety. Addressing it is essential to support legitimate businesses, protect workers, and preserve the integrity of Canada's tax, labour, and transportation systems.

1. Massive Revenue Loss

CRA and ESDC enforcement pilots confirm the widespread nature of Driver Inc., costing taxpayers over \$1 billion and \$5 billion annually in unpaid taxes, EI, CPP, and workers' compensation premiums.⁹ This weakens Canada's social safety net and shifts the burden to compliant businesses and workers.¹⁰

2. Labour Exploitation

Misclassified drivers are denied basic legal protections and are vulnerable to exploitation—including wage theft, unsafe working conditions, and job insecurity. This is especially dangerous in a high-risk industry like trucking. Workers who are forced into the underground economy may also more easily be coerced into participating in further illegal activity – such as the transportation of contraband (drugs, weapons, etc.)

3. Market Distortion

Driver Inc. creates a two-tier system where non-compliant carriers undercut competitors by evading financial and legal obligations—forcing legitimate companies out of the market and depressing industry standards.

⁹ See Appendix A.

¹⁰ See Appendix A.

4. Enforcement Evasion

When caught, Driver Inc. operators often shut down and/ or rebrand under new names, making enforcement difficult and allowing abuse to continue unchecked. This practice is also prevalent in relation to safety violations with these companies being known as chameleon carriers.¹¹ Even if caught, penalties often do not match the illegal gains already realized by unscrupulous company owners.

5. Public Safety Risks

Driver Inc. carriers are more likely to operate with untrained or undertrained drivers, fraudulent or insufficient insurance, and fake licensing or certification schemes. These practices not only undermine regulatory integrity but also endanger lives on Canadian roads. The use of poorly trained or improperly licensed drivers poses a serious threat to road safety—putting other motorists, pedestrians, and the drivers themselves at risk.¹²

Critical Concerns for ESDC

1. Weak and Obstructed Auditing

While the auditing force has grown modestly with the establishment of ESDC's misclassification team – now comprising just over 20 auditors – CTA estimates there may be as few as one auditor for every 500 companies in the sector, and perhaps as high as one auditor for every thousand companies.¹³

When companies are identified for noncompliance, many regularly ignore ESDC audit attempts or refuse to cooperate. In this, many are aware there is little consequence for continued non-compliance or refusing to cooperate. In other cases, carriers simply change their operating name or business number and continue their practices without disruption.

ESDC lacks the mechanisms and authority to prevent or track corporate identity changes, allowing abusive operators to effectively reset their compliance record. Anecdotal evidence suggests as many as 25% of companies ESDC attempts to audit 'disappear' at some point in the enforcement process evading consequences altogether.

¹¹ Chameleon carriers and the provenance of jurisdiction shopping is discussed in the truck safety section of this document.

¹² <https://www.cbc.ca/news/canada/ottawa/driver-inc-scam-drives-truck-industry-crisis-1.7569716>

¹³ In Canada, trucking companies that operate commercial vehicles across provincial, territorial, or international borders must register for the International Registration Plan (IRP). These same companies by the same definition are also federally regulated. IRP data shows a little over 20,000 entities in Canada registered. This estimate is based on the assumption there are at least 10,000 trucking entities and perhaps as many as 20,000 as IRP data suggests with around 20 ESDC auditors focusing their attention on the industry.

2. Ineffective Penalties: AMPS Fall Short

In relation to the size of the problem, the current Administrative Monetary Penalties system (AMPs) is ineffective and somewhat outdated despite being relatively new. In this, the industry often sees the issuing minor fines that are far outweighed by the financial gains that can be realized for Driver Inc. type noncompliance. Therefore, companies view these penalties as a simple and relatively cheap cost of doing business, not a deterrent. Worse, in many cases the only outcome is that companies are simply told to start complying with the law going forward—without facing consequences for prior violations.

In most cases – as far as CTA can tell – engaging in misclassification would yield an employer an AMP between \$7,000 and \$12,000. This is less than the financial gain that can be realized from misclassifying just a single employee.

3. No Restitution for Wage Theft or Forced Labour

When ESDC finds that workers have been misclassified and unlawfully denied entitlements such as:

- Overtime pay
- Vacation pay
- Holiday pay
- 10 paid sick days
- Personal leave
- Health and safety requirements
- Countless other entitlements

It is industry's understanding that – with the exception of a direct complaint by an employee – under normal auditing processes (proactive audits and enforcement) ESDC does not require retroactive compensation or any meaningful restitution for employees who have been stripped of overtime pay, vacation pay, holiday pay, paid personal days, paid sick days, among a host of other entitlements. This approach effectively normalizes wage theft and mass labour abuse with companies seemingly being allowed to keep the money they illegally gained even if eventually caught.

When a direct complaint for wage theft is launched by a worker to ESDC and a payment order is issued to the company, CTA has been told that in many cases these orders still go unpaid. Many media reports speaking to drivers also confirms this belief.¹⁴ CTA estimates that the trucking industry represents at least 85% of all wage theft complaints ESDC receives, making this in itself a significant and widespread problem.

4. Systemic Tolerance of Labour Abuse and Forced Labour Conditions

By failing to act with sufficient speed and force, ESDC has allowed conditions that closely resemble forced labour to flourish in parts of the trucking sector. Aside from the

¹⁴ <https://www.cbc.ca/news/canada/toronto/truckers-brampton-rally-wage-theft-1.7330833>

rampant wage theft, the following are also shockingly common themes the industry is witnessing:

- Workers coerced into incorporation
- Denied standard employment protections (labour standards and safety)
- Forced to work under threat of termination or blacklisting
- Left without access to income supports like employment insurance
- Exploited through “never-never” lease agreements that create the illusion of ownership without the rights of true contractors
- Forced to work beyond maximum allowed hours
- Forced to operate unsafe equipment
- Forced to work with no training or inadequate training
- May be more easily coerced into transporting contraband

Adding to the concern, trucking is among the largest private sectors under federal jurisdiction, with truck drivers likely making up the single largest private sector job class under federal jurisdiction.

5. Inadequate Visibility: ESDC Does Not Know Who It Regulates

ESDC lacks a comprehensive list of federally regulated carriers, leaving thousands—if not tens of thousands—of companies operating off its radar. This basic knowledge gap severely limits ESDC's ability to monitor, audit, or enforce its own laws in any systematic or equitable way. The result is a federally regulated labour market where:

- Abuse is rampant and goes unchecked.
- Enforcement is undermined, or nonexistent.
- Workers are systematically stripped of their rights wherever possible and profitable.
- Non-compliance has become the norm.
- Law-abiding businesses are punished by unfair competition, now being put out of business as they are no longer able to compete.
- Everyday Canadians employed by reputable employers are now losing their jobs as the market and shippers increasingly shifts to low-cost illegal operators.

In effect, companies that voluntarily comply with federal labour laws – and thereby make themselves visible to ESDC – are the ones most often subject to regulatory oversight. This includes employers who submit mandatory annual reports, such as Employment Equity reports, Employer's Annual Hazardous Occurrence Reports, Pay Equity Plan updates, and others. Over time, this has created a de facto auditing regime that disproportionately scrutinizes the most compliant employers as known entities, while largely missing those who operate under the radar by failing to report or engage with the system altogether.

Canadian Human Rights Commission (CHRC)

While the focus thus far has been on ESDC, it is important to note the same concerns apply to other federal bodies with broad labour related mandates such as the Canadian

Human Rights Commission (CHRC). These organizations face similar challenges, including a limited understanding of the companies comprising the sector, but in the case of the CHRC, is arguably worse due to its significantly smaller oversight and auditing capacity.

The CHRC is responsible for overseeing and enforcing three key pieces of legislation: the *Employment Equity Act*, the *Accessible Canada Act*, and the *Pay Equity Act*. Although exact figures are incalculable under current conditions, CTA has long suspected and communicated to CHRC officials that compliance rates under these acts are likely even lower than those under the Canada Labour Code.

This is largely because achieving full compliance in these areas is often administratively complex and financially demanding. In fact, most employers find it difficult to fully comply without retaining costly outside legal and consulting services. Despite the CHRC being mandated to report on its activities and performance annually – along with separate reports by its respective commissioners – stakeholders across the industry have yet to see their longstanding concerns publicly acknowledged while new regulations continue to be developed and implemented.

Nonetheless, like ESDC, the CHRC would also benefit from many of the recommendations outlined below, particularly when it comes to the establishment of a comprehensive list of federally regulated companies, bolstered auditing forces, and improved data sharing with federal departments and provincial entities.

Recommendations

To restore credibility, protect workers, and uphold the integrity of federal labour law, ESDC must at minimum:

1. **Create and maintain a comprehensive, transparent registry** of all federally regulated carriers and contractors.
2. **Establish stronger powers to compel compliance**, including binding audit cooperation and consequences for obstruction or avoidance.
3. **Bolster misclassification team** with added resources and auditors.
4. **Reform the AMPS regime** to impose meaningful, escalating penalties that match the scale of non-compliance and deter repeat offenders.
5. **Mandate full restitution for affected workers**, including retroactive pay, interest, and damages where appropriate.
6. **Develop an interagency approach** in collaboration with CRA and provincial bodies to detect jurisdiction shopping and corporate relabeling.

While it should be acknowledged that the industry has seen some positive movement from ESDC over the past few years with initiatives such as the establishment of the misclassification team and the establishment of the data sharing agreement with CRA, the reality is over the past ten years ESDC has become a passive enabler of systemic labour abuse in the federally regulated trucking industry. The department's limited oversight, weak enforcement tools, and failure to consistently provide meaningful

restitution have allowed Driver Inc. to flourish—at the expense of workers, compliant businesses, and public trust.

What is Driver Inc. From a Tax Perspective?

From a tax perspective, Driver Inc. is a misclassification scheme in which trucking companies treat drivers—who should legally be classified as employees—as independent contractors or incorporated Personal Service Businesses (PSBs). This arrangement allows companies to avoid paying mandatory payroll contributions such as CPP, EI, provincial workers' compensation premiums, provincial health taxes where applicable, and other employment-related costs, while also sidestepping obligations under federal labour standards.

For drivers, incorporating may appear attractive because they avoid source deductions and may gain temporary cashflow advantages or access to certain business deductions. However, these benefits are often short-lived or illusory, as PSB rules severely limit allowable expenses, expose drivers to higher effective tax rates, administrative burden and legal risk. Nonetheless, one or both parties can benefit financially by participating in the underground economy, with this benefit lasting as long as enforcement remains absent.

The Canada Revenue Agency (CRA) and The PSB Mirage

Under the Income Tax Act, a Personal Services Business exists when an incorporated individual would reasonably be considered an employee if not for the corporation. CRA often refers to these individuals paradoxically as incorporated employees. In other words, it's when an individual tries to use a corporation to work as a contractor, but the actual relationship is essentially that of an employer-employee. Thus, these rules were originally designed to prevent tax avoidance through artificial incorporation.

If you are incorporated and the CRA finds that you do not meet the criteria of an independent contractor (i.e., you'd be considered an employee but for the existence of the corporation), then your corporation likely becomes a Personal Services Business (PSB) by default. In the case of Driver Inc., this is what happens as these drivers do not pass the independence test (control, ownership of tools, chance for profit and loss, integration) because:

- They do not own their trucks.
- They work under supervision.
- They are economically dependent on a single company.
- They are incorporated solely to avoid payroll deductions and taxes.
- They are virtually indistinguishable from a traditional employee.

As noted, being a PSB is not intended to be advantageous and there is little to no advantage for a truck driver to operate as a Personal Services Business (PSB). On the contrary, this arrangement often carries significant financial and legal downsides with PSBs typically paying more in taxes than traditional employees.¹⁵

⇒ This raises a fundamental question: if drivers operating as PSBs face higher tax rates than they would as regular employees, why are so many in the industry still seemingly choosing this model?

Critical Concerns

1. CRA Has Known About Driver Inc. for Years

The Canadian Trucking Alliance (CTA) and other industry bodies have raised concerns about Driver Inc. directly with the CRA for at least eight years. CRA has acknowledged the problem, studied it, and ultimately found gross non-compliance in the sector. Despite this, the agency has not – in the industry’s view – prioritized systemic action.

2. PSB Enforcement is Not a Priority

For some time, the industry has called for a public and coordinated enforcement effort on noncompliant PSBs and general tax evasion in the industry. However, these calls have largely gone unanswered to date. The most prominent example appeared in the Government’s Fall Economic Statement of 2022, where it stated in relation to the Driver Inc. scheme, *“The Canada Revenue Agency is currently working across sectors, including the road transportation industry, to encourage greater awareness and foster compliance with tax rules governing the use of incorporated employees. Further details will be provided in Budget 2023.”*¹⁶ At the time, the industry took this to mean that we would finally have a comprehensive strategy for combating tax evasion in our sector, which would be unveiled in the Federal 2023 Budget. However, when the 2023 Budget was released, there was no mention of the issue and no tax strategy unveiled. Since this time, CTA has requested an explanation for this reversal in position with little substantive response.

As a result of this neglect:

- Likely tens of thousands of Driver Inc. corporations continue to file misleading returns unchallenged, or increasingly do not file at all.
- Carriers face little to no visible consequences for orchestrating or forcing drivers into these arrangements.
- The underground economy continues to grow—with CRA seemingly turning a blind eye.

¹⁵ See below for a deeper dive into PSBs and the tax disadvantages they face.

¹⁶ In the 2022 Fall Economic Statement, there is a half-page dedicated to the Driver Inc. scheme. You can view this here [chapter 2, page 36] - <https://www.budget.canada.ca/fes-eea/2022/report-rapport/FES-EEA-2022-en.pdf>

3. Billions in Lost Revenue

By not enforcing the law, CTA estimates the CRA is allowing the loss of between \$1 billion and \$5 billion annually to the underground economy, including but not limited to:

- Income taxes
- EI and CPP contributions
- Improper claiming of small business deductions
- Corporate taxes from legitimate businesses being squeezed out

This represents a direct hit to Canada's fiscal capacity and unfairly shifts the tax burden onto law-abiding businesses and workers.¹⁷

4. Undermining Compliant Businesses

Law-abiding carriers who absorb the cost of compliance, withhold and remit taxes, and respect employment standards are at a significant competitive disadvantage. CRA's inaction:

- Incentivizes non-compliance
- Indirectly penalizes honesty
- Destroys market integrity

5. Empowering Worker Exploitation

Many believe it is the tax evasion that provides the key financial incentive which fuels worker misclassification, stripping workers of EI, CPP, workers' compensation coverage, and legal labour standards, and health and safety protections. Without proper classification, workers are:

- Denied income supports when injured, laid off, or sick.
- Left with unexpected tax bills.
- Unable to access employer-funded benefits.

CRA's public silence on the issue reinforces a system that pushes workers into precarious, unprotected, and often exploitative arrangements.

Impact

- Workers lose access to social protections
- Businesses face distorted competition
- The public loses critical tax revenue
- The rule of law is undermined by selective or weak enforcement

¹⁷ See Appendix A.

Therefore, this is not just a tax policy failure—it is increasingly a policy choice with real-world consequences for fairness, integrity, and economic justice.

A Closer Look at the Connection Between PSBs and T4As

In nearly all cases, there is little to no legitimate benefit for a truck driver to operate as a Personal Services Business (PSB)—and often serious financial and legal downsides.

Why There's No Real Benefit for Drivers to Be a PSB

1. Loss of Tax Deductions

Under the Income Tax Act, PSBs are not allowed to claim most typical business deductions, except for a very limited set.

Regular incorporated businesses can deduct a range of expenses, while PSBs cannot—which negates the main “benefit” of incorporating for tax purposes.

2. Higher Effective Tax Rate and Burden

A Personal Services Business (PSB) must file a corporate income tax return, issue T4 slips to its employees, and file GST/HST returns. PSB income is taxed at the full federal and provincial corporate rates, plus an additional 5% tax. Unlike regular corporations, a PSB cannot claim the small business deduction, the general corporate tax rate deduction, or deduct most business expenses. The incorporated individual working through the PSB must also file a personal income tax return, making the overall tax burden significantly higher than for regular employees and standard small businesses.

After the total tax obligation and administrative costs are fully considered, the bottom line is PSBs pay more than traditional employees when it comes to taxes. If nothing else, this point should beg the question why there are so many PSBs in trucking?

3. Generally, no EI, CPP, or Provincial Workers' Comp

As a PSB, drivers:

- Don't get employer CPP contributions
- Are not eligible for Employment Insurance (EI)
- Are often not covered by Provincial Workers' Compensation (WCB/WSIB)

That means in most cases no income support if injured, sick, laid off, or forced off the job.

4. No Labour Protections

Employers, now pretending their drivers are independent contractors, then take the opportunity to strip them of their labour rights under Canada Labour Code, including:

- Overtime pay
- Personal leaves
- 10 paid sick days
- Holiday pay, Vacation pay
- A host of other entitlements

In other words: fewer labour protections and almost no income security.

5. Legal and Financial Risk

Operating as a PSB without meeting the criteria puts drivers at risk of:

- Reassessment by CRA
- Back taxes, penalties, and interest
- Potential disqualification from social benefits or EI in the future

So Why Do Drivers Agree to it?

Some drivers are pressured others are misled by employers:

- Told they'll "take home more"
- Told it's a tax loophole or grey area
- Forced to incorporate as a condition of employment
- Sold on false tax-saving claims
- Sometimes in an effort to create the impression of compliance, offered shady "lease" agreements that create further dependence.

While these reasons are well known to industry, they are also well known to the CRA. In fact, these are some of the main findings that have come out of their PSB Pilot Study. In this, the CRA has stated in their 'key findings':

- A little over half (183 - 63%) of these confirmed PSBs incorporated because they felt they were required to do so in order to find work.
- Close to one-third (83 - 29%) indicated they were told to incorporate by their hiring company, of which 42% were incorrectly informed that they were eligible for the SBD or general tax reduction, and 60% were told they could claim various operating expenses on their T2 - Corporate Income Tax Return.

- More than three quarters (245 - 84%) of these confirmed PSBs had claimed the SBD, which they were not eligible for, and did not include the additional 5% tax on PSB income.
- Nearly 83% (241) of these confirmed PSBs operate in transportation and warehousing (124 of 203 participants - 61%) and professional, scientific and technical services (117 of 477 participants - 25%).¹⁸

In this same study, from just a small sample, the CRA identified millions in tax leakages and evasion. In earlier versions of the report published on their official site – which have now been scrubbed¹⁹ – the CRA notes on average there was \$16,711 per PSB in tax evasion identified.²⁰

On the company side, it is just as obvious why so many are pressuring drivers to engage in this. In most cases, this is equivalent to at least \$20,000 to \$30,000/ year per misclassified employee. In turn, the driver gets none of the real benefits of being self-employed nor the labour protections of an employee, but in the absence of CRA enforcement, is afforded the opportunity to now engage in tax evasion as the PSB pilot showed.

As time has passed, the perceived risks for both the company and driver for engaging in this has diminished and after at least 14 years of little enforcement action, the practice is now commonplace in the industry. This is evidenced by the fact that CRA's enforcement data now points to truck drivers likely being the single largest job class in the entire economy using the PSB model, despite being nearly non-existent when the PSB designation was first introduced.²¹

What is the Connection Between T4As and PSBs?

Issuing T4A slips, including Reporting Fees for Service (RFS), is currently required under Canadian tax law. This means businesses and organizations must report payments made to contractors or other businesses for services exceeding a certain threshold in a calendar year—typically using a specified box on a T4A slip.

In 2011, the Canada Revenue Agency (CRA) introduced an enforcement moratorium on penalties for failing to complete Box 048 (RFS) on the T4A. This means, while the law is still on the books, it is not currently being enforced. The rationale at the time was to allow businesses—many of which at the time still relied on manual bookkeeping—to adjust to the new requirement. However, although originally described as a temporary

¹⁸ <https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/corporations/corporation-income-tax-return/personal-services-business-pilot.html>

¹⁹ Over time the CRA site has been revised and key data points once visible have been removed. Most data points removed appear to be related to quantifying the scale of the problem and enforcement. However, using internet archive services like Way Back Machine these pages are still viewable. CRA site in its current form: <https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/corporations/corporation-income-tax-return/personal-services-business-pilot.html>

²⁰ Ibid.

²¹ CRA's PSB Pilot results show the transportation and warehousing sector, with 'general freight' as being the largest user in their sample.

measure, the moratorium has now remained in place for 14 years. And while there have obviously been significant advances in electronic bookkeeping and payroll systems over this period the moratorium remains.

The Canadian Trucking Alliance has consistently been told that a key barrier to cracking down on the underground economy is the CRA's limited ability to track payments from companies to contractors, as businesses face no penalties for failing to report contractor payments via T4As.

More recently, the CRA has also reengaged its working group on reporting fees for services who have been advising on this issue for the past 14 years. When the group was reconvened, CTA requested to officially be included in these discussions. However, CTA was not granted standing on the committee and the final report produced is largely silent on the connection between T4As and the underground economy.

Recommendations

1. **Immediately prioritize PSB enforcement** in the trucking industry as a strategic compliance priority.
2. **Conduct large-scale audits** targeting known Driver Inc. carriers and incorporated drivers to verify tax compliance.
3. **Lift the enforcement moratorium on T4As** or implement another practice to better track contractor payments.
4. **Apply existing penalties and back-taxes retroactively**, as per the Income Tax Act.
5. **Collaborate with ESDC and provincial regulators** to identify high-risk companies, especially those with history of misclassification. This could include expanded roadside enforcement efforts at truck weight stations.
6. **Reinforce and expand inter-agency data sharing**, including T4A reporting, business number registration, and WCB compliance.
7. **Warn industry participants through public compliance notices** and coordinated campaigns with industry.
8. **Report publicly on enforcement general enforcement actions** to demonstrate CRA is restoring fairness and deterring abuse.

Failing to enforce PSB rules and combat Driver Inc. is a missed opportunity to uphold tax fairness, protect vulnerable workers, and ensure a level playing field for Canadian businesses. The agency's inaction sends a dangerous message: those who cheat the system face no real consequences. CRA must act decisively to enforce the law, recover lost revenues, and restore trust in Canada's tax system.

What Does Driver Inc. mean from an Immigration and Forced Labour Perspective?

In criminal behaviour, it's well understood that those who break one law rarely stop there – small infractions often escalate into broader patterns of rule-breaking. Once someone crosses a legal or ethical line, the barrier to crossing others often becomes lower. The same applies to the business world. It is also important to note that the trucking industry is one of the most diverse in the entire economy – both as a whole and on an individual company level. In this, the trucking industry and CTA have always been adamant supports of immigration and attracting new talent from abroad.²²

However, our support has always come with a warning and call to protect those coming to our industry and Canada.²³ In this, it is important to understand how forced labour and modern slavery in trucking's supply chain currently works.²⁴ It has been explained to CTA by organizations and individuals who are trying to stop these practices, or by those who represent individuals who have fallen victim, as a sophisticated network of actors targeting individuals who want to live in Canada – regardless of whether they planned on being truck drivers or not. Even visitors, students, and tourists who decide they want to live in Canada are convinced to enter this pathway by participants in the system.

CTA has been told that the LMIA process in particular, is the gateway for this abuse, giving employers – many involved in the Driver Inc. scheme – a “license to control” drivers with permanent residency (PR) ambitions for months or years. Because it's the trucking company employer submitting the LMIA, and who must sign-off on the driver before ESDC/ IRCC grants them PR status, the driver is often afraid to object or report things like poor working conditions, low pay, withheld wages, injuries, forced labour, etc.

The entire process involves a network of operators working in a highly organized and coordinated fashion – from immigration consultants/services, driving schools, temp agencies, and the carrier employer. In some instances, some of these factions are integrated or may fall under the umbrella of a single company. Each of these players ‘charges’ the truck driver for services or are compensated by another entity throughout this chain. As a result, it is not uncommon for drivers to pay between \$40,000-\$80,000 in multiple stages to go through the LMIA process, gain employment, and eventually become a permanent resident or citizen.²⁵ In many cases, to pay this debt, they are forced to driver commercial vehicles for either no wages, or significantly lower wages than legally permitted (either as outlined through their LMIA application, or according to

²² <https://cantruck.ca/cta-express-entry-begins-category-based-selection-for-key-occupations-including-truck-drivers/>

²³ <https://immigration.ca/canadian-trucking-companies-want-faster-processing-of-immigration-applications/>

²⁴ <https://www.theglobeandmail.com/investing/markets/markets-news/NewsWire.ca/34577523/the-joy-smith-foundation-launches-initiative-to-combat-forced-labour-in-manitoba-s-trucking-industry-tuesday-september-9-2025-1000-am-rosser-weigh-scale-manitoba/>

²⁵ <https://www.trucknews.com/business-management/data-shows-widespread-trucking-abuse-of-canadas-temporary-foreign-worker-program/1003198056/>

Federal and Provincial minimum wages). This practice is also supported by US officials who have communicated to CTA widespread irregularities on visa applications and the wages being reported.

While this entire LMIA/PR process – which can last 12-18 months – is mostly conducted under payroll, the amount of control the employer gains over the driver allows for basement-level pay rates, non-payment for orientation/training and other on duty time, no overtime, dismissal upon injury, and pay deductions for everything from late deliveries to damage on company owned equipment.

With this, many months of systemic manipulation and normalized forced labour then creates an environment that is ripe for funneling drivers into the Driver Inc. model, whether it's continuing to work with the original carrier or another carrier that is part of the underground economy network employing the Driver Inc. scheme. CTA's sources with those trying to stop this forced labour and version of modern slavery in various communities, confirm that this is the point when Driver Inc is 'sold' to the driver as a graduated system of sorts. It's no wonder that after many months of abuse and little pay under the LMIA process, that the promise of 'entrepreneurship' under the Driver Inc model – is marketed as an upgraded career opportunity. It of course is not, and only serves to strip these drivers of their labour rights and to make them a party to tax fraud.

Not only does this whole process obviously impact the workers involved, but by extension also impacts the countless other employers who use immigration programs properly, with good faith and good intentions, and who genuinely seek to set newcomers up for success within their company and within Canada.

What does Driver Inc. mean from a Truck Safety Perspective?

The implications of Driver Inc. extend far beyond payroll and taxation. Companies that circumvent tax and labor laws by misclassifying drivers are not just cutting financial corners - they're also more likely to compromise on critical aspects of safety. When an organization is willing to ignore its legal obligations to workers and the government, it raises serious concerns about its commitment to ensuring safe and compliant operations.

This disregard often extends to essential elements such as equipment maintenance, proper training, and adequate insurance coverage.²⁶ Safety isn't an isolated priority — it's closely tied to the overall integrity of a company's practices. If a business is willing to bend the rules to save money on taxes and wages, it's reasonable to question whether

²⁶ <https://www.trucknews.com/human-resources/mto-suspends-truckers-licences-after-uncovering-dishonest-testing-training/1003201453/>

similar shortcuts are being taken when it comes to the safety of drivers, other road users, and the public at large.²⁷²⁸

Like issues involving tax evasion, labour abuse, and immigration fraud, tackling the safety risks associated with Driver Inc. requires a coordinated effort. Solutions must come from both provincial, territorial, and federal governments working together to restore the integrity of the industry. The Canadian Trucking Alliance (CTA) has recently submitted a list of concrete priority policy options to the ongoing Canadian Council of Motor Transport (CCMTA) process to address truck safety nationally, as directed by the Council of Ministers Responsible for Transportation and Highway Safety. These recommendations, aimed at strengthening enforcement and raising standards, are included below.

Create a federal anti-avoidance task force to address carriers who engage in avoidance tactics (i.e., chameleon or ghost carriers, Driver Inc., etc.)

The federal working group should include federal, provincial, and territorial government representatives with the mandate of identifying and sanctioning carriers who are operating in multiple jurisdictions in non-compliance. The working group can troubleshoot specific cases and also work on continuous improvement strategies in consultation with the industry.

Issue: Currently there are significant gaps in communication between Canadian jurisdictions when addressing non-compliant carriers. Carriers who operate business models based on non-compliance know that the provinces are not aligned and do not readily share intelligence on poor carriers with each other. This allows carriers to evade sanctions and continue to operate by jurisdiction shopping, etc.

Rationale: Having a formal, standing anti-avoidance task force would allow the provinces and territories to meet regularly to address carriers who are operating in multiple jurisdictions for non-compliant purposes. This task force would also allow jurisdictions to share information on Driver Inc. carriers for enforcement and sanctioning purposes. A regular formal group would greatly improve information sharing and assist in uniformity within the Safety Fitness Certificate regime.

Clearly identify that owner-operator and legitimate contract driver agreements be retained NSC Standard 15 and subject to Facility Audit

Most compliant carriers currently retain these records and utilize them for workers compensation and other reporting requirements. Including these records as part of a Facility Audit will allow auditors to more easily identify non-compliant carriers who are utilizing owner-operator and other similar mechanisms to avoid detection. Furthermore, this will assist auditors in identifying an accurate employee count to help combat the Driver Inc. model.

²⁷ Ibid.

²⁸ <https://www.cbc.ca/news/canada/ottawa/driver-inc-scam-drives-truck-industry-crisis-1.7569716>

Issue: Current Facility Audit requirements do not speak to the retention of owner-operator or driver agreements. Some provinces do require driver applications and resumes; however, this may not include details outlining how a driver is compensated. This limits an auditor's ability to identify driver misclassification.

Rationale: Clearly indicating that agreements and driver compensation records must be retained will:

- ⇒ Allow auditors to identify Driver Inc. drivers through the compensation statements and driver contracts (i.e., contracts that identify a corporation where an owner operator arrangement is not present).
- ⇒ Allow auditors to gain insight into what type of drivers a carrier is utilizing (employee, driver service, owner-operator, etc.).
- ⇒ Assist auditors in identifying the use of avoidance tactics where carriers will improperly act as a broker and "sub-contract" work to a driver who is operating as an illegal carrier with their own authorities.

Note that all contractual and compensation information would remain confidential with the auditing agency, as remains the case currently with other documents obtained through Facility Audits.

Require that subcontract and brokerage records be retained in NSC Standard 15 and subject to Facility Audit

Most compliant carriers will retain these records for taxation or other compliance purposes. Including these records as part of a Facility Audit will allow auditors to more easily identify non-compliant carriers involved in avoidance tactics by being able to trace the source of a load and identify illegal brokerage practices.

Issue: Current Facility Audit requirements do not speak to subcontracting or brokerage records being retained for audit purposes. This limits an auditor's ability to identify who is ultimately paying for a load or determining who is ultimately acting as the carrier.

Rationale: Clearly indicating that subcontract and brokerage records must be retained will assist auditors in identifying the use of avoidance tactics where carriers will mask their operations by appearing to broker loads to other carriers. In reality, these carriers continue to operate as a carrier and maintain direct control over the drivers/carriers they are "brokering" loads to. This also assists in identifying Driver Inc. carriers by providing easier access to contracting agreements and compensation information.

Note that all contractual and brokerage information would remain confidential with the auditing agency as remains the case currently with other documents obtained through Facility Audits.

Add a requirement to establish a formal data sharing agreement for carrier NSC registration between provinces and territories

This would include sharing of carrier data such as addresses, corporate officers, etc. Examples could include a requirement in NSC Standard 7 that all Canadian jurisdictions conduct a scan of other provinces/territories for existing carrier registrations prior to issuing one in their jurisdiction. This would not prevent the legitimate registration in multiple jurisdictions but only assist in identifying when a sanctioned or Conditional carrier is attempting to set up in another province or territory.

Issue: Currently there is very little vetting of a carrier's standing in other provinces or territories when obtaining a Safety Fitness Certificate. While some jurisdictions do request that carriers declare they have not been sanctioned in another Canadian jurisdiction, this information is typically self reported. It is currently far too easy to engage in jurisdiction shopping or avoidance tactics by simply re-registering a carrier in another province or territory.

Rationale: Obtaining Safety Fitness Certificates for illegitimate purposes is at the core of establishing ghost carriers and jurisdiction shopping. Carriers who knowingly operate illegally will often reincarnate themselves in other jurisdictions to avoid sanctions and keep operating. There have been countless examples of carriers who have been sanctioned, only to re-appear in another jurisdiction. Having a data sharing agreement would equip the provinces and territories with the tools to vet applications and identify carriers who are attempting to evade a sanction in another jurisdiction.

Create a national NSC carrier database which can be searched by provincial and territorial agencies

The database should contain all the demographic information outlined in NSC Standard 7 and could be accessed when evaluating a carrier's NSC performance or when determining if an NSC should be granted to a new entity applying within a given jurisdiction. The purpose of the database would not be to replace the existing provincial authorities but rather the database will assist in identifying affiliations with various carriers across the country.

Issue: As previously outlined, there are gaps in the vetting of a carrier's standing in other provinces or territories when obtaining a Safety Fitness Certificate. Jurisdictions do not readily share carrier data with each other and roadside law enforcement does not have access to carrier data outside of their home jurisdiction.

Rationale: Having access to all Safety Fitness Certificate data from across the country will greatly assist in monitoring carrier performance. A searchable database will facilitate ongoing monitoring of carriers by the provinces and territories. For example, searches of the national database could be completed upon each renewal, each time a facility audit or other sanction is initiated, or each time the carrier applies for a new certificate. This would assist in identifying affiliated carriers and indicators of avoidance tactics. The database should also include data on whether the carrier has been identified as operating with a Driver Inc. model, flagging these carriers for review by other

jurisdictions. Finally, this database could be accessed roadside by law enforcement, greatly assisting law enforcement in identifying when they are dealing with a carrier involved with Driver Inc. or who may be operating as a ghost carrier.

Add a requirement to capture all vehicle VINs and annual vehicle odometer data to the demographic information captured in NSC Standard 7

Ideally, this will be integrated with the provincial vehicle registration and International Registration Plan system to auto capture vehicles plated under the carrier's NSC. This can also be integrated with the PMVI/CVIP electronic certificates to auto capture vehicle data and odometer readings. Secondly, add requirements to track VIN movement among carriers to better identify when vehicles are being transferred between non-compliant entities for avoidance purposes (i.e., outside of a legitimate sale of a business or vehicle sale). This will assist in identifying when vehicles are being moved to a ghost carrier for avoidance purposes.

Issue: Currently NSC Standard 7 does not require specific reporting of VINs and other fleet related data and permits self reporting. This allows carriers to engage in avoidance tactics by reporting false data and masking the movement of vehicles among ghost carriers.

Rationale: Ensuring that data is obtained directly from government sources will greatly improve accuracy and mitigate avoidance tactics through false reporting. This will also reduce the burden of reporting the various data points by legitimate carriers. Additionally, tracking VIN movement greatly assists in identifying ghost carriers. VIN tracking can further assist in identifying Driver Inc. carriers by providing more data relating to employee counts versus truck ownership data (i.e., identifying true owner-operators versus Driver Inc.).

Note that the VIN data would be private information utilized by the provincial monitoring agencies only and would not be available publicly, as is the case today where specific vehicle data is not included in public carrier abstracts.

Add requirement to capture and report all NSC numbers and jurisdictions, as well as USDOT numbers, to the demographic information captured NSC Standard 7

Capturing this information will assist the provinces and territories in identifying affiliated carriers who are operating in other Canadian jurisdictions. Furthermore, validating the reported NSC carrier data from other provinces, and US DOT data, can help Canadian jurisdictions identify when a non-compliant carrier may be attempting to establish a ghost carrier.

Issue: As previously outlined, there are gaps in the vetting of a carrier's standing in other provinces or territories when obtaining a Safety Fitness Certificate. Jurisdictions may ask a carrier to self report if they have been sanctioned in another Canadian or US jurisdiction, but they often do not capture the actual Safety Fitness Certificate numbers for tracking purposes.

Rationale: Having access to all Safety Fitness Certificate and US DOT numbers associated with a carrier will equip the provinces and territories with an additional tool to vet applications and identify carriers who are attempting to evade a sanction in another jurisdiction.

Note that the carrier's affiliated NSC information would be private information utilized by the provincial monitoring agencies only and would not be available publicly, as is the case today where affiliated carrier data is not included in public carrier abstracts.

Add corporate officer or director information to the demographic information captured in NSC Standard 7

Capturing this information will assist the provinces and territories in identifying the individuals responsible for a carrier's operation. This provides additional tools to identify affiliated carriers by identifying when corporate officers or directors appear in other carrier applications. This also will assist a jurisdiction in changing Safety Ratings or applying Sanctions against affiliated carriers.

Issue: Currently NSC Standard 7 does indicate that some corporate officer data should be captured, however not all affiliated individuals must be reported. This allows individuals known to operate businesses based on non-compliance or Driver Inc. models to easily create new carriers and mask their involvement.

Rationale: The requirement to report all corporate officer or director information to the provinces will provide greater insight into who is involved with the carrier. This will assist in identifying chameleon carriers or new entities that are nothing more than the reincarnation of a previously sanctioned carrier.

Note that the affiliated corporate officer or director information would be private information utilized by the provincial monitoring agencies only and would not be available publicly, as is the case today where corporate officer information is not included in public carrier abstracts.

Add a requirement to incorporate municipal licencing as part of the carrier NSC application and renewal process

This would require carriers submit documentation highlighting they have obtained the required municipal business permits and licences to operate a transportation company from their registered address. A system can be implemented to identify corporate offices versus operational addresses, as well as allow for small business operations from homes, etc. This will help identify carriers who are establishing ghost carriers or jurisdiction shopping, by identifying when they are attempting to register their NSC to a location that is not intended to support a transportation business (i.e., post office box, residential home, etc.).

Issue: Currently NSC Standard 7 does require that an address be registered, however this address is not typically vetted to ensure it is appropriate as a carrier's principal place of business. This facilitates the creation of chameleon carriers and jurisdiction shopping as a legitimate business address is not required to obtain a provincial Safety

Fitness Certificate. In addition, improper addresses also support evasion tactics as it can create challenges in physically locating a carrier's actual operating address, making it easier to evade law enforcement.

Rationale: Adding a requirement to prove an address is suitable and licenced for a carrier's operation will greatly facilitate the vetting of Safety Fitness Certificate applications. Carrier's who engage in a Driver Inc. model or other avoidance tactics are more likely to evade local or municipal business requirements. In addition, reporting all operational addresses to the province will greatly facility the detection of affiliated carriers or carriers engaged in avoidance tactics.

Note that addresses would be available publicly, as they currently are today on public carrier abstracts.

Explore a new Standard which outlines a concept for registering and licencing freight brokers

A common avoidance tactic among non-compliant carriers is to reinvent themselves as freight brokers and hire "drivers" who operate under their own NSC authority. This is similar to the Driver Inc. model but on a carrier level. A broker registration and licencing system would assist in addressing these issues and help regulate the practice of illegitimate subcontracting of loads.

Issue: Brokers are not currently licenced or monitored by the provinces. This allows carriers who operate illegally to easily establish ghost entities and subcontract freight to them, while avoiding operating sanctions.

Rationale: Licencing brokers will provide more tools for the provinces to monitor and track entities responsible for the movement of freight. This will allow the provinces to identify brokers working with known non-compliant carriers, as well as identify carriers masking themselves as a broker. The ability to repeal or sanction broker licences will also allow for more oversight in this area. For example, brokers known to encourage use of the Driver Inc. model can be identified and sanctioned.

Require that all provinces have public carrier profiles and searchable carrier data for increased transparency

Having public carrier data available will increase awareness among the public regarding what carrier they are dealing with. Furthermore, it will provide some tools for legitimate brokers and shippers/receivers in identifying when loads are being transferred among noncompliant carriers to avoid oversight and detection.

Issue: Currently, not all jurisdictions have systems to allow members of the public to search for carrier data. This limits how much information individuals can obtain on a carrier prior to engaging with them. Non-compliant carriers can more easily mask their poor performance to potential customers.

Rationale: Educating and empowering the public on the importance of working with legitimate carriers is an important tool to support responsible companies. Providing a tool to allow customers, insurers, lenders, etc. to freely access a carrier's public safety data and certain non-sensitive operating demographics will allow organizations to make responsible decisions when working with carriers.

Require all Canadian jurisdictions to have language in their respective laws that require commercial vehicles display the NSC number for the authority under which the vehicle is operating

Having a requirement to display the NSC number will assist roadside enforcement officials in identifying the carrier they are dealing with. This becomes an additional tool for roadside enforcement officials to identify non-compliant carriers who use rental or lease agreements, fraudulent owner-operator agreements, or fraudulent broker practices to mask the carrier who is actually operating the vehicle.

Issue: Currently, not all jurisdictions require that carriers display the NSC number associated with the entity responsible for the operation of the vehicle.

Rationale: Requiring the display of the NSC number on the vehicle will support law enforcement in tracking carrier operations.

Work with the International Registration Plan and the provinces/territories to determine if a national commercial vehicle database can be created

In similar fashion to the national NSC carrier database, a vehicle database can be used to help track vehicle movements between carriers to identify when vehicles are being transferred between non-compliant entities for avoidance purposes (i.e., outside of a legitimate sale of a business or vehicle sale)

Issue: As previously outlined, the limited ability to easily access national VIN data or other fleet related data makes it easier to mask the movement of vehicles among ghost carriers or engage in jurisdiction shopping.

Rationale: Ensuring there is a national VIN database greatly assists in identifying ghost carriers through VIN tracking. VIN tracking can further assist in identifying Driver Inc. carriers by providing more data relating to employee counts versus truck ownership data (i.e., identifying true owner-operators versus Driver Inc.).

Appendix A.

The Costs of Driver Inc

Prepared by



Updated July 2025

The Costs of Driver Inc

Over \$120 Billion by 2035

Summary

Driver Inc is a growing tax and benefit contribution avoidance scheme undermining Canada's for-hire trucking industry and costing the sector, the government, and the public tens of billions of dollars a year.

It is a tax/labour law evasion strategy used by some carriers and drivers by purposefully misclassifying employees who drive company trucks as independent contractors to avoid costs associated with paying drivers as legal employees, which is a violation of the Canada labour Code. Although the Canada Revenue Agency (CRA) stipulates that these corporations be taxed as Personal Service Businesses (PSBs), this requirement is seldom followed due to the associated high tax rates and lack of CRA enforcement. CRA's own analysis found that almost two-thirds of PSBs are applied incorrectly, with trucking being by far the largest abuser¹.

Driver Inc drivers are indistinguishable from employee drivers: They don't own or lease equipment, pay for fuel/maintenance; can't choose schedules/routes, contract to other companies, etc. The illegal business model allows these carriers to fund predatory business practices at the expense of responsible companies who take compliance with required labour and tax rules seriously.

These 'driver corporations' claim to be small businesses, which are charged preferential tax rates. After deducting expenses not allowed under the tax code, the remaining revenue of the "driver" corporation is dispersed as a dividend or to minimum "family employees" incomes to minimize income tax and avoid contributions to benefit plans. In some cases, these driver corporations do not report any income at all to the CRA and fully avoid all income tax and benefit payments.

The driver corporation can do this easily, without detection, due to ongoing CRA moratorium on the issuance of penalties for not issuing T4As to these corporations. Technically, the tax code **REQUIRES** companies to issue T4As to all eligible contractors so that CRA can effectively enforcement the tax act.

Without penalties, there is no incentive or reason to issue a T4A. This makes it possible to **HIDE** income and avoid benefits (EI, CPP, WCB/WSIB, paid vacation, paid stat holidays, sick days for federal industries).

Contract drivers are distinct from legitimate independent owner-operators (O/O's) who also work under contract to the carrier. Unlike a contract driver, the O/O owns or controls his or her truck, and the carrier contracts for both truck and driver. The CRA recognizes the O/O as a legitimate small business.

¹ Globe and Mail - https://www.theglobeandmail.com/investing/personal-finance/taxes/article-the-taxmans-project-on-incorporated-employees-is-in-full-swing/?utm_source=PaidSocial&utm_medium=FacebookAd&utm_campaign=traffic_mkt&utm_id=1&utm_term=Feb&utm_content=keywee-loyaltyscore&kwp_0=2350402&kwp_4=6599767&kwp_1=2818913&fbclid=IwAR210U23xuxsGBcylyTuT10g9DqmpR0zACZZsDF5KQj8iZaYlf9PGszE3o4_aem_AUM7oEnnviKQnol8-AhquvrrfOfpn5Scbm9CTn7HI8VvAtwTcmbiaWyfdOpKU0-yKYftXNA8ad_WL4mhMb1gzasJ&campaign_id=120208427480820700&ad_id=120208427486980700&mibextid=CTbP7E

Driver Inc may be depriving government of between **\$1.9 billion** and **\$5.2 billion** annually due to tax and benefit contribution avoidance. The Driver Inc scheme has been allowed to exist for at least the last decade and has potentially cost the government between **\$19 billion** and **\$52 billion** over this period.

Carriers who use the illegal Driver Inc model have a huge competitive advantage over legitimate carriers who properly hire and pay drivers as employees. If Driver Inc is not contained, hiring employee drivers may no longer be feasible in the future, and the annual cost to government could increase to \$4.4 billion-\$12.0 billion, in today's dollars. Consequently, the cost to government could realistically exceed **\$120 billion** in 10 years.

1) Driver Employee

The following is a carrier's average cost and typical drivers' take-home pay when legally classified as an employee. It is assumed the driver resides in Ontario, works 2,300 hours per year, and earns \$35 per hour². Most carriers provide their employee drivers with other optional benefits³ not included in this exercise.

	<u>Carrier Cost</u>	<u>Driver Income</u>
Base salary	\$80,500	\$80,500
6% vacation ⁴	\$ 4,830	\$ 4,830
Statutory Holidays ⁵	\$ 3,413	\$ 3,413
Sick Leave ⁶	\$ 3,413	\$ 3,413
Subtotal	\$92,156	\$92,156
Additional carrier costs:		
CPP @ 5.95% (max \$3867)	\$ 3,867	
EI @ 2.32% (max \$1468)	\$ 1,468	
EHT @ 1.95%	\$ 1,797	
WSIB @ 3.66% ⁷	\$ 3,373	
Total employer cost:	\$102,641	
Employee deductions:		
CPP @ 5.95% (max \$3867)		\$ 3,867
EI @ 1.66% (max \$1049)		\$ 1,049
Employee before-tax income:		\$87,240
Personal Income Tax ⁸		\$17,134
Employee Net Income		\$70,106

² \$35/hour is used as an overall average. Long-haul drivers are typically in the \$40/hour range. Regional and local drivers are typically in the \$30/hour range.

³ Other benefits might include health, dental and vision benefits, sick leave, boots and safety equipment, etc. which can often amount to more than \$4,000 per employee.

⁴ Canada Labour Code (CLC) mandates 4% after 1 year service, 6% after 5 years, 8% after 10 years.
<https://www.canada.ca/en/services/jobs/workplace/federal-labour-standards/vacations-holidays.html>

⁵ Ibid. CLC lists 10 statutory holidays.

⁶ CLC mandates up to 10 sick days. <https://www.canada.ca/en/services/jobs/workplace/federal-labour-standards/leaves.html#h2.11>

⁷ Ontario WSIB Class F12024 rate: <https://www.wsib.ca/en/2024premiumrates>

⁸ TurboTax Calculator 2024: <https://turbotax.intuit.ca/tax-resources/ontario-income-tax-calculator>

Government Taxes and benefit contributions:

Carrier share / Driver share	\$10,505	+	\$22,050	Total = \$32,555
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The \$80,500 base salary costs the carrier about **\$102,600** from which the driver takes home **\$70,100**. The various contributions to government programs plus income tax amount to approximately **\$32,500** - of which **\$10,500** is contributed by the carrier and **\$22,000** by the driver.

2) Driver Inc - Misclassified as Small Business

A typical Driver Inc model involves the driver incorporating as a small business and invoicing the carrier for driving services. Although the CRA stipulates this should be taxed as a Personal Service Business (PSB)⁹, these driver-owned corporations ignore this requirement and pay substantially reduced 'small business' taxes, after deducting expenses that are not allowed in the PSB model. Remaining income is then distributed to the owner as a dividend to further avoid taxes and benefit costs.

Carriers benefit from this model as they avoid all government safety-net contributions and other costs related to employees.

For example, if the contract driver invoiced \$80,500 for the same 2,300 hours work in a year, the following is the cost to the carrier and take-home of the driver, if ZERO expenses for offices, part-time help, car expenses, etc. are NOT deducted:

	<u>Carrier Cost</u>	<u>Small Bus. Corp.</u>	<u>Driver Income</u>
Contracted payment	\$80,500	\$80,500	
Small business tax (12.2%) ¹⁰		\$ 9,821	
Dividend payout:		\$70,679	\$70,679
Personal Income Tax ¹¹			\$ 6,919
Driver Net Income			\$63,760

⁹ To prevent contract drivers from receiving benefits accorded to legitimate small businesses, the CRA deems such corporations as a 'Personal Service Business' (PBS) rather than a 'Small Business'. Whereas a small business (up to \$500,000 earnings) is taxed at 12.2% (9% federal + 3.2% in Ontario), a PSB is taxed at the highest corporate tax rate plus 5%, or about 44.5% in total. <https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/corporations/corporation-income-tax-return/tax-implications-personal-services-business.html>

¹⁰ Small business tax = 9% federal + 3.2% Ontario. <https://www.taxtips.ca/smallbusiness/corporatetax/corporate-tax-rates-2024.htm>

¹¹ TurboTax Calculator 2024 done as an ineligible dividend: <https://turbotax.intuit.ca/tax-resources/ontario-income-tax-calculator>

Government Taxes and benefit contributions:

Carrier / Corp / Driver share	\$0	+	\$ 9,821	+	\$ 6,919	Total = \$16,740
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The carrier's cost is \$80,500 rather than \$102,600 if driver is hired as an employee – **saving \$22,000 annually.**

The driver's net income is \$63,760 rather than \$70,100 if paid as an employee – therefore pocketing **\$6,340 less annually than if paid as an employee.**

The various contributions to government programs and income tax amount to about \$16,750 rather than \$32,500 if properly classified as an employee. **Government is cheated out of \$15,750 annually** - \$10,500 on the part of the carrier and \$5,260 on the part of the contract driver.

The contracted payment to the driver may be substantially lower than the above for less sophisticated drivers, such as those who have newly immigrated to Canada – many of which are victims of gross labour abuses and forced labour (recent records published by IRCC found that open work permits by temporary foreign workers to escape abusive employers soared by more than **800%** -- with trucking being one of the highest sectors for complaints)¹². Alternatively, more sophisticated drivers could demand a higher contracted amount so they are keeping more than they would if hired as an employee.

In all cases under this Driver Inc model, the cost to the carrier is less than hiring the driver as a legal employee and government is always cheated out of taxes and drivers do not receive mandatory benefits.

The problem is becoming so widespread that recent joint enforcement blitzes by ESDC and other agencies across the country found **50-60%** non-compliance¹³ with misclassification provisions and other labour laws in several major cities.

3) Full Tax Avoidance

It is believed that many contract drivers take this a step further and simply avoid reporting any income and do not pay any taxes or benefit contributions. Not only is government out the \$32,500 it would have received annually if the driver was a legal employee, it also out the annual \$10,500 HST payment made to the contract driver's corporation based on the \$80,500 annual billing. Due to its moratorium on carriers being required to issue T4As, the CRA is unable to effectively prevent this total tax avoidance.

In this case, the carrier's cost remains at \$80,500 rather than \$102,600 if the driver was hired as an employee – **saving \$22,000 annually.**

The driver's net income is \$91,000 (\$80,500 + \$10,500 HST) rather than \$70,100 if paid as an employee – pocketing, illegitimately, **\$20,900 more** annually than if paid as an employee.

¹² Toronto Star - <https://cantruck.ca/star-article-highlights-govt-data-showing-labour-abuse-crisis-in-trucking/>

¹³ Canadian Trucking Alliance - <https://cantruck.ca/enforcement-blitzes-unveil-non-compliance-insanity-facing-trucking-industry/>

There are no contributions to government programs or income tax compared to the \$32,500 if properly classified as an employee. In addition, the driver pockets the \$10,500 of HST. **Government is potentially cheated out of \$43,000 annually** - \$10,500 on the part of the carrier and \$32,500 on the part of the contract driver.

Under such a full tax avoidance scheme, the carrier is likely to pay the contract driver substantially less than \$80,500 so that both the carrier and the driver can share the tax avoidance rewards.

Overall Costs of Driver Inc

It is believed there are about 225,000¹⁴ ¹⁵ long-haul for-hire¹⁶ truck drivers in Canada and about one-third or 75,000 of them are working under the Driver Inc. model. Consequently, the overall annual cost to government in the form of tax avoidance and benefit payment avoidance is between **\$1.2 billion** (75,000 drivers x \$15,750 under the above-described small business scheme) and **\$3.2 billion** (75,000 drivers x \$43,000 under above-described full tax and benefit avoidance scheme).

It is further estimated there are an additional 125,000 regional and short-haul for-hire truck drivers in Canada¹⁷. The involvement of the Driver Inc scheme with these drivers is less clear, but it is conceivable about one-third are also similarly misclassified.

If one-third of all 350,000 Canadian for-hire truck drivers are part of Driver Inc, the overall annual cost to government in the form of tax avoidance and benefit payment avoidance falls into a range between **\$1.9 billion** (120,000 drivers x \$15,750 under above small business scheme) to **\$5.2 billion** (120,000 drivers x \$43,000 under above full tax and benefit avoidance scheme).

The Driver Inc scheme has been allowed to exist for at least the last decade and has potentially cost the government between **\$19 billion** (\$1.9 billion x 10) and **\$52 Billion** (\$5.2 billion x 10) over this period.

¹⁴ There are few reliable sources of the numbers of for-hire truck drivers in Canada. Numbers range from around 350,000 to well over 500,000. The more conservative, lower end of this range was used for purposes of this paper. Following are examples: <https://tc.canada.ca/en/corporate-services/jobs-transport-canada/looking-exciting-work-get-job-transportation/trucking-jobs> <https://www.enbusiness.ca/how-many-truckers-in-canada/>

¹⁵ StatsCan Annual For-Hire Trucking Survey 2019. <https://www150.statcan.gc.ca/n1/daily-quotidien/210414/dq210414b-eng.htm> For-hire trucking revenue in Canada is shown as \$67.8 billion. At an estimated average revenue per truck of \$250,000, this would indicate a for-hire truck fleet of around 270,000. 44% of revenue relates to local and regional operations (typically requiring about one driver per truck) resulting in about 125,000 drivers. 56% of revenue relates to interprovincial and international operations (with half estimated to be operated by 'team drivers') resulting in about 225,000 drivers. The total number of for-hire truck drivers is therefore estimated at 350,000.

¹⁶ It is believed the Driver Inc issue is most prevalent in the for-hire trucking sector. While there are undoubtedly similar issues in the private trucking sector, involvement is less clear and not considered in this paper.

¹⁷ StatsCan Ibid.

In addition to loss of tax revenue, Driver Inc undermines Canada's social safety net as these drivers and the carriers they work for are not contributing to the CPP, EI, workers compensation insurance, and other voluntary plans – nor do the affected drivers have access to these plans when needed.

These schemes also give an unfair competitive advantage to the carriers using the Driver Inc model. Even without including optional employee benefits, the above examples show the carrier's annual cost of an employee driver is \$102,600 versus the \$80,500 cost of a contract driver. This represents a \$2.2 million annual advantage for a Driver Inc carrier operating 100 trucks as compared to a similar sized carrier following the rules.

Potential Future Cost of Driver Inc

If left unchecked, as has been the case over at least the past decade, the Driver Inc model will become the norm and hiring employees legally will no longer be feasible. In fact, a recent CTA survey¹⁸ found that more than a third of truck drivers applying for a job with Canadian trucking companies ask to work under Driver Inc. In Ontario, the province where the scheme is most rampant, nearly half of applicants want to work in the growing underground economy.

These drivers will be working as if they were legally defined employees, but will not be able to receive paid holidays, paid stat holidays, paid sick leave days or access to workers' compensation programs. They will be tired and stressed employees who make Canadian roads **LESS** safe. Innocent Canadians will pay the price of the governments lack of oversight and refusal to enforce the laws already on the books.

It is estimated that about 20% of all drivers work as legitimate self-employed 'owner-operators' who won't operate their own equipment. If they too engaged in this scheme, the cost to government and the public becomes significantly higher.

If 80% of the 350,000 Canadian for-hire truck drivers become part of Driver Inc, the overall annual cost to government in the form of tax avoidance and benefit contribution avoidance would be between **\$4.4 billion** (280,000 drivers x \$15,750 under above small business scheme) and **\$12.0 billion** (280,000 drivers x \$43,000 under above full tax and benefit avoidance scheme). The cost to government could be between **\$44 billion** (\$4.4 billion x 10) and **\$120 billion** (\$12.0 billion x 10) over the next decade, in today's dollars. In 2035, this could represent a loss to Canada of more than \$14 billion (at 2%/yr inflation for this period), growing in each successive year beyond.

¹⁸ Canadian Trucking Alliance - <https://cantruck.ca/a-third-of-truck-drivers-demand-to-work-illegally-cta/>