



CESTNICK

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TAX MATTERS

# Understand the taxman's view of failing to report gig income

SPECIAL TO THE GLOBE AND MAIL  
PUBLISHED APRIL 10, 2025

Times are tough. My friend Jake has been looking for a job. Part of his problem is that he always looks dishevelled – like he just got out bed and hasn't showered yet. He told me that, in an interview this week, they said to him: "You look like you could live on the meagre wage this job pays. And we're okay if you want to do some part-time gig work on the side."

I'm not sure Jake is going to take the job, but he's definitely been making money on the side renting out a room in his house as short-term accommodation. The fact is the taxman introduced new rules requiring digital platforms that enable users to earn income from others to report to the [Canada Revenue Agency](#) (CRA) the income of their users. Since it's tax time, let me share what this could mean for you.

## The survey

Last month, H&R Block released the results of a survey it commissioned on the topic of the gig economy. The survey revealed that 7.4 million Canadians carry on some type of gig work or side hustle, and 45 per cent of these folks do this

because of the increased costs of living. For these individuals, their gig income represents an average of 24 per cent of all their income. That's meaningful.

What types of work are Canadians doing on the side? It includes things like freelance or contract work, delivery or rideshare services, dog walking, homestay rentals, tutoring, and selling products on marketplace platforms, among other things. The number of people carrying on these activities has increased by 85 per cent in the past three years alone, and another 10 per cent said they're thinking about taking on a side hustle in the future.

What are these Canadians doing about taxes? The study revealed that folks are willing to take risks here. More than a quarter (28 per cent) said they didn't report all their gig income when they filed their tax returns last year (for 2023), and almost a third (30 per cent) said they weren't planning to declare all their gig income for 2024 either. Even after learning about the new rules, 36 per cent said they weren't going to report any gig income at all.

## The rules

Let me start by saying that all Canadian residents are required to report their worldwide income on their Canadian tax returns each year. No big surprise there. To make sure taxpayers are honest about this, new tax rules that apply to 2024 and later years allow the CRA to gather information from digital platforms such as Uber, DoorDash, Etsy, Fiverr, Rover, Airbnb, and other operators about people earning income on these platforms.

These platforms are required to provide information to the CRA by Jan. 31 each year for the prior calendar year. That information includes your full name (or legal entity name), address, jurisdiction of residence, your taxpayer identification number (SIN number, for example), date of birth, business registration number, and financial account identifiers (for certain jurisdictions), and other identifying information if the platform has it.

The platform is also required to provide information about the total amount paid or credited to the seller and the number of transactions completed, along with the amount of any fees, commissions, or taxes withheld or charged by the platform to the seller's account. If your income comes from renting out all or part of a residence, information about the property itself must also be provided.

Now, these platforms don't have to provide this information to CRA for folks who have sold goods (not services) and who have conducted fewer than 30 transactions in a calendar year and have earned less than \$2,800 in that year. The platform might still provide the information anyway because it may be simpler to provide it for everybody.

## The recommendations

The H&R Block survey showed that two-thirds of gig workers were not aware of these new rules. Here's the crazy thing: When they learned about the rules, only 71 per cent said they were more inclined to declare their gig income. In fact, 36 per cent said they would still not report all their gig income – perhaps reporting just part of it.

Now that CRA has the data, you'd be wise to make sure the income you report aligns with the statements you receive from the platform. Penalties for under-reporting income can be steep. If you've under-reported for prior years you can fix the problem by filing Form T1-ADJ, Adjustment Request, or making a Voluntary Disclosure. You should talk to a tax pro about these options before deciding which way to go.

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