



## Did You Work a Side Hustle in 2021? Here's What That Will Mean For Your 2022 Tax Filing

### Description

In case you didn't notice, the gig economy is in full swing. In fact, according to [one survey](#), if you put ten Canadians in a room and asked who had a side hustle, around six would raise their hands. That's a step up from 2019 when one in six Canadians were participating in the gig economy.

As great as side hustles are, they do come with one downside — doing your own taxes. As a freelancer, self-employed person, or someone who delivers groceries on the weekends, you'll have to pay taxes to the CRA. If you've participated in the gig economy this year, here's what you should expect for your 2022 tax filing.

### What taxes are you required to pay?

Whether you're self-employed or earning some income from a side gig, you'll be responsible for two different taxes:

- Personal income tax (self-employment taxes)
- Contributions to the Canadian Pension Plan (CPP)

In addition to these, you might also contribute to the EI program, which isn't mandatory but gives you special benefits, such as maternity leave or time off to take care of a sick family member. To get EI benefits, you contribute \$1.58 for every \$100 you earn, up to a maximum of \$952.72 for 2022.

### How do you calculate your self-employment taxes?

To calculate how much self-employment taxes you owe for 2021, you'll need to know two numbers: (1) how much self-employment income you generated and (2) your business expenses (if any).

Once you know these two numbers, you'll subtract your expenses from your income to get your taxable income. For example, if you earned \$100,000, but you spent \$15,000 on eligible business expenses,

then your taxable income would be \$85,000.

Once you know your taxable income, you can use an income tax calculator, like [Wealthsimple's version](#), to calculate how much taxes you owe. For the example above, you would owe \$11,518 in federal taxes (provincial taxes will vary).

## What about CPP contributions?

To calculate your CPP contributions, you'll start with your total business revenue, then subtract your business expenses. Then, take \$3,500 off that number (the basic exemption amount). Finally, take 10.9% of whatever is left and voila — you've calculated your CPP contributions.

Of course, that's not all. Your CPP premiums have an annual ceiling, a maximum amount that you can contribute. For 2022, that ceiling will be \$6,999.60. That means, if your CPP contribution calculation goes above that amount, you only have to pay \$6,999.60.

## The tax deadline for side hustle income

Now, let's talk deadlines.

The deadline for self-employment returns in 2022 will be midnight on June 15. That's for your tax filing. If you expect to owe taxes, then you must pay what you owe by May 2, 2022.

## Should you register for a GST/HST number?

You only have to register for a GST/HST number if your income is above the Small Supplier Threshold, which is \$30,000 in four consecutive calendar quarters. As long as your side gigs generate less than \$30,000 per quarter, you don't have to worry about getting a GST/HST number.

The only exception to this is riding-sharing drivers. If you drive for Lyft, Uber, or any other ride-sharing company, you'll have to register for a GST/HST number immediately.

Keep in mind that you must register for the GST/HST number voluntarily. If you don't, you could get slapped with some hefty penalties.

## Already sick of taxes? Work with a tax pro

If you're already sick of self-employment taxes, that might be a sign you need to work with a tax professional. This is especially true if you earn income from an employer in addition to earning money from a side hustle, as your taxes might be more complicated than you think.

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