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Incorporation Considerations

Are you looking to incorporate? This one-page handout can help identify some of the things to keep in mind.

- **Bookkeeping:** Bookkeeping and accounting get more complicated with an incorporation.
 - Bank reconciliations are required for incorporations and the balance sheet in addition to the income statement needs to be considered.
 - Consider hiring a bookkeeper and/or use professional bookkeeping software like Sage50 Desktop, QuickBooks Desktop, or QuickBooks Online to track your bank transactions.
 - For more bookkeeping and business basic tips check out our blog post [here](#).
- **Shareholder loans and paying yourself:** A shareholder loan is a new concept for most individuals, but it is an important one to grasp as it can have significant tax consequences for an incorporation. We'd recommend reviewing the below articles to help shed some light on this important topic:
 - Our blog post discussing what a shareholder loan is all about is available [here](#).
 - Our blog post discussing dividends versus salary is available [here](#).
- **Incorporation Recommendations:**
 - Hire a lawyer – we've never seen a client do this suitably. The average cost is usually \$1,500 - \$2,500. This is a one-time fee and it is worth it in the long run.
 - We recommend a lawyer continue to hold and manage your 'minute book' of your new company; again, we have not seen a client do this well. The average cost is between \$300 - \$500 per year.
 - If you have a spouse or partner, you may want to include them as a shareholder in your business. This can have significant tax benefits upon the eventual sale although association risk can pop up.
 - Consider having a multi-share class structure for your corporation. For the best tax planning options have multiple classes of voting, non-voting, preferred (non-redeemable) and preferred (redeemable) shares. At a minimum each shareholder should hold a different class of shares that can have dividends issued at the director's discretion. A lawyer's generic template is usually sufficient.
- **Year end date:** You can decide on any yearend date within 12 months of incorporation. We typically recommend a month end of July - October as this provides the best tax planning opportunities.
- **Accounting Fees:** Corporate tax return and financial statement preparation ("year end") fees cost between \$1,500 and \$2,500 on average. This does not include any bookkeeping or personal tax fees.
- **Sales Taxes:**
 - If you were a sole proprietorship previously registered for GST, PST, WCB, or Payroll you will need new account and number upon incorporating.
 - If you have a pre-existing business and have decided to incorporate you may be required to pay GST and PST on any assets transferred from the sole-prop to the incorporated business.
- **GST Options:** Your GST liability can be mitigated by the completion of a GST44 form. To be eligible:
 - Timing is crucial – the GST44 form must be completed and filed along with the GST remittance that is due immediately after the asset transfer. For example, if the transfer occurred Nov 3rd, 2021 and your GST period is from Jan - Dec then the GST44 form has the same due date as your Jan - Dec remittance.
 - Registration is crucial - The form will be disallowed if one business is registered and the other is not. You'll need both the sole-prop and incorporation to be registered (or not registered) before the transfer.