Incorporation Tax Savings Checklist

Working out whether incorporating actually helps you | Open Corporation For $35

1. Start with the only question that matters

- ☐ How much of your profit will genuinely stay in the company?
- ☐ If the answer is none of it, most of the rate advantage disappears on withdrawal.
- ☐ If the answer is most of it, the deferral is worth real money.
- ☐ Everything below refines that answer.

2. Gather your own numbers

- ☐ Expected net business profit for the year.
- ☐ What you actually need to draw personally to live on.
- ☐ Your current personal marginal tax rate.
- ☐ Last two years of profit, to judge how steady it is.

3. Understand what you are comparing

- ☐ Ontario combined small business rate: 12.2%.
- ☐ Ontario top personal marginal rate: 53.53%.
- ☐ The gap is deferred tax, not saved tax.
- ☐ Personal tax arrives later, as salary or dividends.

4. Count the cost side honestly

- ☐ Annual T2 preparation.
- ☐ Bookkeeping, which usually becomes more formal.
- ☐ Payroll remittances if you take salary.
- ☐ Annual return to the registry.
- ☐ Minute book upkeep.

5. Check what could reduce the benefit

- ☐ Passive investment income above $50,000 grinds the deduction.
- ☐ It is gone entirely at $150,000 of passive income.
- ☐ Associated corporations share one $500,000 limit.
- ☐ Personal services business rules if you serve mainly one client.
- ☐ Professional corporation restrictions if you are licensed.

6. Think about family before you set up shares

- ☐ TOSI taxes dividends to family at top rates unless an exception applies.
- ☐ Exceptions turn on their shareholding and their actual involvement.
- ☐ Share classes are far cheaper to set up correctly than to amend.
- ☐ Take advice before issuing shares to a spouse or child.

7. Look ahead to an eventual sale

- ☐ The capital gains exemption applies to qualifying shares only.
- ☐ There are asset and holding-period tests to meet.
- ☐ Structure set up correctly from the start makes qualifying easier.
- ☐ Confirm the current exemption figure with CRA before planning around it.

8. Diarise the deadlines from day one

- ☐ T2 filing: six months after fiscal year end.
- ☐ Balance of tax for a CCPC: three months after year end.
- ☐ Annual return to the registry each year.
- ☐ Payroll remittances on the schedule CRA assigns you.
- ☐ GST/HST registration once you pass the threshold.

Want the numbers run against your own figures?

Book a free consultation at gondaliyacpa.ca/consultation or email info@gondaliyacpa.ca