

## **Should I Incorporate? The Benefits of Incorporating Your Business.**

One of the most frequently asked questions by people starting a new business or expanding an existing set up is: Should I/we incorporate?

There are several advantages and benefits to incorporating depending on your specific circumstances and business goals: protection of personal assets, credibility, and continuation, financing and raising capital, and various tax mechanisms available to an incorporated business versus operating as a sole proprietorship.

The single most important reason people use the corporate form of doing business is to safeguard the personal assets of the owners, and the shareholders of the corporation against potential claims of creditors. Sole proprietors and general partners in a partnership are personally liable for all debts and obligations of the business, such as loans, accounts payable and defective products. In a properly structured and managed company, owners should have limited liability for business debts and obligations.

Incorporated businesses have a better "image" than unincorporated businesses. This additional credibility, can add instant authority to your business. The sense of image, stability, credibility, and permanence results from incorporating. Consumers, vendors, and partners may prefer to do business with an incorporated company.

While a partnership or sole proprietorship ceases to exist upon the death of its owner(s), a corporation continues to live on even if every shareholder and director were to die. This is because, in the case of a corporation, ownership of the business or shares would simply transfer to the shareholders' heirs depending on your estate planning. This assurance of continuous existence gives a corporation greater stability. This, in turn, allows the corporation to plan over a longer term, thereby helping it obtain more favorable financing.

Moreover, a corporation allows you to raise capital, whereas a sole proprietorship does not. A corporation can issue stock to investors to raise capital which may be more advantageous than borrowing. Also having a business incorporated allows disposal of its shares in an advantageous manner, which cannot be done in a partnership or sole proprietorship set up. Shares of a corporation often can be pledged, sold, used as security, or given as bonuses, and share option plans can be created.

In addition to the above, there are several tax mechanisms that you can use to your advantage by setting up a corporation. They vary depending on the circumstances. We recommend meeting with a tax planner/accountant to discuss the possible tax related deductions, and small business specific tax benefits, which your corporation may be eligible or qualify for.

We've only listed a few advantages and possible benefits of incorporating. Let's discuss your business in detail: call our office 905-456-9969 or email [ruby@rutmanlaw.com](mailto:ruby@rutmanlaw.com).