

Business Forms

Definition		
Sole Proprietorship	General Partnership	Incorporation
<ul style="list-style-type: none"> • Unincorporated business • Simplest Form • Owned by one individual 	<ul style="list-style-type: none"> • Unincorporated business • Owned by two of more individuals • Partners share in the profit and liability • Limited Partnership: each limited partner is only liable to the extent of their financial investment providing they do not enter in the decision making of the business. • Must have one general partner 	<ul style="list-style-type: none"> • Separate legal entity • One or more individuals have shares • Treated like an individual • Can enter into contacts, own assets, take on liabilities
Protection of the Business Name		
Sole Proprietorship	General Partnership	Incorporation
<ul style="list-style-type: none"> • Registration does not prevent another businesses from operating under the same name • The Government doesn't check the name – the onus is on the business owner to determine the risk • The person who first registered and used the name will have priority claim to it under common law • The individual would have to initiate legal action if another is impeding its business by having the same name • A name search can be performed for \$8 (see Registration section) 	<ul style="list-style-type: none"> • Registration does not prevent another businesses from operating under the same name • The Government doesn't check the name – the onus is on the business owner to determine the risk • The person who first registered and used the name will have priority claim to it under common law • The individual would have to initiate legal action if another is impeding its business by having the same name • A name search can be performed for \$8 (see Registration section) 	<ul style="list-style-type: none"> • Incorporation prevents another business from having the same name in the relevant jurisdiction • If another business is using a corporate name deceptively, objection can be filed with the Companies Branch of the Ministry of Government Services. • If using a Named company, a NUANS search must be completed (see Registration section) • If the business changes from Provincial to Federal incorporation, the search must be repeated.

Registration Procedure		
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<ul style="list-style-type: none"> • Registration is not required if the person uses their exact personal name only (i.e. Joe Smith). • Any variation of a personal name must be registered (i.e. Joe's Auto). • Applications must be made within 60 days of commencing business. • Businesses can be registered at a Small Business Centre, Service Ontario in Kitchener or online (see Registration sheet) • Registration costs \$60 and lasts for five years. Renewals will cost an additional \$60. • License is received immediately and is required for a business bank account. • A name search is not required but may be performed for \$8.00 per each name searched. 	<ul style="list-style-type: none"> • Applications must be made within 60 days of commencing business. • Businesses can be registered at a Small Business Centre, Service Ontario in Kitchener or online (see Registration sheet) • Registration costs \$60 and lasts for five years. Renewals will cost an additional \$60. • License is received immediately and is required for a business bank account. • A name search is not required but may be performed for \$8.00 per each name searched. • A partnership agreement is not required but recommended • Limited Partnerships can be registered with the Ministry of Government Services. 	<p style="text-align: center;">Provincial</p> <ul style="list-style-type: none"> • Suitable for those operating only in Ontario • Can be performed online, or by a lawyer or accountant • Fee is \$300 + professional fees online filing or \$360.00 manual filing • A NUANS search is needed for a named company • A numbered company does not need a NUANS search. <p style="text-align: center;">Federal</p> <ul style="list-style-type: none"> • Suitable for those intending to operate extensively in more than one province. • Can be performed online, or by a lawyer or accountant • Fee to incorporate is \$200 online filing or \$250 manual filing. • A federal incorporation must be registered in each province it conducts business in. <p style="text-align: center;">Trade names</p> <ul style="list-style-type: none"> • For businesses wanting to conduct business under a different name than incorporated • Follows same procedure as sole proprietorship registration. • Federal Incorporation must receive extra-provincial status from the Ministry of Government Services before registering provincial trade name. <p style="text-align: center;">Other Information</p> <ul style="list-style-type: none"> • Other items to attend to: shareholder agreement, share certificates, minute book, company seal, tax reporting etc. • Owners and directors should know the company's legal and reporting requirements and their personal responsibilities.

Liability		
Sole Proprietorship	General Partnership	Incorporation
<ul style="list-style-type: none"> • Owner is inseparable from business • Owner held financially and legally responsible for debts and legal action brought against business • If business is sued or forced into bankruptcy the owner is personally sued to covered creditors or the lawsuit. • Liability insurance can be purchased to address some of the liability concerns. 	<ul style="list-style-type: none"> • Partners are inseparable from business • Owners are held financially and legally responsible for debts and legal action brought against business • Limited partners: Only legally responsible for their stated share. A limited partnership however must have at least one general partner who will have unlimited liability. • Liability insurance can be purchased to address some of the liability concerns. 	<ul style="list-style-type: none"> • Separate legal entity • Liability of shareholder is limited to his or her investment • If corporation is sued, only the company's assets can be seized to satisfy the claim • Directors of a corporation may be held personally liable for unpaid payroll and corporation taxes for example • Frequently debt financing from a lender will require personal guarantee of the owners to go along with personal collateral security. If the incorporation cannot pay, the lender may look to guarantors for repayment.
Income Taxes		
Sole Proprietorship	General Partnership	Incorporation
<ul style="list-style-type: none"> • Taxed at the personal rate with net business income included on personal tax return • Statement of income and expenses prepared for business • The business year does not have to coincide with calendar year • All relevant books, records and invoices must be kept accordingly for seven years • A net loss may be carried three years back and seven years forward • After first year, income tax may have to be remitted in quarterly installments throughout the year if the previous year's net tax owed is more than \$3000. 	<ul style="list-style-type: none"> • Taxed at the personal rate • Net business income is allocated to each partner according to their percentage interest and included on the respective personal tax return • Statement of income and expenses prepared for business • The business year does not have to coincide with calendar year • All relevant books, records and invoices must be kept accordingly for seven years • After first year, income tax may have to be remitted in quarterly installments throughout the year if the previous year's net tax owed is more than \$3000. 	<ul style="list-style-type: none"> • Taxed at the Corporate rate • Corporations are required to pay capital tax based on the paid-up capital of business • Small corporations are taxed around 19% whereas larger corporations may be subject to approximately 35% • Capital losses may be carried back three years. • Taxation year corresponds with fiscal year. • After first year, income tax must be paid quarterly if tax owed is more than \$3000 • The net income will be taxed at the corporate rate and then monies paid to the owners will be taxed a personal rate.

Salaries and Payroll Deductions		
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<ul style="list-style-type: none"> • Owners may take drawings but it is not a deductible expense – the amount drawn must be added to net revenue • Owner is not eligible for EI and no premiums are paid • Owner's CPP contribution is required at a rate of 9.9% up to the maximum per year • Owner may pay into WSIB but it is not mandatory. It is required for most employees. Employer Health Tax is required if payroll is over \$400,000 • Employee wages and benefits are deductible expenses, including wages for family members providing it's reasonable for the industry • Proper deductions must be made and remitted for each employee – see Revenue Canada for details 	<ul style="list-style-type: none"> • Partners may take drawings but it is not a deductible expense – the amount drawn must be added to net revenue • Partners are not eligible for EI and no premiums are paid • Partners CPP contributions are required at a rate of 9.9% up to the maximum per year • Partner may pay into WSIB but it is not mandatory. It is required for most employees. Employer Health Tax is required if payroll is over \$400,000 • Employee wages and benefits are deductible expenses, including wages for family members providing it's reasonable for the industry • Proper deductions must be made and remitted for each employee – see Revenue Canada for details 	<ul style="list-style-type: none"> • Shareholders/owners may be employed by corporation and receive salary • Shareholders can receive profits via dividends. They are paid out after tax and do not reduce taxable income. • Employee deductions such as EI and CPP are deductible expenses and can reduce taxable income. • There is no legal restriction in hiring family members providing salaries are reasonable. • WSIB is required for most employees and Employer Health Tax is required if payroll is over \$400,000 • Proper deductions must be made and remitted for each employee – see Revenue Canada for details
Record Keeping and Reporting		
Sole Proprietorship	General Partnership	Incorporation
<ul style="list-style-type: none"> • Registration changes may require amendment or new registration. • Tax filing at the end of the first business year and possibly quarterly thereafter (including statement of income and expenses and documentation). • Day to day receipts and invoices are required for the current tax year + 6 years. • Required record keeping for provincial and federal sales taxes as well as employee related records – deductions, R.O.E's etc. 	<ul style="list-style-type: none"> • Registration changes may require amendment or new registration. • Tax filing at the end of the first business year and possibly quarterly thereafter (including statement of income and expenses and documentation). • Day to day receipts and invoices are required for the current tax year + 6 years. • Required record keeping for provincial and federal sales taxes as well as employee related records – deductions, R.O.E's etc. 	<ul style="list-style-type: none"> • Articles of amendment for any changes filed with Ministry of Government Services • Minute book to hold all corporation documents/records • Regular income tax reporting with financial statements. Records must be kept for current tax year + 6 years. • Permanent record of assets for capital cost allowance • Required record keeping for sales taxes as well as employee related records – deductions, R.O.E's etc.

Alternate formats and accommodations are available upon request.