



Northern Ontario Tourism Week – Business Structures and other considerations

Housekeeping



The webinar recording will be available within **24 hr.**



Slides will be available for download within **24 hr.**



A **brief survey** will be available on your screen after today's webinar.



Q & A chat is available during this webinar.



If handouts are available they will be listed in the **handouts pane.**

Presenters

Mitchell Crown, CPA, CA
Senior Manager – Assurance

E Mitchell.Crown@ca.gt.com
T +1 705 475 6530

Andrew Crupi, CPA, CA
Manager - Assurance

E Andrew.Crupi@ca.gt.com
T +1 807 346 3426

Agenda

1 Business Structures

2 How Grant Thornton Can Help

3 Cloud Accounting



Business Structures



Business Structures

Issues to consider

- Legal liability
- Complexity/maintenance
- Taxation of profits
- Succession planning
- Income splitting
- Eligibility for programs



Sole Proprietorship

- Simple to set-up
 - Register business account online, NUANS name search and register for HST, payroll, etc. as applicable
- Revenue & Expenses are reported on your personal tax return (T2125 typically)
- Personally liable
- Taxed on all profits before drawings
- Areas of caution: Personal tax liability + CPP premiums

Proprietorship - example

Sales	\$30,000
Expenses	
Cost of product	\$10,000
Insurance	\$1,000
Interest	\$1,000
Professional Fees	<u>\$1,000</u>
Total Expenses	<u>\$13,000</u>
Net Profit	*\$17,000
* Reported as income on personal tax return – Triggers CPP X 2	

Partnership

- Slightly more complex than sole proprietorship
 - Partnership agreement
 - Determine profit allocation
 - Avoid future misunderstandings
- Revenue and expenses are reported on the partners personal tax return
- Unlimited liability to the partners
- Taxed on all profits
- Area of caution – future tax liability + CPP premiums



Corporation

- More complex
- Separate legal entity (I.e. Limited, Ltd., Incorporation, Inc.)
- Limited liability
- Income tax deferral
- Income splitting opportunities
 - Ensure TOSI does not apply
- Revenue and expenses are reported on a corporate tax return
 - Profit is taxed at corporate tax rates



Corporation - continued

- Professional fees to file corporate minutes, financial statements, and corporate tax returns on an annual basis
- Incorporation costs as well as costs to move operations into corporation on a tax deferred basis
- Corporate structure can vary to maximize most advantageous tax scenario
- Shareholder may remove funds through a salary and/or dividends

Income tax deferral

Corporate tax rates are much lower than personal tax rates, allowing for a deferral of tax if funds are left in the corporation.

Corporate tax rates

Small business rate 12.2%
(up to \$500k of income)

General business rate 26.5%
(over \$500k of income)

Personal tax rates

Highest marginal rate 53.5%
(Ontario)

Income tax deferral

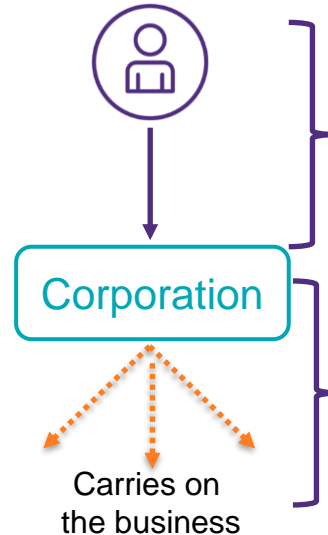
Proprietor

Income fully taxed when earned (even if not required for personal use)



Incorporated

Personal income tax only incurred when cash removed from corporation



Income taxed when earned, but at lower business rates

Remuneration planning

- Salary
 - Tax deductible expense to business
 - Must withhold income tax, CPP, and EI (if applicable)
 - Earned income for RRSP purposes
- Dividend
 - Non-deductible to business
 - No withholdings
 - Does not increase RRSP room
 - Impact on future payments from CPP



Corporation - example

Sales	\$30,000
Expenses	
Cost of product	\$10,000
Insurance	\$1,000
Interest	\$1,000
Professional fees	\$1,000
Wages	<u>\$10,000</u>
Total Expenses	<u>\$23,000</u>
Net Profit	*\$7,000

* Corporation pays \$854 in tax @ 12.2%. \$10,000 is taxed on personal tax return via T4 slip.
\$7,000 is available for distribution to shareholder in the future (dividend)

Filing Deadlines

Corporation

- Tax typically due 3 months after year-end
- Tax return due within 6 months of year-end

Personal

- Tax due April 30th
- Individuals must file by April 30th (June 15 if self employed)

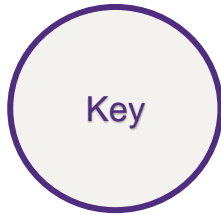


How Grant Thornton Can Help

- Set-up of business structure
 - Assist in transferring business from a proprietorship to corporation on a tax-deferred basis
- Maintenance of the business
 - Preparation of financial statements and corporate tax returns
 - T4/T5 preparation for salary and dividends
 - Bookkeeping assistance (Cloud Accounting)
- Tax planning
 - Remuneration planning – wages or dividends
 - Structuring investment opportunities
 - Estate and will planning
 - Buying or selling a business



Grant Thornton Cloud Accounting Service



Key

Open the door to your virtual office

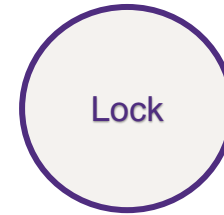
Access to up to date information and build in efficiencies



Unlock

Gain access to real time reports

Unlock new insights with cloud accounting



Lock

Secure your business data

The key to peace of mind

Unlock your full potential



Top 5 signs cloud accounting is for you

1

You spend too much time on manual tasks and not enough time on business growth.

2

The state of your books made you dread year-end tax season.

3

Have difficulty in producing an accurate and timely profit and loss statement.

4

You need real-time mobile access to your records and you lack expense tracking and documentation.

5

Have a hard time making informed financial decisions due to a lack of data and insights.

Government programs update

Program	Update
CEWS	<ul style="list-style-type: none"> Announced intent to extend to June 2021
CEBA	<ul style="list-style-type: none"> Additional \$20,000 in interest free loan, \$10,000 forgivable if it is paid by June 30, 2022.
CERS	<ul style="list-style-type: none"> New rent subsidy announced for businesses, charities and not for profits, which is based on revenue loss.
CERB Replacement	<ul style="list-style-type: none"> CERB has been phased out, and new programs have been announced for those that do not qualify for EI Canada Recovery Benefit Canada Recovery Caregiving Benefit Canada Recovery Sickness Benefit
Northern Ontario Programs	<ul style="list-style-type: none"> Two programs: Northern Ontario Recovery Program and Regional Relief and Recovery Fund

Thank You!

<https://www.grantthornton.ca/insights/coronavirus-covid-19/finding-the-way-forward-guiding-businesses-through-coronavirus-covid-19/>

“This material deals with complex matters and may not apply to particular fact situations. As well, this material and the references contained therein reflects laws and practices which are subject to change. For these reasons, the material should not be relied upon as a substitute for specialized professional advice in connection with any particular matter.

Although the material has been carefully prepared and reviewed, no persons involved in the preparation of the material accepts any legal responsibility for its contents or for any consequences arising from its use.”