

SOLE PROPRIETORSHIP VS CORPORATION

Decision Checklist

STEP 1: ASSESS YOUR INCOME & GROWTH

- Are you earning income from your business yet?
- Is your business income expected to stay modest in the short term?
- Do you expect your income to grow significantly in the next 12-24 months?

Tip: Higher, consistent income may make incorporation more tax-efficient.

STEP 2: EVALUATE YOUR RISK & LIABILITY

- Does your business involve contracts, clients, or public interaction?
- Could financial or legal risks affect your personal assets?
- Do you want legal separation between personal and business finances?

Tip: Corporations provide liability protection; sole proprietorships do not.

STEP 3: CONSIDER YOUR TAXES & FINANCIAL STRATEGY

- Are you looking for potential tax planning strategies?
- Do you understand your personal vs. corporate tax rate?
- Will you reinvest profits or pay them out personally?

Tip: Incorporation may save tax on retained earnings.



STEP 4: THINK ABOUT CREDIBILITY & GROWTH POTENTIAL

- Will you need business loans or a business bank account?
- Are you planning to add partners or investors?
- Do you want to expand or hire employees?

Tip: Corporations are taken more seriously by banks and partners.

STEP 5: FACTOR IN COSTS & ADMINISTRATION

- Prepared for annual filings & accounting?
- Prefer a simple setup with less paperwork?
- Budget for incorporation fees?

Tip: Sole proprietorships are cheaper now, but costlier to upgrade later.

STEP 6: MAKE YOUR DECISION

- Mostly "Yes" for low risk & income = Sole proprietorship
- Mostly "Yes" for higher income or growth = Corporation

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