



*Making Tax & Accounting Issues Simple.
That's Our Bottom Line!*

Post Incorporation Checklist

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BEFORE INCORPORATION

1. WHAT IS A CORPORATION?

- ☐ A corporation is a business entity that is owned by its shareholder(s), who elect a board of directors to oversee the organization's activities.
- ☐ The corporation is liable for the actions and finances of the business – the shareholders are not. Corporations can be for-profit, as businesses are, or not-for-profit, as charitable organizations typically are.
- ☐ In Canada, a corporation is created when one or more entrepreneurs register a business with a provincial or federal government through articles of incorporation—documents that describe the type of business being created, its officers, directors and bylaws.

2. READY TO INCORPORATE?

- ☐ [Book an appointment with AccPlus](#) 



POST INCORPORATION

1. BUSINESS ACCOUNTS WITH CRA:

- ☐ In most cases, you will receive a business number from the CRA two weeks after incorporation. Once you receive the business number, please send it to Accounting Plus. We will look after all CRA account registrations for you.
- ☐ If you need to register a GST/HST or payroll account immediately after incorporation, you can do so by calling the CRA at 1-800-959-5525. We recommend consulting with us before contacting the CRA regarding account registrations.

2. BANK ACCOUNTS:

- ☐ Bring a copy of the articles of incorporation to the bank and open a new business bank account.
- ☐ Please ensure the business account is solely used to pay for business related expenses.

3. CREDIT CARDS:



- ☐ Apply for a business credit card to pay for business expenses.
- ☐ If you cannot open a business credit card for certain reasons, please designate a personal credit card as a business credit card.
- ☐ Please ensure the credit cards are solely used to pay for business related expenses.

4. RECORD KEEPING:

- ☐ Keep your corporate documents, including articles of incorporation, in a safe place. Accounting Plus strongly recommends scanning and digitally storing corporate documents and receipts.
- ☐ Maintaining the books and records are an important part of the success of a business. Keep records of your revenue and expenses by using an accounting system or hiring accountants.

- ☐ Hiring an accountant will increase your chances of success.
 - [Book an appointment with AccPlus](#) ↗

5. ACCOUNTING PLUS AND XERO:

- ☐ At Accounting Plus, we use Xero as our main cloud-accounting system.
- ☐ Xero's online accounting software is based in the cloud. That means you can automate everyday business tasks, get up-to-date financials and run your business from wherever you are.
 - [Access your Xero Account](#) ↗
 - Install the Xero App to your phone  ↗  ↗

6. INFORM ALL YOUR CLIENTS/CUSTOMERS/INSTITUTIONS ABOUT THE NEW CORPORATION:

- ☐ Inform all clients/customers/institutions about the new corporation.
- ☐ Ensure cheques are payable to the corporation and funds are directly deposited into the new corporation bank account for any revenue generated after the incorporation date.

7. BUSINESS EXPENSES:

- ☐ For business expenses, please ensure all payments are made either through the corporation bank account or business credit card.
- ☐ Any business expenses paid by cash should be tracked separately and be reimbursed by the corporation.

8. PETTY CASH:

- ☐ A corporation can have a petty cash box.
- ☐ Please establish a petty cash log to track all petty cash transactions.

9. VEHICLE EXPENSES

☐ Vehicle Owned by a Corporation

- Any vehicular-related expenses paid by the corporation for use of a vehicle to earn income can be expensed by the corporation.
- The company needs to keep a record of the vehicle use for personal travelling.
- Company vehicle use for personal travel will be added to the shareholders' T4 as a taxable benefit based on yearly CRA rates.

☐ Vehicle Owned by a Shareholder


- The expenses are all paid by the shareholder's personal accounts. The total kilometers travelled for business purposes will be reimbursed to the shareholder by the corporation based on a yearly per km rate.
- Track your car log by using a Car Log Book:
 - [Car Log Book Excel Worksheet](#) ↗
 - Mileage Tracker applications like:
 - [Xero Expense](#) ↗
 - [MileQ](#) ↗ and more.



10. HOME OFFICE:

- ☐ Personal residences may be used for business purposes, according to the Income Tax Act.
- ☐ The corporation should reimburse the office owner for the business usage, which will not be included in the taxpayer's personal income.
- ☐ We recommend that the corporation issue monthly rental cheques to the person, while the person pays all home expenses through his/her personal account.
- ☐ The monthly rent will be determined according to the actual space designated as a home office.
- ☐ [Book an appointment with AccPlus](#) ↗

11. ROLLOVER OF ASSETS:

- ☐ Assets (such as vehicles, computers, equipment, furniture, tools etc...) that you transfer into the corporation from your sole-proprietor or personal use can be rolled-over to the corporation.
- ☐ Please list these items and their fair market value (FMV).
- ☐ [Book an appointment with AccPlus](#) 


12. SALARY PLANNING:

- ☐ After the incorporation, the previously self-employed person becomes the employee of the corporation and should receive a monthly salary from the corporation for the services provided.
- ☐ To minimize corporate and personal tax, the monthly salary will be determined on a case-by-case basis.


13. DIVIDEND PLANNING:

- ☐ After incorporation, the shareholders of the corporation can receive dividends if the corporation makes a profit and has available funds.
- ☐ Dividend issuance is an efficient tax planning tool, which can be used to significantly reduce personal income taxes.

14. INCOME SPLITTING WITH A FAMILY MEMBER PLANNING:

- ☐ The corporation can pay a salary or dividend to a family member, including spouse, children, and parents based on certain criteria.
- ☐ Doing it right will solve any issues with the CRA in case of an audit.
- ☐ [Book an appointment with AccPlus](#) 


15. PASSIVE INCOME:

- ☐ Passive income includes:
 - Interest
 - Rent (excluding rent from associated corporations carrying on active businesses)
 - Royalties
 - Dividends from portfolio investments and non-connected corporations
 - Taxable capital gains
- ☐ There is a limitation on the \$500,000 small business deduction, based on a company's previous year's passive income.
- ☐ A corporation can have up to \$50,000 of investment income in the prior year with no impact to the small business deduction.
- ☐ But for every dollar of passive income over that amount, you lose \$5 of the deduction. That means once passive income exceeds \$150,000, you lose the small business deduction entirely.
- ☐ [Book an appointment with AccPlus](#) 

16. HEALTH SPENDING ACCOUNT:

- ☐ According to the Income Tax Act, the corporation can use a health spending account to reimburse its employees' qualified medical expenses if the corporation has an active payroll account.
- ☐ These qualified medical expenses are deductible expenses for the corporation and non-taxable benefits for its eligible employees.

17. LIFETIME CAPITAL GAIN EXEMPTION

- ☐ A shareholder can sell his/her corporation's shares and can have up to \$883,384 (as of the 2020 LCGE rate) and pay no tax.
- ☐ There are several restrictions and limitations to this great benefit. If you think selling your business is a possibility, it would be best if you planned for it now.
- ☐ [Book an appointment with AccPlus](#) 

18. LIFE INSURANCE POLICY:

- ☐ According to the Income Tax Act, most life insurance premiums are not deductible expenses for the corporation with the exception that the life insurance policy is requested by the financial institution as collateral of a loan. However, the corporation owned life insurance policy still offers many tax advantages.
- ☐ Premiums are paid to the policy with funds before tax.
- ☐ Life insurance death benefits are not subject to tax and can be distributed to the shareholders through a capital dividend account tax free.
- ☐ When personally owned life insurance policies are being transferred into the corporation, depending on the fair market value of the policy, there is a possibility to withdraw certain funds from the corporation tax free.

19. WILL & ESTATE PLANNING:

- ☐ Now that you have incorporated your business, you will need to revise your will if you already have one, or if you do not, you should make one.
- ☐ In general, we recommend having a separate will for the corporation.
- ☐ Please consult with estate lawyers (please note, real estate or general lawyers would most likely not be able to assist in this regard; therefore, we highly recommend consulting an estate lawyer).