

The Incorporation

Many ask “why should I incorporate?” It is an important question to ask. I would challenge the question with the recognition that some of the highest paid people that exist operate within some form of incorporation. They do so because of the various tax advantages the format opens and the opportunities to separate yourself from the business you are involved with.

There is a realization of sorts that is made when considering creating and incorporation. Essentially, the incorporation that you form encompasses all the money making events that occur under the umbrella of the incorporation. Further, you as a human, become an employee and shareholder of the incorporation. You personally cannot be incorporated as such. An incorporation from its very inception has a life of its own. It becomes a distinct entity recognized on its own by the government. When you pass on the corporation you created does not cease to exist, you can merely have ownership of the shares, you may be the directing employee but it never changes the fact that you will either be the shareholder, the director or the employee or any combination of those.

The best explanation of how it works is that the Corporation which you created which you now work for invoices other businesses and generates expenses to do things. In the process of doing business the corporation employs you to do some work. You are paid a salary or by the hour for the work you perform. You can negotiate what ever salary you desire. When the client pays an invoice to your corporation it receives those monies and pays the expenses and salaries. The remaining monies are profits that either distributed out to the shareholders or retained in the bank account as earnings. A corporation can operate at a lose if the expenses of operating the business exceed the invoices sent to clients. The expenses that a Corporation incurs are what makes the exercise worth while. Normally as an employee there is very little that can be considered an expense in the normal course of working whereas once operating under the umbrella of a corporation the opportunity is far greater.

A Sole Proprietor is similar but operates under some different parameters that are considered in this document...

Despite the benefits of working for a corporation you created there are a couple of detractors. However, in general there is little that should deter someone from seriously considering the Corporation; yet, knowing in advance helps one to be prepared.

The first consideration is that once you create this corporate entity you have to maintain it. The Corporation has its own set of financial records. There are reporting requirements regarding taxes and the like. In general this means that you will need to use an Accountant to prepare your statements and file Corporate income taxes. The cost of which are of course deductible.

Along with an accountant there may be some legal issues that you may defer to a Lawyer. At the simplest levels of the Corporation there are very few things that you cannot do for yourself at the local Properties Registries office.

Another consideration is GST and invoicing. If your experiences to date include only employment in the standard sense then invoicing and collecting GST from a Client may be foreign. Getting set up for GST is little more than a phone call to 1-800-959-5525. Invoicing requires little more than an invoice template from your WORD program. As a bit of an aside, many who incorporate ask and talk about some \$30,000 minimum invoicing amount for GST purposes. Such a consideration exists but the intention of that piece of the GST Act is to exclude the smallest businesses. There is no reason not to charge GST, every bit you charge is offset by what you pay to earn the business and it allows you to recover amounts that you have paid out.

The final consideration is whether or not the work that you are considering performing under the umbrella is realistically work that can be done in that format. There are two bodies of law that impact this consideration. First there is the Provincial Labour Standards Acts and secondly there is the Federal CCRA acts. Both have discussions about the individual performing work under the umbrella of either an incorporation or as a business for self arrangement. There are specific acid tests that are meant to evaluate the independence of the worker from the employer. Realistically these rules are largely open to interpretation on a situation by situation basis. They were, it seems, designed to protect the worker from being unfairly taken advantage of by an employer. In many situations employees need and deserve the protection of regulations. Without them an unaware employee might be left in a situation where there is no Employment Insurance, no CPP, no WCB, no overtime – essentially no benefits. The intention of the acts is to ensure that there is “compliance” with these benefits programs. Once you create a corporation and are then the employee of it, your corporation, and thereby you, are responsible for ensuring that EI, CPP, WCB and liability insurances are in place as required for you and any other employee that may work with you.

As a large disclaimer – Partner Staffing is not an accounting firm nor is it a law firm. We cannot give advice or offer a legal opinion on your situation or give tax or accounting advice. Everything here is realistically based on what we have gathered from a number of years of being in the business and having to deal with virtually every imaginable situation regarding this type of employment. I highly recommend that you seek professional advice from an accountant and or a lawyer.

Creating a Corporation

Surprisingly Creating a Corporation is a rather simple process.

There are some excellent sites that provide information about incorporation including 1) [Strategis](#) 2) The [Small Business Guide](#) 3) [Biz-Whiz](#)

1) There are several ways to form a corporation.

- Firstly, a lawyer can certainly do it for you, and many lawyers have packages that simplify the process. This is a good option for some situations – there really is no substitute for proper legal advice in the right situation. Certainly, it is your lawyer’s job to keep you and your business safe.

- Secondly, all property registry offices can create a corporation. This is a fine option and a tremendous learning experience. The first step is to choose a name for your company, you may also have the registry office use a number to create a “numbered Company”. The registry office will perform a NUANNS report that will generate a list of all registered company names in Canada that are similar to the one that you are forming. If that report shows that you are creating a name that is sufficiently unique from those other business’ the registry office will then have you fill in a couple of documents that will essentially form the corporation. A few days later you will receive your original certificate showing the name of the business and your business number. Most registry offices will also have a package that will include any level of additional pieces such as a prepared minutes book, and business seal.
 - The Third way is to locate online registry offices. The process is similar to going into a registry office but with less personal contact.
- 2) The next thing you need to do is to get a GST number which is remarkably simple by calling 1-800-959-5525 or review the information online here.
 - 3) You then need to consider such things as WCB coverage ([BC](#), [AB](#), [ON](#)) In some cases you may be exempt from coverage but you should still check first.
 - 4) You should have some form of Liability insurance, it is actually one of the acid tests to determine if your business is truly independent from your clients. I highly recommend you have a good relationship with your insurance broker to determine the proper insurance for your situation.