

**the
incorporation
handbook**

*A provincial and
federal guide*

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REGIONAL BUSINESS CENTRE RÉGIONAL DES AFFAIRES

NEED HELP WITH YOUR NEW BUSINESS VENTURE?

The Regional Business Centre staff are ready to assist you throughout the process.



Our services include:

- Information on starting and expanding a business
- Assistance with business plan development
- Guidance on regulations, licenses and registrations
- Market research and access to resource library
- Access to loans, grants and other financial incentive programs
- Business seminars, networking and mentoring opportunities
- Online business registrations
- One-on-one consultations



Be sure to pick up the following guides:

- Starting a Small Business Guide
- Writing a Business Plan Guide
- The Funding Handbook
- Greater Sudbury Statistics Handbook



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CHOOSING YOUR LEGAL STRUCTURE

You have the choice of registering your business name as a sole proprietorship, partnership, or a corporation. Choosing the structure that is suitable for your business can sometimes be challenging. However, it is wise to evaluate each form of business organization to determine which one is appropriate.

Keep the following things in mind:

- Different structures are accompanied by different abilities to reduce costs and maximize profits.
- If you are looking for investors, partners, or raising share capital, it may be easier to accomplish this with a certain type of business structure.
- Taxation regulations and procedures differ according to business structure.

There are 3 legal structure options:

- Sole-proprietorship
- Partnership
- Corporation

Sole Proprietorship vs. Partnership vs. Incorporation

Type of Business Organization	Advantages	Disadvantages
<p>Sole Proprietorship <i>Business owned by one person, called a "proprietor."</i></p>	<ul style="list-style-type: none"> • Low start-up costs • Owner has direct control • All profits go to owner • Less regulations than other forms of business • Minimal requirements for working capital • Tax advantages for the small business owner (losses can be applied against other income of proprietor) 	<ul style="list-style-type: none"> • Owner assumes all risk of business; responsible for payment of all business debt • Difficult to raise capital • Lack of continuity (ownership not transferable) • Possible tax disadvantages (profits must be added to personal income)
<p>Partnership <i>Business owned by two or more individuals or corporations.</i></p>	<ul style="list-style-type: none"> • Low start-up costs • Ease of formation • Broader management base • Limited outside regulation • Partners provide sources of additional capital and skills • Possible tax advantage 	<ul style="list-style-type: none"> • Partners assume personal liability for debts of business • Difficulty in raising additional capital • Divided authority • Difficulty in finding suitable partners • Partners can legally bind each other without prior approval • Lack of continuity • More complex record keeping and tax returns
<p>Corporation <i>A separate legal entity which can enter into contracts and own property, separately and distinctly from its owners who are the shareholders.</i></p>	<ul style="list-style-type: none"> • Limited liability (generally limited to individual's personal investment in the business) • Continuous existence (ownership transferable) • Legal entity • Easier to raise capital (i.e. money for the business can be raised by selling shares) • Specialized management • Possible tax advantages 	<ul style="list-style-type: none"> • Most expensive and complicated form of business to organize • Closely regulated • Charter restrictions • Extensive record keeping and complex taxation • Shareholders may be held legally responsible in certain circumstances

CORPORATION CHECKLIST

- Choosing your Legal Structure** (page 2)
- Choosing a Corporation as your legal structure** (page 5)
- Choosing your legal structure: Provincial Corporation or Federal Corporation** (page 7)
- Completing the registration process of Articles of Incorporation** (page 8)
- Choosing a Business Name** (i.e.: Microsoft Inc.) **or Registered Number Company** (i.e.: 123456 Ontario Ltd.) (page 10)
- Registering your business name with Service Ontario if you require an “operating as” Trade Name** (page 10)
(Master Business License \$60 renewable every 5 years)
- Preparing other documents** (page 11)

CORPORATION

STRUCTURE DESCRIPTION

A corporation is the legal structure which creates a business as a completely separate legal entity from its directors/owners. With time a corporation offers little liability of the owners, since the entity can enter into contracts separately and distinctly from the directors/owners.

It is important to note:

- If the owner personally guarantees a contract, then that owner is taking on liability.
- If the owner personally does something that affects the business, they will be held responsible/liable.
- If the owner files the incorporation papers themselves, if there are any mistakes or missing clauses, they would become personally liable once again.

Note:

*This is a guideline about how to incorporate a business on your own. **Depending on the complexity of your business situation, you may wish to contract the services of a lawyer.***

THINGS TO CONSIDER WHEN INCORPORATING

Incorporation is the legal structure which can operate a business as a completely separate legal entity from its directors/shareholders. A corporation offers little liability to shareholders, since the entity can enter into contracts separately and distinctly from the directors/shareholders.

It is important to note:

- If the shareholder personally guarantees a contract, then that owner assumes liability.
- If the officer/director/employee personally does something that affects a contract, they may assume responsibility/liability.
- Errors in incorporation and organization may expose the officer/director to liability.
- The Articles of the corporation form its “birth certificate” or “charter” corporate organizational records and resolutions of minute of annual general meetings must be maintained in the corporation’s minute book.

****SEEK CONSULTATION FROM A LAWYER FOR MORE DETAILS.**

CLAIMING YOUR CORPORATION'S INCOME

For details on how to file corporate taxes, visit the Canada Revenue agency website to obtain the guide:

Guide: T4012 – T2 Corporation Income Tax Guide

<http://www.cra-arc.gc.ca/E/pub/tg/t4012/README.html>

PROVINCIAL CORPORATIONS VS. FEDERAL CORPORATIONS

If you're thinking of incorporating your business, you will need to decide whether you should incorporate federally (under the Canada Business Corporations Act) or provincially (in Ontario under the Ontario Business Corporations Act).

The following table explains the pros and cons of provincial and federal incorporation.

Type of Corporation	Advantages	Disadvantages
<p>Provincial Corporation</p>	<ul style="list-style-type: none"> • Name selection is self-policing • Name only needs to be available under Ontario laws • Faster incorporation turnaround time (real time available) • No government fee for Form 1 filings under the Corporations Information Act (Initial Return, Notice of Change, and Annual Return) 	<ul style="list-style-type: none"> • Higher government incorporation fee • May be difficult to use corporate name when expanding into other provinces
<p>Federal Corporation</p>	<ul style="list-style-type: none"> • Name decision by government examiners based on availability across Canada • Enhanced name protection • Increased global recognition of federal charter • Ability to operate in every province • Lower government incorporation fee • Filing Articles of Incorporation and other required documents online is accessible and convenient • Location flexibility • High quality clientele service • Resources for small businesses 	<ul style="list-style-type: none"> • Finding an available name is more difficult • Name decision made by government examiners • Longer processing time (1-2 days) • Government fees associated with annual filings

COMPLETING PROVINCIAL OR FEDERAL PROCESSES

Provincial Corporation

(https://www.appmybizaccount.gov.on.ca/wps/portal/mba_pub/!ut/p/c4/TU9By8lwDP01uza7ePG44UHwm0MmWi-S9gu12CVI7QT_vXUiSMgh7728l8AFSjE-vMPshTHAGXRER8HzfS3JqChTxqDibIK3ioXVR24CqSzRWzi9PQKyA028dJnRZtCOcjMnz5TSsEgLYX6BVv4JdLPt2v2hf7P9sdlT22u774bNeQBd1aNBVhd8uW1IEWZJ0tVvUSnAkWaMBN-bavas5WpXF0eYvcs8i8FcRz7bvX4ewEmwx8R/)

Federal Corporation

(www.corporationscanada.ic.gc.ca)

The following must be completed:

1. Articles of incorporation (Form 1) in duplicate. Forms are available online (<http://www.forms.ssb.gov.on.ca/mbs/ssb/forms/ssbforms.nsf/FormDetail?openform&E NV=WWE&NO=007-07116>) or from a lawyer.
2. An original copy of a NUANS Name Search Report. This report reserves the name for a 90-day period. You can complete the NUANS name search either by telephone or electronically. A NUANS is not required if incorporating a numbered company.

Complete the provincial Name Search:

By Phone:

ESC Corporate Services Ltd.

1 -800-668-8208

www.eservicecorp.ca

Or Online:

Cyberbahn Inc.

www.cyberbahngroup.com

OnCorp Direct

www.oncorp.com

3. Covering letter with contact information (Name, Return Address and Telephone Number). If a future date of incorporation (up to 30 days ahead) is required it must be set out in the covering letter.
4. A cheque of \$360 made payable to the Minister of Finance for filing in person, by e-mail, by fax, or by mail. You can file online through a licensed provider where cost will vary.

The following must be completed:

1. Articles of incorporation (Form 1) in duplicate. Forms are available from a lawyer or online (<http://www.ic.gc.ca/eic/site/cd-dgc.nsf/eng/cs03988.html>).
2. Complete Initial Registered Office Address and First Board of Directors (Form 2). Available online at <http://www.ic.gc.ca/eic/site/cd-dgc.nsf/eng/cs03988.html>.
3. An original copy of a NUANS Name Search Report. This report reserves the name for a 90-day period. You can complete the NUANS name search either by telephone or electronically. A NUANS is not required if incorporating a numbered company.

Complete the federal NUANS Name search

electronically at www.nuans.com cost \$20.

1. Include information about the proposed name.

You can complete a "Corporate Name Information" Form. Available online at <http://www.ic.gc.ca/eic/site/cd-dgc.nsf/eng/cs03988.html>

FILING ARTICLES OF INCORPORATION:

FILING PROVINCIAL ARTICLES	FILING FEDERAL ARTICLES
ONLINE (costs vary)	ONLINE (fee: \$200)
<p>OnCorp Direct Inc. www.oncorp.com Telephone: (416) 964-2677 Toll free: 1-800-461-7772</p> <p>Cyberbahn, a division of Thomson Reuters Canada Limited www.cyberbahngroup.com Telephone: (416) 306-3070 Toll free: 1-800-267-0183</p> <p>ESC Corporate Services Ltd www.eservicecorp.ca Telephone: (416) 595-7177 Toll free: 1 -800-668-8208</p>	<p>Corporations Canada www.corporations.ic.gc.ca</p>
MAIL (fee: \$360)	MAIL OR IN PERSON (fee: \$250)
<p>Companies and Personal Property Security Branch Ministry of Government Services 393 University Ave., Suite 200, Toronto ON M5G 2M2 Articles (in duplicate, original Ontario based NUANS name search report (if applicable), covering letter</p>	<p>The Director, Canada Business Corporations Act Jean Edmonds Tower, South 9th Floor, 365 Laurier Ave. West Ottawa Ontario K1A 0C8</p>
IN PERSON (fee: \$360)	BY FAX (fee: \$250)
<p>Service Ontario 199 Larch St., Third Floor Sudbury, ON P3E 5P9 (705) 564-0060 1-800-361-3223</p>	<p>1-877-568-9922</p>
<p>Online purchases: can be made using a Credit Card.</p> <p>Mail: Certified cheque, money order or personal cheque payable to the Minister of Finance.</p> <p>In person: Cash, Debit, Credit Card or Cheques (payable to Minister of Finance)</p>	<p>Fees can be paid by cheque, MasterCard, and Visa. Cheques are payable to the Receiver General for Canada and can be sent to:</p> <p style="text-align: center;">The Director, Canada Business Corporations Act Jean Edmonds Tower, South 9th Floor, 365 Laurier Ave. West Ottawa Ontario K1A 0C8</p>

CHOOSING A CORPORATE NAME OR NUMBERED COMPANY

Corporate Name (i.e.: Microsoft Inc.)	Number Company (i.e.: 123456 Ontario Ltd.)
<p>By incorporating a business name you obtain legal ownership.</p> <p>Note: <i>A Master Business License is not required when incorporating a specific name.</i></p>	<p>If you register as a numbered company and you wish to use an ‘operating as’ name, you <u>must register</u> that name under the corporation with Service Ontario. This is called the Master Business License</p>

MASTER BUSINESS LICENSE

This license is required for all Corporations operating in Ontario using an “**OPERATING AS**” Trade Name. (i.e.: Microsoft Inc. “operating as” Bob’s Computer Repair OR 123456 Ontario Ltd. “operating as” Bob’s Computer Repair).

The license allows the business to **advertise the name and to open a business bank account**. Financial institutions require proof of registration to open a business account. The Master Business License will provide them with the business identification number (9 digit ID number).

Where to Register

When you are ready to register your “**OPERATING AS**” Trade Name, you can visit the Regional Business Centre where an employee will assist you with the **online registration** and answer any questions you may have. There is a fee of **\$60.00** (renewable every five years). The online registration also enables you to register for Employer Health Tax and Workplace Safety and Insurance.

There are three ways you can register:

In Person	<p>Regional Business Centre Tom Davies Square, 200 Brady Street Sudbury, ON P3E 5K3 (Credit card only)</p>	<p>Service Ontario 3rd Floor, 199 Larch Street (Self-serve stations only)</p>
Online	<p>Service Ontario https://www.appmybizaccount.gov.on.ca/sodp/portal/osb</p>	
By Mail \$80 fee	<p>Ministry of Government Services 393 University Avenue Toronto, ON M5G 2M2 1-800-361-3223</p>	

WHAT OTHER DOCUMENTS ARE REQUIRED?

Once you have received your certificate of incorporation, you need to start keeping a corporate minute book. All corporations are required by law to keep certain corporate records including, but not limited to:

- a copy of the Articles of Incorporation
- all corporate by-laws
- minutes of shareholder meetings
- shareholder resolutions
- minutes of directors' meetings
- resolutions of directors
- directors register
- securities register
- share transfer register
- a copy of any forms filed with the government
- a copy of any unanimous shareholder agreement

Feeling a little overwhelmed? For legal counsel, contact The Regional Business Centre's partner, Murray Alan Scott, B.SC. LL.B., at 705- 674-6441 or mascott@sudburylegal.com.

*This package is a guideline about how to incorporate a business on your own. The Regional Business Centre offers this handbook as a guide but does not pretend to offer legal advice. **However, depending on the complexity of your business situation, you may wish to contract the services of a lawyer***

Thank you to our partners Merci à nos partenaires

