



TOP TEN REASONS TO INCORPORATE

1) Be your own Boss lifestyle!

- Independent incorporated IP contractor is first a lifestyle choice motivated by seeking greater independence/control/flexibility in your work
- Marketing and financial planning skills are critical to success
- Say goodbye to your boss and his T4!

2) Low Corporate Tax Rate on income left in the company

- This is one of the greatest tax strategies available in Canada, and the number 1 tax advantage of incorporating
- The primary reason why accountants/lawyers/doctors/etc lobbied for years to be allowed to incorporate
- 2004 Ontario rate is only 18.62%, up to \$300,000 of corporate taxable income
- Significantly lower than the highest personal income tax rate of 46.41% payable by both employees and sole proprietors
- Corporations also receive the 2 tax advantages available to sole proprietors, ie. income splitting with family members, and business expense deductibility

3) Use Your Corp As a long-term investment/pension fund accumulation plan

- Due to the low corp tax rate, 81% of your corporate income can be retained in the company and used to accumulate a significant corporate investment portfolio to provide you a pension income

4) Borrow Money From Your Corp to purchase a home or auto

- You are allowed to access corp funds, without immediately declaring the amounts received as personal income, in order to purchase a home or auto

5) Retirement Income Splitting using dividends

- Upon retiring, you and your spouse, can receive funds from the company as dividends
- Almost \$30,000 can be received by each spouse with NO personal income taxes payable, if each individual does not have any other personal income

6) "Smooth" income between high income and low-income years

- For example, with proper planning, corp income of \$150,000 followed by a year of \$Nil corp income, can be received as personal income of \$75,000 over the two years

7) Limited Liability

- Only your corporate assets are at risk for most corporate liabilities, and not all of your personal assets
- Sole proprietors do not have this benefit, and therefore all of their personal assets are continually at risk for any work that they do

8) Marketing Advantage

- CRA sole proprietor tax audits can result in large tax assessments against IT agencies and/or large end customer IT users, however CCRA tax audits of incorporated IT consultants usually only result in tax assessments against the incorporated IT consultant
- Therefore, many IT agencies and large corp IT users now refuse to deal with sole proprietors due to the high CCRA audit risk, and being incorporated can greatly broaden your ability to get contracts
- Large end customer IT users can also realize significant payroll cost/benefits savings, and have more flexible IT workers by using independent incorporated IT consultants
- Contracting thru a corporation also has a generally more professional appearance when you are seeking contracts

9) Reduced CCRA audit risk

- CCRA conducts more audits of sole proprietors than they do of corps
- Certain expenses, such as home office expenses, are more flexible when deducted by a corp than when deducted by a sole proprietor

10) More Financial/Tax Planning Strategies available to corporations

- Greater financial/tax planning flexibility available to corporations such as creation of investment holding companies, creation of corporate executive pension plan, creation of multiple corporations for joint venture purposes, etc



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