



## INCORPORATION CONSIDERATIONS

### PROFESSIONAL CORPORATIONS ALLOWED IN ONTARIO

Doctors • Dentists • Veterinarians • Lawyers  
Engineers • Architects • Accountants  
Other regulated health professionals



## INCORPORATION CONSIDERATIONS

Selection of Solicitor	1
Business Numbers	2
Opening Corporate Bank Account	3
Corporate and Personal Tax Payments	4 - 6
Services-Year-end Information	7
How To Pay CRA	8 - 10
Frequently Asked Questions	11 - 15

## SELECTION OF SOLICITOR

In order to incorporate it is usually more efficient to utilize the services of a lawyer or law firm experienced in the incorporation of professional corporations.

There are differences in what is allowed under Ontario legislation and the individual associations for the incorporation of all regulated professionals.

While there may be an initial saving in incorporation costs on a DIY basis, perhaps, for example, through the use of the OMA website our experience has demonstrated that initial savings can and will quickly disappear through reorganization costs, needless tax liabilities, etc.

We recommend the use of a qualified solicitor and would be happy to recommend solicitors we have used in the past to accommodate the needs of our professional clientele.

## BUSINESS NUMBERS

Shortly after you incorporate, the Canada Revenue Agency (CRA) should send you a document which contains a 9-digit business number for your corporation. You will need this business number to identify your corporation with the CRA.

Once you have received your 9-digit business number, please forward to us at your earliest convenience. We will then prepare a corporate authorization form for your signature. This form will allow MDP to represent your corporation when dealing with CRA.

Additionally we would like to be able to represent you individually when dealing with CRA. Please provide us with the Social Insurance Number of you and your family members (if you have not already done so) and we will prepare a personal authorization form (T1013) for your signature.

If you do not receive your 9-digit business number for over 30 business days since incorporation, please call CRA at 1-800-959-5525. The CRA agent will assist you in locating your business number. Alternatively, a RC1 form “Request for a Business Number” can be filled out.

## OPENING CORPORATE BANK ACCOUNT

One of the first items you are tasked with is setting up a corporate bank account with the bank of your choice. Please confirm with your bank on documentation requirements. Generally speaking, you may be required to provide the following documents:

### **Corporate documents**

- Articles of Incorporation

### **Business owner's documents**

- Two pieces of unexpired, original identification with equal to or greater than 25% ownership
- At least one of these must have a photo identification
- At least one of these must be issued by a government authority

### **Signing authorities' documents**

- Two pieces of unexpired, original identification of the signing authorities
- At least one of these must have a photo identification
- At least one of these must be issued by a government authority

### **Making tax payments**

After incorporation, you may need to remit some or all of the following different taxes:

- Personal income tax – instalment
- Personal income tax – final payment
- Corporate income tax – instalment
- Corporate income tax – final payment
- Corporate payroll remittance
- Corporate HST remittance - instalment
- Corporate HST remittance – final payment

### **Personal Income Tax – Instalment**

If you earn income that has no tax withheld or does not have enough tax withheld, you may have to pay tax by instalments. This could be the case when you are paid dividends by the corporation.

You have to pay your income tax by instalments for 2017 if both of the following apply:

- your net tax owing for 2017 will be above \$3,000
- your net tax owing in either 2016 or 2015 was above \$3,000

Your instalments will be due on

- March 15
- June 15
- September 15
- December 15

### **Personal income tax – final payment**

At the filing of your personal tax return, you may need to make a final payment to cover additional tax owing. This final payment will be due on April 30.

### **Corporate income tax – instalment**

Similar to individuals, corporations also have instalment requirements if one of the following applies:

- your corporate net tax owing for 2017 will be above \$3,000
- your corporate net tax owing for 2016 was \$3,000

Corporate instalments are due monthly and at the end of each month.

New corporations do not have to make instalment payments until the second year of operation has commenced.

Your corporate account number is your 9-digit business number, followed by a suffix “RC 0001”.

### **Corporate income tax – final payment**

At the filing of the corporate income tax return, you may need to make a final payment to cover additional tax owing. This final payment will be due either 2 or 3 months after year-end.

Your corporate account number is your 9-digit business number, followed by a suffix “RC 0001”.

### **Corporate payroll remittance**

When the corporation pays you a salary, your corporation, as an employer, must withhold a portion of the gross salary to cover personal taxes, CPP and EI. The amount withheld must be remitted to the CRA by the due date, which is usually the 15<sup>th</sup> of the following month.

Your corporate account number is your 9-digit business number, followed by a suffix “RP 0001”.



## **Corporate HST remittance – instalment and final payment**

If your corporation meets the HST registration requirement, it must register and charge HST on certain services.

Your corporation will need to make quarterly HST instalment payments if the HST filing for the immediate preceding year indicates HST owing of \$3,000 or more.

Your HST instalments are due one month after the end of each of your fiscal quarters.

At the filing of the corporate HST return, you may need to make a final payment to cover additional tax owing. This final payment will be due 3 months after year-end.

Your corporate account number is your 9-digit business number, followed by a suffix “RT 0001”.

## SERVICES – YEAR END INFORMATION

At the end of the corporate year, on the basis of the information provided by you, we will prepare financial statements and corporate income tax returns for the corporation.

In order to do so and to make this task as easy as possible (for both sides) there are a number of items that you could provide.

- Bookkeeping records (Excel, Quickbooks, Simply Accounting etc.)
- Copy of monthly bank statements
- Copy of receipts for transactions
- Monthly corporate Investment Statements (if applicable)
- Copies of any T3's, T5's or any other standardized forms.

### **Other Services – Bookkeeping Services**

MDP offers bookkeeping services through Sherwood Corporate Services Inc. <[www.sherwoodcorp.on.ca](http://www.sherwoodcorp.on.ca)> if you are unable to perform the bookkeeping services yourself or are unable to establish contact with another bookkeeper. Please contact Louise McGuinty at 905-279-7500 x. 263 for information about bookkeeping services.

### 1. Online banking

- To make a personal income tax payment
  - Sign in to your personal financial institution's online banking service.
  - Under ‘add a payee’, look for
    - CRA (revenue) - tax instalment or
    - CRA (revenue) – current year tax return
  
- To make a corporate payment
  - Sign in to your business financial institution's online banking service.
  - Under ‘add a payee’, look for
    - Federal – Corporation Tax Payments – TXINS
    - Federal Payroll Deductions – Threshold 1 – EMPTX – (PD7A)
    - Federal Payroll Deductions – Threshold 2 – EMPTX – (PD7A)
    - Federal – GST/HST Payment – GST-P (GST-P)
  
- Be sure to enter your account number (social insurance number or business number) carefully to avoid a lost or misapplied payment.
  
- Most financial institutions let you set up a payment to be sent to the CRA on a pre-set date for single or multiple payments in the future.

For help paying your taxes through online banking, please contact your financial institution.

### 2. Pay at your Canadian financial institution

You can make your payment at your financial institution in Canada. To do so, you need a personalized remittance voucher.

### 3. Mail a cheque or money order

If you want to mail your payment to the CRA, send your cheque or money order (payable to the Receiver General), along with your remittance voucher, to:

Canada Revenue Agency  
875 Heron Road  
Ottawa ON K1A 1B1

If you don't have a remittance voucher, you can attach a note to your cheque or money order stating your social insurance number / business number, and giving instructions on how you want us to apply your payment.

### 4. Debit card – *Interac*® Online

You can make instalment payment with Interac by using CRA My Payment service.

To access this option, please search for “CRA My Payment” under the CRA website <[www.cra.gc.ca](http://www.cra.gc.ca)>.

### 5. Pre-authorized debit – personal payment only

Pre-authorized debit lets you set up a payment to be made from your bank account to the CRA on a pre-set date. You can pay an overdue amount or make instalment payments. You can set up a pre-authorized debit agreement at your convenience using the CRA's My Account service. For more information, go to Pre-authorized debit or call 1-800-959-8281. You cannot use this option to make a business payment.

### 6. Third-party service provider

You may be able to make your payment through a third-party service provider. The third-party service provider will send your payment and remittance details online to the CRA for you. These include ADP, Ceridian, Nethris, PaymentEvolution, Paysavvy, Plastiq, TelPay, and Wave Payroll. Plastiq is the only provider that accepts credit card.

Third-party providers charge a fee for their service.

**Avoid late fees!**

CRA receives your payment on the date you or the service provider sends the funds to them, not the date you make your payment. The CRA may charge you penalties or interest or both if your payment is late. You are responsible for making sure the CRA receives your payment by the payment due date. We suggest making your payment a few days before the due date.

## FREQUENTLY ASKED QUESTIONS

### 1. How much salary can be paid to my family members?

Although there is no limit as to the amount of salary that can be paid to you, salary paid to anyone else must be reasonable. In general, whether an amount is reasonable can only be determined after a consideration of duty, responsibility, qualification and experience. Although there is no pre-set amount, paying \$50,000 to a 10 year old is likely not reasonable.

### 2. It seems that dividend is more flexible in income splitting. Should I issue shares to all of my family members?

Unlike salary, there is no limit on the amount of dividend that can be paid to a shareholder. However if the recipient is a minor, the receipt of the dividend will automatically be taxed at the highest personal tax rate. In other words, income splitting with a minor is not a feasible alternative.

Before adding other family members as shareholders, careful consideration is required to ensure that their interest in your corporation is discretionary and dependent upon your decision. In addition, extra steps may be required to avoid the application of negative tax rules on benefit conferral.

It is also important to ensure your particular association does not have specific restrictions (siblings for example).

### 3. Can I borrow money from my corporation and pay interest only?

You can only borrow money from your corporations for some very specific uses (for example, new vehicle for work, or a residence). In addition, you must be borrowing in your capacity as an employee. In other words, the amount and terms must be comparable to money your corporation would have lent a third party as if there were one.

4. I have heard about the use of a holding company. How does it work?

A holding company is an effective tool that allows for a transfer of excess funds in an operating company to another corporate entity on a tax-deferred basis. This provides a number of advantageous tax and legal results. Unfortunately, most professional corporations are prohibited from using a holding company. If you believe your professional governing body does not prohibit you from using a holding company, please contact us. As of the date of writing, only lawyers and architects are allowed to set up separate holding companies.

5. Can I claim any car or home office expenses?

Yes certainly. Because those expenses have a mix of personal and business components, the expenses should all be paid personally. At the end of the fiscal year, please provide us with a schedule summarizing the total of car and home office expenses, and the percentage of business portion. We will then claim the business portion in the corporation, with a reimbursement to you.

6. Can I have a list of important dates in managing my tax payments?

Corporate Withholding Payroll Payments

Monthly, on the 15<sup>th</sup> of each and every month

Corporate Income Tax Payments

Monthly instalments, on the end of each and every month

Final payment, two or three months after fiscal year end

Personal Income Tax Payments

Quarterly instalments, commencing March 15

Final payment April 30

HST Payments

Instalments, one month after the end of each fiscal quarter

Final payment, three months after year end

## After Incorporation

### 7. What account should I be paying my expenses from?

One advantage of incorporating is the ability to use pre-tax dollars for certain expenditures. Below is a summary of commonly encountered expenses. A general rule of thumb is that if it is business related, it should be paid from the corporate account.

	PERSONAL	CORPORATE
Accounting Fees		X
Automobile – Financing / Lease Payments	X	
Automobile – Operating Expenses (fuel, repairs etc.)	X	
Computer Expenses – business		X
Computer Expenses – personal	X	
Day Care Expenses	X	
Disability Insurance Premium	X	
Donations	X	
Groceries	X	
Home Office Expenses	X	
Household / Cottage Expenses	X	
Life Insurance Premium	X	X
Line of Credit – business		X
Line of Credit – personal	X	
Meals and Entertainment – personal	X	
Meals and Entertainment – staff etc.		X
Mortgage Payments – residence / cottage	X	
Professional Insurance		X
Professional Membership		X
Rental Payments – office		X
Rental Payments – residence	X	
RRSP Payments	X	
Salaries / Wages		X
Source Deductions		X
Subscriptions – personal	X	
Subscriptions – professional papers		X
Tax Instalment – corporate		X
Tax Instalment – personal	X	
Telephone – business line		X
Telephone – personal line	X	
Travel - Conference		X
Travel - Vacation	X	
Tuition fees - children	X	
Tuition fees – professional development		X
Visa- business		X
Visa - personal	X	



## 8. Other Considerations – What about HST?

Most services provided by medical professionals are exempt from HST. However, HST may still be applicable in certain circumstances:

- The provision of services that are cosmetic in nature (cosmetic surgery, teeth whitening etc.)
- Third party billings (WSIB, insurance, legal reporting etc.) when the total amount exceeds \$30,000 in any 4 consecutive quarters.

If you are a dentist, special HST rules apply to you if you sell or provide orthopaedic & orthodontic devices, full & partial dentures, fixed bridge, full & partial crowns, veneers and osseointegrated implants.

If any of the above is applicable to you, please contact us as soon as possible.

## 9. Any other planning ideas?

Please review your insurance (life, disability and critical illness) to ensure sufficient coverage is in place.

If you do not have a Will already, please do get one done as soon as possible.

In addition to your primary Will, we recommend you preparing a Secondary Will (or Corporate Will). This Secondary Will contains your wishes with respect to shares of your private corporation, and probate fees are not chargeable which can be a significant saving.

<b>SAMPLE MEDICINE PROFESSIONAL CORPORATION - Payments</b>												Total		
	Jan.	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec.	Jan.	
<b>PAYMENTS FROM SAMPLE MEDICINE PROFESSIONAL CORPORATION TO:</b>														
<b>Dr. Sample</b>	\$5,975	\$5,975	\$5,975	\$5,975	\$6,207	\$6,420	\$6,420	\$6,420	\$6,420	\$6,420	\$6,420	\$6,420	\$6,420	\$75,046
Salary														
<b>Spouse</b>	3,660	3,660	3,660	3,660	3,660	3,660	3,660	3,660	3,767	3,893	3,893	3,893	3,893	\$44,722
Salary														
Dividend (Note 1)	4,292	4,292	4,292	4,292	4,292	4,292	4,292	4,292	4,292	4,292	4,292	4,292	4,292	\$51,500
<b>Child 1</b>	395	395	395	395	395	395	395	395	395	395	395	395	395	\$4,736
Salary														
Dividend (Note 1)	229	229	229	229	229	229	229	229	229	229	229	229	229	\$2,750
<b>Child 2</b>	395	395	395	395	395	395	395	395	395	395	395	395	395	\$4,736
Salary														
Dividend (Note 1)	958	958	958	958	958	958	958	958	958	958	958	958	958	\$11,500
	\$15,903	\$15,903	\$15,903	\$15,903	\$16,135	\$16,348	\$16,348	\$16,348	\$16,455	\$16,581	\$16,581	\$16,581	\$16,581	\$194,990
<b>Receiver General</b>														
Source Deductions	\$5,330	\$5,330	\$5,330	\$5,330	\$5,330	\$4,868	\$4,442	\$4,442	\$4,442	\$4,227	\$3,976	\$3,976	\$3,976	\$55,669
Federal instalment														\$0
Federal - Final														\$0
<b>Minister of Finance</b>														
Ontario instalment														
Ontario - Final														
<b>PAYMENTS FROM YOUR PERSONAL BANK ACCOUNT TO:</b>														
<b>Receiver General</b>														
-personal instalment			\$41,800			\$0			\$0				\$0	\$41,800
-personal tax - Final														-\$21,569
-personal instalment			\$2,940			\$4,460			\$3,700				\$3,700	\$14,800
-personal tax - Final														\$5,468
<b>Note 1</b>														
Please note that the suggested "Dividend" amount are based on your projected cash need.														
If you do not need the full amount of income in any given month, or wish to take more or less than is suggested, feel free to do so.														
If you take an amount other than the amount specified for "Dividend", please note the new amount on the schedule.														



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