

# The Orangeville & Area Small Business Enterprise Centre (SBEC)

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## Which Structure is For You?

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## Which Structure is for You?

### Sole Proprietorship

Unincorporated business owned by one person, called a “proprietor”. The owner does not have separate legal status from the business (although the business name itself may have to be registered) and pays personal income tax on the net taxable income generated by the business.

<b>Advantages</b>	<b>Disadvantages</b>
<p>Simplest and least expensive to set up, minimal registration requirements</p> <p>Inexpensive to maintain</p> <p>Proprietor owns the profits and runs the business</p> <p>Possible tax benefits: e.g. losses may be applied against other income of proprietor.</p>	<p>You’re on your own</p> <p>You assume all the risk of the business; you are responsible for payment of all business debts; creditors can seize your personal assets</p> <p>Possible tax disadvantages e.g. profits must be added to personal income</p>

### Partnership

An association or relationship between two or more individuals or corporation that join together to operate a trade or business for profit. Partners include their share of income or losses on personal or corporate income tax returns.

<b>Advantages</b>	<b>Disadvantages</b>
<p>Easy to set up and very flexible</p> <p>Partners provide additional capital and skills</p>	<p>If disagreements arise, business can suffer</p> <p>Partners assume personal liability for debts of the business</p>

### Incorporation

A separate legal entity which can enter into contracts and own property, separately and distinctly from its owners who are the shareholders. A corporation has to pay tax on its net<sup>6</sup> taxable income and file its own income tax return. A corporation can be federally or provincially incorporated.

<b>Advantages</b>	<b>Disadvantages</b>
<p>Limited liability of the owner(s) – liabilities generally limited to individuals personal investment in the business</p> <p>Money for the business can be raised by selling shares (equity) or by issuing debt (a promise to pay)</p>	<p>Paper work required to meet regulations can be onerous</p> <p>Tax rules can be complex</p> <p>More expensive and complicated to set up and maintain.</p>

Source: Canadian Bankers Association, Getting Started in Small Business. Reprinted with permission.