

INCORPORATION

Advantages

Deferral opportunity for funds retained in the corporation as corporate income tax rates for active business income are 13.50% versus personal income tax rate of 43.7%

Opportunity for income splitting with lower income individuals via dividends (individuals must be over the age of 18, otherwise a more aggressive strategy must be employed)

Good way to save unneeded funds for retirement

Can be used to fund health and welfare plans, life insurance plans.

Can be used to fund individual pension plans for the owner manager

Disadvantages

Money is trapped inside the corporation, cannot be easily accessed by shareholders without adverse tax consequences

Detailed record keeping is essential

Extra annual costs for accounting, legal, plus one time setup costs