



WHY INCORPORATE?

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Engaged in the General Practice of Accountancy Since 1987

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Guild of industrial, Commercial & Institutional Accountants

International Association of Profession Debt Arbitrators

Association of Accredited Small Business Consultants

Institute of Professional Financial Managers

Better Business Bureau

Why Incorporate?

Three main reasons why you should incorporate your business are:

1. Save Your Money

- Shareholders of corporations have limited liability for business risks.
- You can use a corporation to save tax or to defer paying tax to a later date because the small business corporate tax rate for the first \$500,000 of active business income is 11.5% Federal and 4.5 % Provincial compared to the top personal tax rate of about 44% (in Ontario; other provinces differ somewhat).
- Unlike partnerships where partners are usually personally liable for the business acts of their partners, in a corporation shareholders are not personally liable for the acts of the directors, officers or other shareholders (except in certain rare exceptions).
- Corporations don't have withholding taxes, CPP or EI deducted by the companies that hire their services.

2. Improve Your Business Image

- Incorporated businesses have a better "image" than unincorporated businesses.
- Incorporated companies are more likely to attract investors than a sole proprietor or partnership.
- A Canadian corporation is well respected worldwide and is particularly well suited to market goods and services in North America.

3. Make Your Business More Desirable to Customers

- Employers in many business sectors, particularly motion picture and TV production, IT services, and construction, prefer to hire corporations rather than individuals to save money and increase certainty.
- Corporations cannot be deemed to be employees as often happens when employers hire individuals as independent contractors.
- It is easier to find work if you offer your services as a corporation. Some technical tax rules make this trick work better if you have a number of different businesses that hire your corporation's services (and potentially harmful if you work for only one company).
- Customers in North America are often reluctant to buy goods and services from foreign based corporations. If you live outside North America but wish to sell your goods and services here, consider setting up a British Columbia corporation with a virtual office in British Columbia. British Columbia allows 100% of the directors, officers and shareholders of the corporation to be non-residents of Canada (though certain tax and other reporting issues will occur).

Protect your assets!

Shareholders are not personally liable to pay the debts of corporations. If you incorporate, your personal assets are safe from business risks with few exceptions.

If your business activity carries even a minor risk of causing a catastrophic loss, such as business using dangerous machinery or chemicals, you should incorporate. It is unwise to rely on insurance to protect you from business risks because insurance policies provide limited coverage. Typically, your personal liability for business risks is limited to the personal guarantees you give to others in the course of your business dealings.

First Impressions are Important!

Incorporated businesses are seen as being more serious, more long lasting and more committed to business than unincorporated businesses. Just the fact that your business name ends in a corporate extension -- Inc., Corp., or Ltd. -- makes a *big* difference when your customers make initial business contact.

Looks aren't everything, but...

Incorporated businesses will often attract more business because the customer, whether the end consumer or another business, subconsciously and almost instantly believes a corporation has more credibility. You will of course need to support that belief with a strong operations and reliable management, but why not use it to your advantage?

Tax Deferral Potential!

Small businesses enjoy a favorable tax environment in Canada. Take advantage of it. Certain kinds of corporations enjoy very low tax rates for the first \$500,000 in business income, and the tax rates are dropping.

Use your corporation to average your personal income. If your personal income fluctuates between tax brackets your tax savings can be dramatic.

Defer taking personal income by leaving income in the corporation. Since the tax rates in corporations are usually less than one-half of the personal tax rates, you have use of money which would otherwise have been paid to the government until you pay the money out of the corporation to yourself.

Use your corporation to split capital gains by giving shares in your corporation to your spouse and children. Spouses and children accrue capital gains by holding shares in your corporation and selling them in the future at a profit.

There is a \$800,000 lifetime capital gains exemption available for capital gains earned from the sale of shares in a qualifying small business.

Easier to Raise Capital!

Let's face it: every business needs capital (money) to grow. Investors are more likely to invest in corporations than sole proprietorships or partnerships. The reason an investor may want to invest in your corporation is because the investor wants to make money, either from income generated from the business during its life or from capital gains, once the business grows in value and the investor's holdings can be sold to another person.

You can sell portions of the corporation's stock to investors and offer solid exit strategies that protect both the corporation and the investor. All investors want to know how they can get their money back out. This is much easier to set up with a corporation compared to a sole proprietorship or partnership.

Kypreos & Associates Ltd. provides complete incorporation services for **Federal (Canada)** and **Ontario** corporations.

If you are looking to register a Small Business Name, please contact us.

Kypreos & Associates Ltd.

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Includes:

- Pre-Incorporation Agreement
- Pre- incorporation Directors/Officers Agreement
- Preliminary Nuans Name Search
- Nuans Name Search Report
- Articles of Incorporation Registration Fees
- Minute Book Preparation
 - By-Laws 1 & 2
 - Opening Resolutions
 - Shareholder Ledger/Register
 - Directors & Officers Register
 - Share Subscriptions
 - Share Certificates
- Initial Notice
- GST/HST Registration
- Payroll Registration - (If Applicable)
- Import/Export Registration - (If Applicable)
- WSIB Registration - (If Applicable)

Extra:

Domain Registration
Corporate Seal
Web Site Creation