



## ENTREPRENEUR'S RESPONSIBILITIES

Booklet 3



# **ENTREPRENEUR'S RESPONSIBILITIES AND OBLIGATIONS OF RUNNING A BUSINESS**

## **INSTRUCTION BOOKLET**

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# Introduction

If you are reading this guide it is because you are considering or have already initiated the process of starting a business. While many books have been written about the most important characteristics of being an entrepreneur (it is not for everyone), this guide will focus primarily on the “responsibilities and obligations” of running a business.

Here is a link if you want to review and further explore [what it takes to be an entrepreneur](https://canadabusiness.ca/starting/before-starting-your-business/is-entrepreneurship-for-you/why-consider-entrepreneurship/) or copy and paste the URL on your browser <https://canadabusiness.ca/starting/before-starting-your-business/is-entrepreneurship-for-you/why-consider-entrepreneurship/>

There are many resources available on this topic on the Internet or through Community Futures Development Corporation (GEDC Business Centre) as well as municipal offices. This instruction booklet provides information with appropriate links to such resources, in a way that can be easily understood and applied especially as it relates to best practices in management for start-ups, common mistakes to avoid as your company grows, and how best to take advantage of advisory boards to ensure success.

## Business Start-Up Checklist

### Planning Your Business

It goes without saying that the first and probably the most important step before starting your business is to put ideas to paper and [develop a business plan](#) or visit [GEDC Business Centre](#). There are many types of business plans, from basic ones to much more extensive and comprehensive ones depending on the scope and complexity of your business. The following link will provide most of what you need when exploring the basic requirements of a business plan which will go a long way in ensuring that you will survive the first couple of years and will be on your way to a sustainable and successful future as an entrepreneur.

You can also copy the following link onto your browser <https://canadabusiness.ca/business-planning/writing-your-business-plan/>

### What Type of Business Structure is Right for You?

There are different types of business structures. The four basic ones are sole proprietor, partnership, corporation and co-operative. The section below will provide the basic differences, pros and cons of each, and legislative requirements.

- Sole Proprietor
- Partnership
- Corporation
- Co-operative

This instruction booklet provides general information only. To set up a formal structure especially for Partnerships, Incorporation, or Co-operative, you may wish to speak with a lawyer or a professional accountant.

## Sole Proprietorship

With this type of business organization, you are the sole owner, and fully responsible for all debts and obligations related to your business. All profits are yours to keep. Because you are personally liable, a creditor can make a claim against your personal assets as well as your business assets in order to satisfy any debts.

### Advantages:

- Easy and inexpensive to register
- Regulatory burden is generally light
- You have direct control of decision making
- Minimal working capital required for start-up
- Some tax advantages if your business is not doing well (for example, deducting your losses from your personal income, and a lower tax bracket when profits are low)
- All profits go to you directly

### Disadvantages:

- Unlimited liability (if you have business debts, claims can be made against your personal assets to pay them off)
- Income is taxable at your personal rate and, if your business is profitable, this could put you in a higher tax bracket
- Lack of continuity for your business if you are unavailable
- Can be difficult to raise capital on your own

## Partnership

A partnership is a non-incorporated business that is created between two or more people. In a partnership, your financial resources are combined with those of your business partner(s), and put into the business. You and your partner(s) would then share in the profits of the business according to any legal agreement you have drawn up.

In a **general partnership**, each partner is jointly liable for the debts of the partnership. In a **limited partnership**, a person can contribute to the business without being involved in its operations. A **limited liability partnership** is usually only available to a group of professionals, such as lawyers, accountants or doctors.

When establishing a partnership, you should have a partnership agreement in place. This is important because it establishes the terms of the partnership and can help you avoid disputes

later on. Hiring a lawyer or other legal professional to help you draw up a partnership agreement will save you time and protect your interests.

**Advantages:**

- Fairly easy and inexpensive to form a partnership
- Start-up costs are shared equally with you and your partner(s)
- Equal share in the management, profits and assets
- Tax advantage — if income from the partnership is low or loses money (you and your partner(s) include your shares of the partnership in your individual tax returns)

**Disadvantages:**

- There is no legal difference between you and your business
- Unlimited liability (if you have business debts, personal assets can be used to pay off the debt)
- Can be difficult to find a suitable partner
- Possible development of conflict between you and your partner(s)
- You are held financially responsible for business decisions made by your partner(s); for example, contracts that are broken

## Corporation

Another type of business structure is a corporation. Incorporation can be done at the federal or provincial/territorial level. When you incorporate your business, it is considered to be a legal entity that is separate from its shareholders. As a shareholder of a corporation, you will not be personally liable for the debts, obligations or acts of the corporation. It is always wise to seek legal advice before incorporating.

**Advantages:**

- Limited liability
- Ownership is transferable
- Continuous existence
- Separate legal entity
- Easier to raise capital than it might be with other business structures
- Possible tax advantage as taxes may be lower for an incorporated business

**Disadvantages:**

- A corporation is closely regulated
- More expensive to set up a corporation than other business forms
- Extensive corporate records required, including documentation filed annually with the government
- Possible conflict between shareholders and directors
- You may be required to prove residency or citizenship of directors



It is recommended that organizations get professional advice about the appropriate structure for the organization's purposes.

## **Cooperative**

Forming a cooperative makes for a business responsive to the needs of its owner-members. While this structure has some limitations, most notably in raising capital, its advantages may outweigh them.

### **The Co-op Difference**

All the members of a cooperative are its owners. They're also called user-owners. The business operates to the members' benefit because they use the services or products produced. Cooperatives range in size from small local food co-ops to credit unions and large retail companies. Members may have multiple shares in a co-op, yet each individual has only one vote. Cooperatives can also be made up of businesses as in the case of The Associated Press or certain agricultural co-ops.

### **Advantages of This Business Structure**

A cooperative benefits from a broad knowledge base and the ability to tap into its built-in and accessible network of members who have a personal stake in the business' health and growth. Cooperatives also benefit from increased buying power that allows them to obtain goods and services at substantial discounts. Cooperatives get a significant break from taxes, in that they aren't taxed the way corporations are, although each shareholder has the responsibility to pay taxes on income from the business.

### **Key Disadvantages**

It's crucial to consider a cooperative's financial health at the outset and strategize how to manage its capital and cash flow. While this is a key step for any business, cooperatives can be at a serious disadvantage when it comes to seeking outside financing. Large investors have little incentive for dealing with so many owners and having so little power, because the potential investor is limited to only one vote, no matter how large the investment. Another potential problem lies in the possibility of diminishing involvement by members. If active engagement drops off, it weakens the cooperative.

Information on starting and running a Cooperative can be found on the link below:  
<http://www.cbo-eco.ca/en/index.cfm/starting/getting-started/starting-a-co-operative/>

# Business Structures

## Sole Proprietor

If you have decided to be a sole proprietor, you will have much more control over your business destiny but also few things to consider it. If you have completed a business plan, you will have a much better chance of succeeding and of getting financing for your business as most funding agencies will not provide grants and/or loans without one.

### Choose a Business Name

Choosing a name may prove more difficult than you would expect. Your name must be accurate, catchy and, most importantly, available. Finding the right name can almost be a science—there are even companies who specialize in providing this service.

When you register your company, a search is typically done on the [Canadian trade-marks database](#). Finding a unique name may be extremely difficult, or as simple as adding your initials or rearranging the words slightly. You can access the database on <http://www.ic.gc.ca/app/opic-cipo/trdmrks/srch/home?lang=eng> or contact your local GEDC Business Centre.

You [do not need to register](#) ([www.bdc.ca](http://www.bdc.ca)) your company or choose a name if you plan to operate under your own name and are using your personal bank account—as a consultant, for example. But you will need to apply for a GST or HST number if you earn more than \$30,000 a year.

### Register Your Business (and get a Business Number)

- A number of provinces require businesses to register for provincial tax regimes. Visit the [Canada Business Network](#) site for additional information on registration across Canada.
- You can access the Canada Business Network by copying the following link onto your browser [www.canadabusiness.ca](http://www.canadabusiness.ca) or contact the [GEDC Business Centre](#).
- If you are incorporating, you must decide whether to incorporate provincially (if you plan to do most of your business within your province) or federally (good for protecting your company name across Canada).
- When you register your business, you will obtain a business number, which will help you file your taxes and hire employees, among other things. You can apply for a business number online. Depending on your province, you may be able to register for provincial programs at the same time.
- Do you need to protect your ideas or inventions? Learn about patents-<https://www.bdc.ca/en/articles-tools/business-strategy-planning/innovate/pages/patents-trademarks-copyright-an-overview.aspx> (for inventions), trademarks (for words, symbols, designs) or copyrights (for created works). The [Canadian Intellectual Property Office](#) offers more information and several searchable databases. The site can be accessed at <http://www.ic.gc.ca/eic/site/cipointernet-internetopic.nsf/eng/Home?OpenDocument>

## Set Up Shop

- If you are renting space, you will probably have to sign a commercial lease. You may want to consult your lawyer to understand all the clauses in the lease before signing it.
- Whether renting or buying your premises, you will need [insurance to protect your assets](https://www.bdc.ca/en/articles/articles/2017/05/11/insurance-protect-assets.aspx)- (www.bdc.ca). Most banks will suggest an insurance broker, or it can pay to shop around.

## Grants and Financing

Entrepreneurs often report that getting financing is the most challenging aspect of starting or growing a business. If you are looking for money for your business, you should start by learning about the different types of financing that are available. You can then decide which one best suits your needs. The information below can be accessed at <https://canadabusiness.ca/grants-and-financing/> Note that Budget 2021 and Covid-19 have changed some of the government funding programs below and some of the links will be directed to an inquiry page where specifics on individual companies will be asked to access tailored funding programs.

- [Government grants and financing](#)  
Find out about government grants, loans, and other financing available for your business.
- [Private sector financing](#)  
Your business may be eligible for different types of private sector financing, including debt and equity.
- [Financing from non-government organizations](#)  
There may be not-for-profit or community-based organizations that can offer you financing or direct you towards financing.
- [Crowdfunding](#)  
Could crowdfunding help you raise funds for your business?
- [Accessing equity financing](#)  
Learn how to plan for and negotiate a deal with potential investors in order to obtain equity financing for your business.
- [Personal assets](#)  
See how you can use personal assets to help finance your business.
- [Business planning](#)  
Find out how to write a business plan and access templates, sample business plans, market research information and statistics.
- [Social enterprises and non-profits](#)  
Are you ready to turn your social mission into a social enterprise? Find resources to help you start, manage and grow your organization.

Financing and entrepreneurial support can be accessed through the GEDC at [www.gedc.ca](http://www.gedc.ca). The GEDC fosters and encourages the start-up and operation of successful enterprise in all economic sectors within the Greenstone Region and its 3-Tier Lending Program was developed to assist new and existing small to medium enterprises (SME's) to finance start-up, expansion, purchase of assets or working capital.

The Business Development Bank of Canada (BDC) whose services are devoted exclusively to entrepreneurs can provide more financing flexibility by tailoring repayments to operational cash flows. More information can be found by phoning 1 888-463-6232 or at [www.bdc.ca](http://www.bdc.ca)

**Other funding opportunities for the Entrepreneur in Northwestern Ontario can be found under the “Funding Resources” section of this booklet.**

## Partnership

A partnership is an association or relationship between two or more individuals, corporations, trusts, or partnerships that join together to carry on a trade or business.

Each partner contributes money, labour, property, or skills to the partnership. In return, each partner is entitled to a share of the profits or losses of the business. The business profits (or losses) are usually divided among the partners based on the partnership agreement.

Like a sole proprietorship, a partnership is easy to form. In fact, a simple verbal agreement is enough to form a partnership. However, **most partnerships are governed by a written agreement** setting out rules for partners entering or leaving the partnership, the division of partnership income, and other matters. If money and property are at stake, we recommend that you have a written agreement.

The partnership is bound by the actions of any member of the partnership, as long as these are within the usual scope of the operations.

### How does a Partnership Pay Taxes?

A partnership by itself does not pay income tax on its operating results and does not file an annual income tax return. Instead, **each partner includes a share of the partnership income (or loss) on a personal, corporate, or trust income tax return**. They do this whether they received their share in money or as a credit in the partnership's capital account.

Each partner also has to either file financial statements or copies of the forms below that apply to their situation (computer-generated version of any of these forms is acceptable):

- [Form T2125, Statement of Business or Professional Activities;](#)
- [Form T2042, Statement of Farming Activities;](#)
- [Form T2121, Statement of Fishing Activities;](#)
- [Form T1163, Statement A - AgriStability and AgriInvest Programs Information and Statement of Farming Activities for Individuals;](#)
- [Form T1164, Statement B - AgriStability and AgriInvest Programs Information and Statement of Farming Activities for Additional Farming Operations;](#)
- [Form T1273, Statement A - Harmonized AgriStability and AgriInvest Programs Information and Statement of Farming Activities for Individuals;](#)
- [Form T1274, Statement B - Harmonized AgriStability and AgriInvest Programs Information and Statement of Farming Activities for Additional Farming Operations.](#)

A partnership that carries on a business in Canada, or a Canadian partnership with Canadian or foreign operations or investments, has to file a [Form T5013, Statement of Partnership Income](#), for each fiscal period of the partnership where:

- at the end of the fiscal period, the partnership has an absolute value of revenues plus an absolute value of expenses of more than \$2 million, or has more than \$5 million in assets; or
- at anytime during the fiscal period:
  - the partnership is a tiered partnership (has another partnership as a partner or is itself a partner in another partnership);
  - the partnership has a corporation or a trust as a partner;
  - the partnership invested in flow-through shares of a principal-business corporation that incurred Canadian resource expenses and renounced those expenses to the partnership; or
  - the minister of National Revenue asked in writing a complete Form T5013.

For more information, go to [Partnership and information return filing requirements](#); or see [Guide T4068, Guide for the T5013 Partnership Information Return](#).

## **Does a Partnership Have to Register for GST/HST?**

Since a partnership is considered to be a separate person, it may be required to register for and collect GST/HST if it provides taxable supplies in Canada. For more information, see [Guide RC4022, General Information for GST/HST Registrants](#).

## **Forms and Publications**

- [Guide RC4022, General Information for GST/HST Registrants](#)
- [Guide T4068, Guide for the T5013 Partnership Information Return](#)
- [Form T5013, Statement of Partnership Income](#)
- [Form T1163, Statement A - AgriStability and AgriInvest Programs Information and Statement of Farming Activities for Individuals](#)
- [Form T1164, Statement B - AgriStability and AgriInvest Programs Information and Statement of Farming Activities for Additional Farming Operations](#)
- [Form T2042, Statement of Farming Activities](#)
- [Form T2121, Statement of Fishing Activities](#)
- [Form T2125, Statement of Business or Professional Activities](#)
- [Form T1273, Statement A - Harmonized AgriStability and AgriInvest Programs Information and Statement of Farming Activities for Individuals](#)
- [Form T1274, Statement B - Harmonized AgriStability and AgriInvest Programs Information and Statement of Farming Activities for Additional Farming Operations](#)

## **Related Topics**

[www.canada.ca](http://www.canada.ca)

- [Partnership and information return filing requirements](#)
- [Sole proprietorships and partnerships](#)

## Incorporation

The act of incorporating creates a new legal entity called a corporation, commonly referred to as a “company.” A corporation has the same rights and obligations under Canadian law as a natural person.

You can structure your organization as a **federal** or **provincial** corporation. The process and requirements for setting up your corporation will vary based on the option you choose. Some corporations that are national in scope tend to incorporate federally. Federal corporations can operate in Ontario. It is recommended that corporations get professional legal and financial advice about the benefits of each.

**The details of incorporating federally and provincially as well as all of the reporting and legislative requirements, are outlined in Appendix C and D**

## Cooperatives

Everything you need to create and operate a cooperative can be found by copying this URL [http://www.ic.gc.ca/eic/site/cd-dgc.nsf/eng/h\\_cs03926.html](http://www.ic.gc.ca/eic/site/cd-dgc.nsf/eng/h_cs03926.html) in your browser or the links below.

### Guides

- [Creating your cooperative](#)
- [Amending a cooperative's articles](#)
- [Continuance \(import\) of a cooperative](#)
- [Amalgamating cooperatives](#)
- [Request for copies of corporate documents](#)
- [How do I file my application under the \*Canada Cooperatives Act\* \(Coop Act\)?](#)
- [What happens after I submit my application under the \*Canada Cooperatives Act\* \(Coop Act\)?](#)

### Policies

- [Filing of annual returns](#)

### Related Information

- [Services, fees and turnaround times](#)
- [Cooperative forms](#)
- [Business registration and incorporation](#)
- [Trademarks](#)
- [System for Electronic Document Analysis and Retrieval](#)

## Legislation and other Related Documents

- [Canada Cooperatives Act](#)
- [Canada Cooperatives Regulations](#)
- [Regulatory impact analysis statement](#) – Amendments to the *Canada Business Corporations Act*
- [Analysis of the Changes to the Canada Cooperatives Act \(section by section\)](#).

## Licensing and Regulations - When does a New Business Need a Licence, Permit or Registration?

Except for a few isolated cases, usually involving broadcasting or telecommunications, there is no federal or provincial licensing system for businesses. Occasionally, however, new businesses such as medical colleges are subject to licensing or certification from professional organizations.

### Municipal Licensing

Licensing really only applies municipally. Municipalities issue business licenses to produce revenue and to ensure that licensees comply with zoning requirements.

However, in many cases, such as home-based businesses, business licensing is not enforced. But if your business opens an office or performs functions that will disrupt residential neighbours, it will likely have to do so in a designated area, and will therefore require a municipal business licence.

Most of the municipal services and regulations fall under the following categories:

- **Building Regulations** - Contact your city/municipal office if your business is in an organized township or the Fire Marshall's Office if your business is in an unorganized township.

Ontario Fire Marshall's Office,  
Fire and Building Inspection Division  
640 Mountdale Ave.  
Thunder bay, ON P7E 6G8  
T: 1 (800) 565-1841 or (807) 473-3110

- **Licensing** - Contact your city/municipal office for more information
- **Signage** - Contact your city/municipal office for more information
- **Zoning** - Contact your Planning and Building division if your business is in an organized township or the Ontario Ministry of Municipal Affairs if your business is in an unorganized township.

Ontario Ministry of Municipal Affairs  
Suite 223  
435 James St. S.  
Thunder Bay, ON P7E 6S7  
T: (807) 475-1651  
Toll Free: 1-800-465-5027  
(Thunder Bay, Kenora, Rainy River) F: (807) 475-1196



- **Fire Regulations** - Contact your city/municipal office if your business is in an organized township or the Fire Marshall's Office if your business in an unorganized township.
- **Health Inspection** -If you are starting a business that sells food and/or beverages you must ensure that your business conforms to section 562 of the Health Protection and promotion Act, accessed at: [www.e-laws.gov.on.ca/html/regs/english/elaws\\_regs\\_900562-e.htm](http://www.e-laws.gov.on.ca/html/regs/english/elaws_regs_900562-e.htm)

## Environmental and Zoning Permits

You need a federal and provincial permit for most businesses that affect the physical environment or that work with hazardous materials. All operators of new businesses must understand their area of business well enough to recognize what permits are required.

Some municipalities require zoning and building permits for certain kinds of businesses. Certainly this would be true for any kind of building or construction. You may also need permits for signs and access.

## Federal and Provincial Business Registration

### Federal Business Registration

Businesses earning less than \$30,000 annually usually do not have to register for GST/HST and probably don't need to register with the federal government. However, businesses of a certain size, businesses with employees and businesses engaged in certain activities do have to register with the federal Canada Revenue Agency (CRA) for the following programs:

- The Goods and Services Tax (GST) or Harmonized Sales Tax (HST)
- Payroll taxes, such as Canada Pension Plan contributions
- Corporate income tax
- Duties for the import or export of goods
- Registered charity work
- Excise duties
- Insurance premium tax
- Air travelers security charge

To register for any federal government program, a business must first get a Business Number from the CRA.

### Registering your Name

Many sole proprietorship and [partnership](http://www.bdc.ca) (www.bdc.ca) businesses voluntarily register with their provincial government to provide some limited protection to their business name and to give their business more credibility.

Registration carries no legal requirements or tax implications. It is done through a government agent or online in the operator's local community. Usually, before a business can be registered, the agent will perform a name search to ensure there is no conflict with an existing business.

When companies incorporate, they are given a government charter to operate, so these functions are automatically performed.

## Provincial Registration

In a number of provinces, businesses must also register for provincial tax regimes. Alberta and the territories have no sales tax, other provinces have harmonized their sales tax with the federal government's while others have maintained their independent provincial sales tax. It's up to the business owner to determine which regime applies to his or her company.

There are other regulations concerning which businesses have to register with their provincial or territorial government depending on where you live, including at what income level you must begin collecting provincial sales tax. You can visit the [Canada Business Network](http://canadabusiness.ca/government/registering-your-business/?it=eng/page/2730/) site for additional information on registration across Canada.

You can access the site by clicking on the following link or copying it to your browser <https://canadabusiness.ca/government/registering-your-business/?it=eng/page/2730/>

## BizPaL

BizPaL helps you generate a personalized list of the business documents you need for the levels of government—local, provincial/territorial, and federal—you may have to deal with in order to grow or start up your business. And if you are already operating, BizPaL can help you verify that you have all the correct permits and licences.

### How BizPaL Helps

- **Save time and money** — Because most of the information you need is available from a single source, you spend less time searching and more time building your business.
- **Improve business planning** — With BizPaL, you know which permits and licences are needed for your business, enabling you to comply with them and get it right the first time.
- **Get answers when you need them** — As an online service, BizPaL is available night or day to help you navigate government requirements. What's more, all answers are tailored to your business situation.

[Launch BizPaL](https://services.bizpal-perle.ca/?b=01)

or you can access BizPal by copying the following link into your browser:

<https://services.bizpal-perle.ca/?b=01>

# Human Resources Regulations

It is important to understand your obligations and responsibilities as an employer. Following these rules will help ensure that your employees are treated fairly and kept safe while at work.

The sections below can be found on the Government of Canada Business Network which you can access by copying the following link on your browser:

<https://canadabusiness.ca/government/regulations/regulated-business-activities/human-resources-regulations/>

- [Hiring requirements](#)  
Find resources that can help you comply with the standards and regulations regarding recruiting, selecting, and hiring employees.
- [Employment standards](#)  
Find out about your obligations related to wages, vacation and other leave, statutory holidays, hours of work and overtime.
- [Employment equity and human rights](#)  
Find out how to create a workplace that is free from discrimination and harassment.
- [Your obligations when an employee leaves](#)  
Find out what your legal obligations are when it comes to an employee leaving your business, either temporarily or permanently.
- [Workplace health and safety regulations](#)  
Find out what you need to do to ensure the health and safety of your employees while they are at work. This section includes substantial new information and resources as a result of new regulations due to Covid-19. Some of the major new topics can be found on the links below.

The following section is an extract from the Canadian Centre for Occupational Health and Safety web site at <https://www.ccohs.ca/>

“During the Coronavirus disease (COVID-19) pandemic, we are working remotely to help you with your workplace health and safety needs. Although we cannot provide help by phone, you can still [contact us online](#) with your health and safety questions, or for assistance with our products and services. You can also search our [fact sheets](#), access [pandemic resources](#), and shop our [online products and services](#). Plus, access federal, provincial/territorial, and international [guidance and resources](#) on our Pandemics website. The [latest information and updates on COVID-19](#) are available from the Public Health Agency of Canada.” Information on some of the new initiatives can be accessed below:

- [COVID-19 Health and Safety Resources](#)
- Supporting Employees to Disconnect from Work [infographic]
- Telework and Home Office Health and Safety Guide
- COVID-19 Workplace Risk Assessment and Safety Plan [e-course]
- Return to Work: Setting Up a Hybrid Workplace [podcast]

## **Bill 148, the Fair Workplaces, Better Jobs Act**

Changes by the Provincial Government to its workplace laws across Ontario through the passing of **Bill 148, the Fair Workplaces, Better Jobs Act** in 2017 was intended to balance employee rights and economic growth. Such changes were expected to have a **substantial impact on businesses across the province**, and as such required a separate and more extensive explanation as can be found in **Appendices A**.

The new Provincial government introduced Bill 47 in 2018 that repelled most of the changes to labour laws introduced in 2017 under Bill 148. As both of these changes (Bill 148 and Bill 47) have the potential to impact businesses and especially small and medium sized enterprises (SMEs), they are both presented in a comparable chart format to clearly identify the initial and subsequent changes.

## **Recent Changes to Business Taxation**

To offset some of these impacts, the Government of Ontario has also undertaken important changes in the business taxation. A comprehensive summary of such changes and their impact can be found in **Appendix B**.

## **Covid-19 impact on SMEs and Canadian Chamber of Commerce proposed response by government**

**Appendix B1** - Canadian Chamber of Commerce 2021 AGM Resolution 19. Helping Small Businesses Recover, Grow and Drive Job Creation, has been included to provide a business perspective on the impact of Covid-19 and the proposed actionable initiatives that the Canadian Chamber of Commerce has debated at its annual AGM in 2021. Not all approved resolutions are presented or accepted by the Federal government, but they have and will continue to influence budget decisions.

The Canadian Chamber of Commerce presentation to the Federal Budget Committee on August 6, 2021 can be found by visiting the link below:

[https://chamber.ca/wp-content/uploads/2021/08/2021-08-06-Pre-Budget-Submission\\_Canadian-Chamber-of-Commerce.pdf](https://chamber.ca/wp-content/uploads/2021/08/2021-08-06-Pre-Budget-Submission_Canadian-Chamber-of-Commerce.pdf)

# Business Taxation Requirements and Reporting

This section is very vast and depending on the structure of your business it can be very complex therefore it is advisable that an accountant be hired, especially in the case of a partnership, or corporation. For a sole proprietor, going through the details of the list below should provide sufficient information to comply with most requirements.

You can also speak with CRA at **1-800-959-5525** or read online by clicking on the following **link** (or copy and paste the link on your browser):

<https://www.canada.ca/en/services/business/taxes.html>

## Business number

Register a business number or program account.

## Corporation income tax

File corporation income tax, find tax rates and get information about provincial and territorial corporate tax. The Government of Canada has announced a series of [tax measures](#) to help support businesses impacted by the COVID-19 virus, some of which affect payment deadlines.

## Business or professional income

If you are a sole proprietor, calculate business or professional income, get industry codes and report various income types.

See below for updates on changes to the Canada Revenue Agency (CRA) services, due dates and programs affected by the pandemic.

### Most requested

- [Canada Recovery Benefit \(CRB\)](#)
- [Canada Recovery Caregiving Benefit \(CRCB\)](#)
- [Canada Recovery Sickness Benefit \(CRSB\)](#)
- [Canada Emergency Rent Subsidy \(CERS\)](#)
- [Canada Emergency Wage Subsidy \(CEWS\)](#)
- [Canada Recovery Hiring Program \(CRHP\)](#)
- [Canada Emergency Response Benefit \(CERB\)](#)

### Featured

Call 1-833-966-2099 about COVID-19 related benefits administered by the CRA.

### **Trust income tax**

File trust income tax and get information about T3 slips, refunds and payments.

### **GST/HST**

Registering, charging, collecting, filing, paying and more.

### **Payroll**

What you need to do as an employer, open a payroll account and calculate deductions and contributions.

## **Support for employers**

### **Employer-provided benefits and allowances**

In light of the COVID-19 pandemic, the Canada Revenue Agency (CRA) has adopted a number of administrative positions for employer-provided benefits pertaining to commuting, parking and home office expenses.

**Learn more:** [Employer-provided Benefits and Allowances: COVID-19](#)

### **Excise taxes, duties and levies**

Get the current rates for customs duties, tariffs and the current excise tax rates.

## Payroll Requirements and Reporting

You have to make deductions on amounts you pay if you are an **employer**, a **trustee** or a **payer**. After you have made the deductions, you have to remit these deductions, plus your share, to the CRA. You then report these amounts on the appropriate information return.

The following information and forms can be found by clicking or copying the following link onto your browser: <https://www.canada.ca/en/services/taxes/payroll.html>

- **Canada Emergency Wage Subsidy (CEWS)**: Eligible employers can apply for a wage subsidy to cover part of their employee wages.

### Services and Information

- [Employee or self-employed?](#)
- [Employer responsibilities – The payroll steps](#)
- [What's new for payroll](#)
- [Penalties, interest, and other consequences](#)
- [Learn about payroll using multimedia](#)
- [Canada Revenue Agency electronic mailing list](#)

### Forms and Publications

- [Form RC366, Direct Deposit Request for Businesses](#)
- [Guide RC4120, Employers' Guide - Filing the T4 Slip and Summary](#)
- [Guide RC4157, Deducting Income Tax on Pension and Other Income, and Filing the T4A Slip and Summary](#)
- [Guide T4001, Employers' Guide - Payroll Deductions and Remittances](#)
- [Guide T4130, Employers' Guide - Taxable Benefits and Allowances](#)

### Multimedia

- Video series: Payroll Information for a New Small Business | 1:06 min.  
<https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/payroll/learn-about-payroll-using-multimedia.html>
- Webinar: Payroll basics - How payroll works | 36:32 min.  
<https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/payroll/learn-about-payroll-using-multimedia.html>

## Funding Resources

Canada Business can help you find government financing options for your business. There are programs that apply to businesses across Canada and others that apply only to businesses in Ontario. Use the Canada Business financing search tool or browse by type of financing.

Search online: [Canada Business: Government grants and financing](#) or copy and paste the following links in your browser: <https://www.canada.ca/en/services/business.html>

There are other sources of funding besides government and the following links can provide a range of options to suit your needs.

- [Government grants and financing](#)
- [Private sector financing](#)
- [Financing from non-government organizations](#)
- [Crowdfunding](#)
- [Accessing equity financing](#)
- [Personal assets](#)
- [Business planning](#)
- [Social enterprises and non-profits](#)

## Other Funding Opportunities

### FedNor

FedNor is a federal regional development organization in Ontario that works with a variety of partners to help create an environment in which communities can thrive, businesses can grow and people can prosper. Through its Northern Ontario Development Program, funding is available to support projects in six areas: community economic development; innovation; information and communications technology; trade and tourism; human capital and business financing. For more information visit: [fednor.ic.gc.ca](http://fednor.ic.gc.ca).

### Community Futures Program

FedNor administers the Community Futures (CF) Program in Northern Ontario, supporting 24 Community Futures Development Corporations (CFDCs). CFDCs offer a wide variety of programs and services supporting community economic development and small business growth.

In particular, they provide:

- Strategic community planning and socio-economic development;
- Support for community-based projects;
- Business information and planning services; and
- Access to capital for small and medium-sized businesses and social enterprises.



These community-based, not-for-profit organizations are staffed by professionals and are each governed by local volunteer boards of directors familiar with their communities' needs, concerns and future development priorities.

## **Contact**

To find your local CFDC or for more information on the services it offers, visit [Community Futures Development Corporations in Ontario](https://www.cfontario.ca/) or copy the following link on your browser <https://www.cfontario.ca/>.

## **Nishnawbe Aski Development Fund (NADF)**

Nishnawbe Aski Development Fund is a non-profit Aboriginal Financial Institution (AFI) providing business financing and support services to Aboriginal entrepreneurs and businesses to establish, expand, or acquire a business in remote, rural and urban communities in Northern Ontario.

NADF services Aboriginal entrepreneurs and businesses in northern Ontario, including Nishnawbe Aski Nation, Robinson-Superior 1850 and Treaty #3.

Contact and other information can be accessed through their web site at [www.nadf.org](http://www.nadf.org).

## **Canada Mortgage and Housing Corporation**

CMHC offers many programs including flexible financing options for first-time homeowners and seed funding to potential housing providers to develop proposals for affordable housing. Also, a Residential Rehabilitation Assistance Program helps developers and individuals create safe and affordable housing for low-income households, seniors and persons with disabilities. Follow this link to learn more: [www.cmhc-schl.gc.ca/en/](http://www.cmhc-schl.gc.ca/en/).

## **The Ontario Trillium Foundation**

The Foundation, through organizations that are registered charities, not-for-profits, aboriginal communities or collaborations of two or more organizations achieving a common goal, supports the building of healthy communities through community-based initiatives that strengthen the capacity of organizations in the arts and culture, environment, human and social services and sports and recreation sectors. Follow this link to learn more: [www.trilliumfoundation.org](http://www.trilliumfoundation.org).

## **Greenstone Economic Development Corporation (GEDC Business Centre)**

The Greenstone Economic Development Corporation (GEDC) fosters and encourages the start-up and operation of successful enterprise in all economic sectors within the Greenstone Region. It is the local CFDC (Community Futures Development Corporation) in the Municipality of Greenstone and a not-for-profit organization governed by a volunteer board of directors. With financial assistance from the Government of Canada through FedNor, GEDC offers a variety of

products and services to promote small business growth, and community economic development.

GEDC, as part of the CFDC (Community Futures Development Corporation) network, carries out the following services:

- Community economic planning and development
- Investment in local business
- Business development and counselling services

GEDC is your first point of contact for all your business needs. To learn more, visit: [www.gedc.ca](http://www.gedc.ca)

### **The Ministry of Municipal Affairs and Housing and the Ministry of Finance.**

The Canada-Ontario Affordable Housing Program is a partnership initiative among federal and provincial governments, municipal service managers and proponents of affordable housing that build, own, operate and finance housing units.

The Brownfield Tax Incentives Program is another initiative that encourages environmental rehabilitation of Brownfield sites.

For more information on either of these programs, visit: [www.mah.gov.on.ca](http://www.mah.gov.on.ca) and [www.fin.gov.on.ca](http://www.fin.gov.on.ca).

### **Northern Ontario Heritage Fund.**

Established June 1, 1988, The Northern Ontario Heritage Fund Corporation (NOHFC) is a crown corporation and development agency of the Ontario government that invests in northern businesses and municipalities through conditional contributions, forgivable performance loans, incentive term loans and loan guarantees. For more information visit [www.nohfc.ca](http://www.nohfc.ca)

### **Local Area Schools.**

Ontario students are required to complete 40 hours of volunteer community service in order to receive their Ontario Secondary School Diploma. Our youth are great sources of new ideas and energy.

## Managing Your Business

From day-to-day operations to long-term planning, learn how to [manage your business](#) efficiently by going on the [www.canadabusiness.ca](http://www.canadabusiness.ca) web page.

**For Managing your business during COVID-19**, and accessing resources for businesses, their employees and self-employed individuals including financial support, loans and access to credit, visit:

<https://www.canada.ca/en/services/business/maintaining-your-business.html>

While the information above on managing the day-to-day operation is important, the following key mistakes made by entrepreneurs, highlight the key issues confronting new businesses and the major reasons why over ninety percent will fail within the first five years.

The common mistakes below are taken from the [www.bdc.ca](http://www.bdc.ca) website that contains a wealth of information and advice tailored for entrepreneurs.

### Nine Common Mistakes to avoid when Starting a New Business

If you're like many new entrepreneurs, you're fired up about your business idea and eager to launch your company into the world.

But it's worth stepping back and making sure you avoid some common mistakes that plague many new businesses. Making the right moves in the beginning can help you avoid major headaches later on.

#### 1. Neglecting to make a [Business Plan](#)

Many rookie entrepreneurs fail to prepare a business plan. Such a document doesn't need to be especially long or detailed. But taking the time to chart a business plan will help keep your efforts consistent, serve as a rallying point for your team and give milestones to measure your progress.

#### 2. Inadequate Financial Preparation and Resources

It's common for entrepreneurs to neglect financial planning and lowball how much capital they'll need to get their business up and running. The result is often inadequate financing to achieve your goals and/or a cash squeeze just as the business is hitting its stride.

To avoid such problems, be sure to prepare financial projections for your new business, especially for the first 12 months. This can also help you secure financing and investments.

#### 3. Failing to Monitor Progress and Adjust

Your business plan and financial projections gather dust. Make them living documents by continuously monitoring your progress and updating your plan and projections.

#### **4. Buying Assets with your Cash Flow**

A frequent mistake that can cause a cash shortage is using your operating cash to pay for long-term assets. Instead, when determining how you'll pay for major purchases such as equipment, machinery or major IT outlays, consider using a [business loan](http://www.gedc.ca) (www.gedc.ca) that has a term matching the asset's lifespan. (For example, a seven-year loan for a vehicle you expect to use seven years).

#### **5. Avoiding Outside Help**

Many new entrepreneurs are reluctant to admit they need help. Don't be shy about seeking a mentor, [hiring an outside consultant](#) or creating an advisory board to give you support and ideas.

#### **6. Setting the Wrong Price**

Don't make the mistake of setting your prices based solely on what the competition charges. It's important to research your costs in detail for each of your products when deciding what to charge. Also, monitor actual costs as you go to make any needed adjustments.

#### **7. Ignoring Technology**

Canadian businesses lag their U.S. counterparts in technology investments and that affects our productivity. Be sure to consider how technology could pay off for your business with improved growth, efficiency and profitability.

#### **8. Neglecting Online Marketing**

Be sure to consider ways to harness the marketing potential of the Internet. For example, ads on social media platforms can be a cost-effective and easy way to target specific market segments.

#### **9. Failing to Learn**

As you start your business, learn from your initial missteps and use them to guide your eventual success. Remember that many winning entrepreneurs failed in their first attempts but came back to thrive after studying what went wrong and improving.

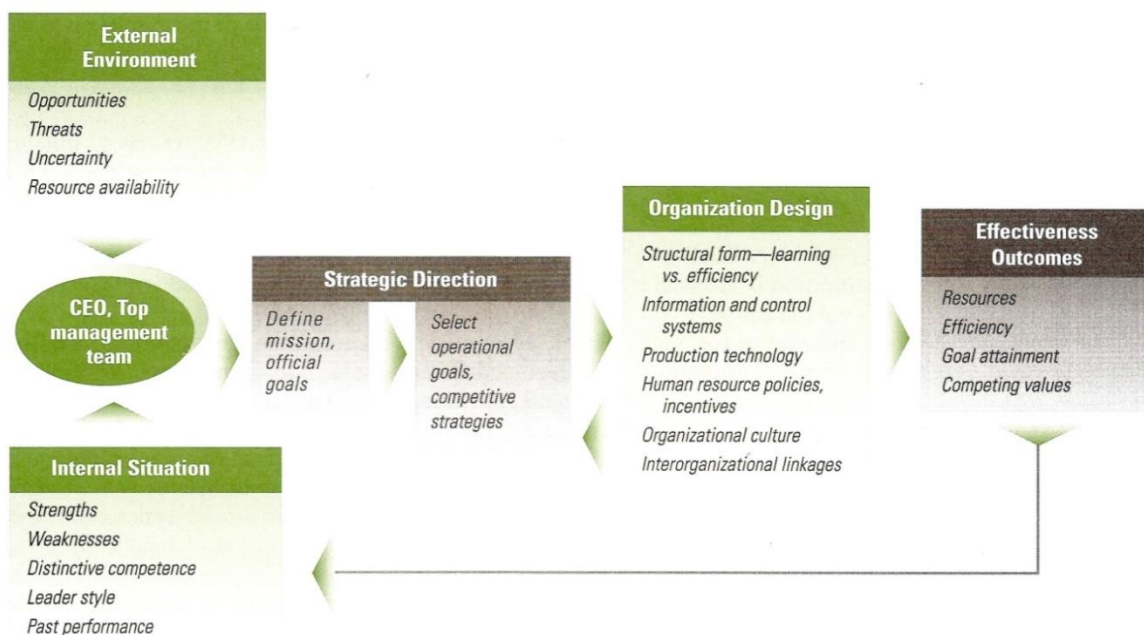
# Management and Governance

To be able to discharge the responsibility of being an owner, a CEO, or a member of the Board of Directors of a corporation, requires some basic understanding of governance. Unfortunately, few owners have a full understanding of the respective roles that are meant to balance the various responsibilities especially in incorporated companies that are growing. Even in such cases where directors have had the experience of running a business, they do not always have the required expertise to discharge their duty of care effectively. This section will provide a conceptual framework of an organizational structure and the role of the owner, management and directors within it.

## Organizational Structure and the Role of Owner/ Management/Directors

The key issues affecting a small or medium-sized business do not change much as most companies still need to organize the internal capacity and resources to deal with the changing dynamic of the outside environment. In the current interdependent and hyper active business world, no one individual or issue can stand in isolation and the extent by which the company or organization can address emerging opportunities, threats, and uncertainties, is tied in with its ability to link together the decision-making process of its owner/Board of Directors and its strategic planning process at the management or CEO level.

**Figure 1 - Top Management Role in Organization Direction, Design, and Effectiveness**



Source: Daft & Armstrong, 2009

What the **Figure 1** above shows is that there are always opportunities and threats from the external environment that need to be matched with the internal resources. The owner, CEO, senior management team and in the case of larger corporations the Board of Directors have a key role to play in guiding the policy and strategic direction of the organization, which leads to an appropriate structure designed to optimize results (outcomes). The loop is closed when performance measures are used to ensure that the organization is meeting its objective, and that corrective action is taken when it is not.

## Management and Governance Under Covid-19

If anything Covid-19 has thought the business world is that any business or organization needs to remain nimble and adaptable to the changing circumstances of the outside world. Figure 1 above clearly shows the roles that boards, management, and employees can play in dealing with both opportunities and threats from a continuously changing dynamic environment and **change management** is going to be a **critical aspect** of strategic positioning in the future.

There are many ways to approach a climate of uncertainty, but the key elements can be summarized by the precepts taught in the classic business books like the “Art of War”. They are:

- 1 **Know thyself.** This requires a complete understanding of the internal situation including the strengths and weaknesses of the organization including the management team; distinct competencies (i.e. competitive advantage and how it helped); previous performance under extreme stressful situations like the Covid-19 shutdown; leadership style, (highly structured and unresponsive to external threats or nimble and adaptable). There are more but these are the major elements that should be covered by a rigorous internal analysis aimed at preparing the company or organization for a post-Covid-19 future.
- 2 **Know your competition.** The competition in this case is a subset of the external environment as in a pandemic situation the impact is far reaching and the boundaries of who the competition now is become blurry. However, a lot of it will depend on the nature and size of the business and the position in the growth stage on which the company or organization finds itself. For example, a company that has just started and is highly leveraged will be in a much more difficult position to survive a prolonged shutdown than a large company that can borrow heavily based on its assets and position in the market. Outside threat do not arise from the competition alone but as many companies have found out under Covid-19, any major interruptions to the supply chain can mean loss of customers and revenue. Such threats are bound to continue including disruption to input pricing due to mismatch in demand and supply of resources, that can force a company to price itself out of the market. In this climate of ongoing uncertainty, accessibility to flexible government funding can make a significant difference especially for SMEs.
- 3 **Have a clear understanding of the lay of the land (external environment) in order to position oneself (the company or organization) to maximize its strengths and take advantage of the competition's weaknesses and business opportunities (Strategic positioning).** Figure 1 clearly shows that strategic direction cannot happen effectively

without steps 1 and 2 above having taken place at the **depth of understanding** required for successful outcomes. More than ever, scenario playing and financial what-if iterations can provide business owners, boards and management with the forecasting tools needed to inject the required level of flexibility and response capabilities (nimble and adaptable) required in a post-Covid-19 environment.

## **Advisory Boards: The Best Kept Secret for Higher Sales**

While corporations are required to have a Board of Directors, smaller companies are not and therefore miss out on a huge opportunity to gain from solid advice. Setting up an advisory board leads to surprisingly large gains, including higher sales and productivity. Surprisingly, only 6% of entrepreneurs have established an advisory board for their business. That's the conclusion of a BDC study [Advisory boards: An untapped resource](https://www.bdc.ca/en/about/sme_research/pages/advisory_boards.aspx).

The study can be accessed online at [https://www.bdc.ca/en/about/sme\\_research/pages/advisory\\_boards.aspx](https://www.bdc.ca/en/about/sme_research/pages/advisory_boards.aspx)

### **Trusted Advice for your Business**

An advisory board is a group of trusted advisers that meets regularly to help you make better business decisions and develop a long-term vision for your business. Unlike a formal board of directors, it has no decision-making powers and carries no legal liability toward your company.

BDC asked Statistics Canada to analyze a sample of 3,902 BDC clients. It compared those with advisory boards with those that don't have boards but are similar in terms of size, industry, age and region.

### **Sales and Productivity Gains**

The study found:

- Annual sales were 24% higher on average between 2001 and 2011 at businesses with an advisory board, compared to companies that didn't have an advisory board but have similar characteristics.
- Sales grew by 66.8% on average in the first three years after a company created an advisory board. This compares with 22.9% sales growth in the three years before the board was formed.
- Productivity increased by an average of 5.9% in the first three years after a board was formed compared with 3.2% in the previous three-year period.

### **Few Entrepreneurs use Advisory Boards**

As part of the study, BDC also commissioned a survey of Canadian entrepreneurs to find out about their experiences with advisory boards. Here are some of the findings of the survey of more than 1,000 leaders of private companies across Canada.



- Just 6% of Canadian small and medium-sized businesses have advisory boards.
- Businesses that do have them tend to be older and larger—most have been in business for 11 to 20 years, with 20 or more employees.

## **An Essential Tool**

Entrepreneurs who had set up an advisory boards were asked to rate the advantages from one to 10. They gave the following ratings.

- An essential tool (8.2)
- Like having a sounding board (8.1)
- Allows you to develop a broader vision (8.0)
- Improves strategic business choices (8.0)
- Strengthens management's convictions (8.0)
- Broadens the universe of knowledge and skills (7.8)
- Develops new ideas (7.8)

## **More Likely to Consider Projects**

Most entrepreneurs (86%) who have an advisory board said it has had “a big impact” on their company. They said they are more likely to consider growth projects or restructuring their operations.

Eight out of 10 business owners also said they would not hesitate to repeat the experience of setting up and running an advisory board.

## **Understanding the Roles and Responsibilities and the Use of Policy by Directors**

The section below covers the basic requirements of directors that usually serve on smaller corporations and do not have the full experience of what their requirements are under the law. It is also a useful reminder for owners and executive members of the corporation on what to look for when preparing for a meeting, avoid possible conflicts of interest, and how best to protect against liability.

The board member of an established organization with a senior staff and support staff is in a very different position from the board member of an organization without staff. A board without senior staff assumes the administrative and managerial responsibilities of the senior staff. To help with the understanding of financial responsibilities, there needs to be a distinction made between those responsibilities of the board and those of management. These distinctions will help with the establishment of policies within which the board operates, and by which you are assured responsible financial management is in place.



There are four different bodies that can be involved in financial management. These are the Board, the Finance Committee, the Treasurer and the senior staff. The existence of each depends on the size of your organization. If your organization is small, then it may only have the first and most important entity – the board.

## **Global Duties**

As a board there are global duties to be fulfilled. These duties are:

**Purpose:** establishing the organization's purpose or mission.

**Continuity:** providing continuity for the management and the implementation of organization's affairs.

**Progress:** setting the rate of progress that the organization takes in reaching its mission.

**Identity:** securing community support and appreciation for the organization's objects, beliefs, vision, mission, and long-term direction.

Each member of the board of directors shares equally in the carrying out the mandate of the organization, as well as the responsibility of prudent management of the organization's finances.

## **Financial Management**

Financial management can be described as the managing and accounting of funds to ensure these funds are spent in accordance with board objectives. The effective acquisition, allocation and use of funds, determines the extent to which goals and objectives of the board are realized.

Board members are responsible for the overall management of the organization's resources. The responsibility does not simply fall to the Treasurer of the organization. Board members can, in some instances, be held individually liable for debts of the organization in the event of non-performance. These responsibilities cover many areas of operation. For example, as a board member you will be required to approve the budget. This means asking sufficient questions so that the budget is understood.

**Does the budget reflect the organization's priorities?**

**What are the fundamental assumptions upon which the budget has been prepared (e.g. inflation rates)?**

**Who is responsible for monitoring and controlling budget expenditures?**

**What are the board's budget policies that govern the preparation and control of the budget?**

By asking these types of questions, the discussion at the board level focuses on the core issues of the organization. What are our risks to our organization? What are the strategies for handling these risks?

### **Focusing on Core Issues**

These questions help to avoid the type of discussion that centers on operational expenses like the price of photocopying paper. A way to focus on the core issues is for the board to set written financial policies that keep board members focused on their role in the financial management function of an organization.

An added benefit of focusing the discussion on the core issues is that all members are placed on an equal footing. A board member without financial training can contribute to the discussion on an equal level to that of the financially trained board member. Keeping to the core issues will be helpful whether you are discussing the budget, the financial statements, the capital reserves or any other aspect of financial management.

### **Individual Responsibilities as a Board Member**

It is the individual board member's responsibility to understand the financial information that is being presented. If they don't understand the information and how it relates to their organization, they will be unable to make informed decisions.

Board members should not be afraid to ask for clarification on the financial information presented. Board members may be liable if they are not fulfilling their individual responsibilities as board members. Individual responsibilities include:

- attending board or committee meetings
- reading and understanding financial reports
- understanding the board's financial policies
- participating in approving the annual budget, audit, annual financial report and financial statements

These individual responsibilities, if carried out, minimize the situations where financial affairs are being conducted poorly or dishonestly.

### **Conflict of Interest**

Board members must not allow personal interests or those of a third party to conflict with those of the organization. When appropriate, the board member should declare to the board that they have a conflict or a potential conflict. They should withdraw from discussion on the issue and should not take part in a vote regarding the issue.

Funds must be used by an organization for the purpose intended. If they are not spent in accordance with funders' criteria, there is potential liability for the board.

### **Liability for Remittances**

Individual board members may be liable for payroll deductions for staff that are payable to Canada Revenue Agency and not remitted in a timely fashion. These include income taxes, Canada Pension Plan, and Employment Insurance deductions. There is also a liability for Goods and Services Tax remittances to Canada Revenue Agency. Organizations should have procedures in place to ensure these deductions are being remitted when required.

### **Separation of Duties and Signing Authority**

Authorized cheque signers in an organization assume a responsibility to ensure that they are signing cheques that have been prepared following board policy. The expenditures should be approved through a process such as the budget process. They do not assume any greater personal liability than other board members do, unless negligence or fraud has been identified. There should be no signing of blank cheques. The signing officers should not live in the same household, nor should they be related.

### **Greater Responsibility of Professional Accountants Sitting on Boards**

Professional accountants who sit on boards of directors do assume a greater legal responsibility for financial management than do other non-financial board members. They are assumed to have a greater level of skill in the financial area that they must apply to their responsibilities as board members.

## **Measures for a Director to Reducing Personal Liability**

### **Before the Meeting**

- Be familiar with and understand the nature and extent of the organization's objects, bylaws and policies.
- Know if the organization is trustee of property and if so the nature of the trust.
- Make sure you receive and read all documents and reports on which voting will be required.

### **At the Meeting**

- Keep personal notes of your views of the various matters discussed at meetings.
- Insist on written professional opinions from those on whose advice the Board is expected to act

- Insist on the minutes recording any disclosure, dissent or abstention by you or any other member of the Board.
- Vote against any expenditure which in your opinion puts the organization into an insolvent position.
- Avoid a conflict of interest. Disclose any personal interests in contracts with the organization. Don't vote when the contract is considered by the Board. For extra assurance, don't participate in the board discussion and leave the room when the vote is taken. Have these steps recorded in the minutes.

### **After the Meeting**

- Carefully review the minutes of the meetings and bring to the attention of the secretary and the other directors at the next meeting any errors or omissions.
- Keep a notebook of all the minutes and the other important documents you receive while you serve on the board.
- Send a letter by registered mail to the mailing address of the organization if the Secretary or Chairperson refuses on notice at the meeting to record your disclosure, dissent, or abstention from voting.
- Keep the society's information confidential, unless the Board or the members in meeting authorize its release.

## Conclusion

This instruction booklet provides a general overview of the entrepreneur's responsibilities and obligations of running a business. It covers the different types of business structures and “How to” start and manage the business, including licensing and reporting requirements for employment, taxes, and other regulatory obligations. This also includes the changes to minimum wages and other employment regulations approved by the Province of Ontario through Bill 148, as well as changes to Federal business taxation. As labour laws and other employment regulations prescribed under Bill 148 were subsequently changed by the new provincial government in 2018 through Bill 47, a comparable chart has been provided to clearly identify what is currently in effect.

The managing section also covers the key issues that small businesses face, and how best to use the advice of “Advisory Board” to ensure success, including the responsibilities and duties of the board of directors from a governance perspective. Besides the step-by-step directions that can be found in the appendices, direct links to various resources have also been provided throughout the booklet, including the most recent Covid-19 government measures aimed at helping small business and entrepreneurs manage their businesses during and after the pandemic.

The section under management and governance now also includes advise on how a business or organization can be nimble and adaptable under extreme conditions like the Covid-19 pandemic by strategically assessing its internal resources and repositioning itself to take advantage of opportunities while minimizing risks like interruptions in the supply chain, input price increases, labour constraints, etc.

Ultimately it is the responsibility of each individual business owner to become knowledgeable about starting and running a business, and board member to understand their fiduciary responsibility of board representation, and it is hoped that this booklet will provide a strong foundation and a renewed sense of confidence to the countless entrepreneurs about whether they are doing the right thing to make their business a success.

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## **APPENDICES**

**Appendix A** - Understanding Bill 148 and Changes in Bill 47.

**Appendix B** – Update to Changes to the Federal Small Business Tax

**Appendix B1** – Canadian Chamber of Commerce 2021 AGM Resolution 19.  
Helping Small Businesses Recover, Grow and Drive Job Creation

**Appendix C** – Federal Incorporation

**Appendix D** - Provincial Incorporation



## Appendix A - Understanding Bill 148 and Changes Through Bill 47

### HIGHLIGHTS OF SWEEPING NEW ONTARIO LABOUR LAWS

#### THE CANADIAN PRESS

TORONTO — Ontario's Liberal government passed a host of changes to labour laws Wednesday. Here are some highlights of the legislation, including the centrepiece minimum wage increase:

- Minimum wage rises from \$11.60 an hour to \$14 on Jan. 1, 2018 then to \$15 on Jan. 1, 2019.
- Casual, part-time, temporary and seasonal employees will be given the same pay as full-time employees for doing equal work. There are exemptions based on seniority and merit.
- Lower minimum wage rates for liquor servers, students under 18, hunting and fishing guides will also rise along with the general minimum wage.
- Once an employee works for a company for five years, they will be entitled to three weeks of paid vacation.
- Personal emergency leave no longer only applies to workers at companies with 50 or more employees. All workers will get 10 days per year, two of them paid.
- Victims of domestic or sexual violence, or parents of children who have experienced or are threatened with it, will get five days of paid leave and 17 weeks of job-protected, unpaid leave.
- Employers will not be allowed to request a sick note from an employee taking personal emergency leave.
- Parents whose children die will get unpaid leave of up to 104 weeks. It was previously only offered to parents when a child's death was related to a crime.
- Employers must pay three hours of wages if they cancel a shift with fewer than 48 hours notice, with weather-dependent work exempted.
- Employees can refuse shifts without repercussion if the employer gives them less than four days notice.
- Employees on call must be paid three hours at their regular pay rate.
- Companies that misclassify workers as "independent contractors" instead of employees in order to skirt labour law obligations would be subject to fines.
- The maximum fine for employers who violate employment standards laws will be increased from \$250, \$500 and \$1,000 for various violations to \$350, \$700 and \$1,500. The government will publish the names of those who are fined.
- Ease restrictions on union certification and allow unions to access employee lists and certain contact information if the union can demonstrate it has the support of 20 per cent of employees.
- Makes it easier for home care and community services workers, people in the building services sector, and those who work through temp agencies to unionize.
- The maximum fines under the Labour Relations Act will increase from \$2,000 for individuals and \$25,000 for organizations to \$5,000 and \$100,000.

*Note: the following abstracts were taken from MNP Handbook on Bill 148 to help Ontario companies steer through the changes. It was written as a guide for the Ontario Chamber of Commerce.*



## Ontario Bill 47 and Bill 148 Comparison Chart

The following chart outlines the changes to the *Employment Standards Act, 2000* (ESA) and the *Labour Relations Act, 1995* that resulted from the passing of Ontario Bill 47, the *Making Ontario Open for Business Act, 2018*, in terms of its effect on the changes to the ESA and LRA previously made by Bill 148, the *Fair Workplaces, Better Jobs Act, 2017*. **Bill 47 received Royal Assent on November 21, 2018. Amendments made to the ESA come into force January 1, 2019, whereas changes to the LRA came into force upon Royal Assent.**

<i>Employment Standards Act, 2000</i>		
Provision	Bill 148 Changes	Bill 47 Changes
<b>Locations and scheduling</b>	As of January 1, 2019, employees may request a change to their schedule or work location after three months' employment. Employers must notify when the change comes into effect if approved, or else explain the reasons for the denial.	Repealed.
	As of January 1, 2019, the three-hour rule imposes minimum three hours' pay for short shifts under certain circumstances.	Bill 47 does not change this provision, but it is renumbered from 21.3 to 21.2 due to the repeal of other sections.
	As of January 1, 2019, on-call employees must be paid for at least three hours' work, even if they are not called in, under certain circumstances.	Repealed.
	As of January 1, 2019, employees may refuse shifts offered with less than 96 hours' notice, under certain circumstances.	Repealed.
	As of January 1, 2019, employees are entitled to three hours' pay if a shift or on-call period is cancelled with less than 48 hours' notice, under certain circumstances. This does not apply if a shift is shortened or lengthened.	Repealed.
<b>Overtime pay</b>	Employees who receive different wages for different work will have overtime pay calculated based on the actual work performed during the overtime hours, rather than the average of the different wages.	Bill 47 does not change this provision.

<b>Minimum wage</b>	As of January 1, 2018, the general minimum wage is \$14 per hour. As of January 1, 2019, the general minimum wage will be \$15 per hour.	Minimum wage will remain at \$14 per hour until October 1, 2020, when it will be adjusted annually in line with inflation.
	Liquor servers may only be paid the liquor server minimum wage if they regularly receive tips or other gratuities; otherwise, they must be paid the general minimum wage.	Bill 47 does not change this provision.
<b>Vacation</b>	Employees who have worked for the same employer for five years are entitled to at least three weeks' paid vacation after each completed entitlement year.	Bill 47 does not change this provision.
<b>Public holidays</b>	Public holiday pay is now based on the wages earned in the preceding pay period divided by the number of days worked in that period. Some exceptions apply.	Repealed. Replaced with previous calculation before Bill 148. Public holiday pay is based on the total amount of regular wages and vacation pay earned in the four weeks before the work week with the public holiday, divided by 20.
	Changes have been made to the written notice employers must provide when substituting a public holiday. These changes apply under various circumstances outlined in the act.	Bill 47 does not change this provision.
<b>Equal pay for equal work</b>	As of April 1, 2018, equal pay provisions will prohibit pay discrimination based on employment status.	Repealed. Employers may pay different wage rates based on employment status, such as part-time versus full-time.
<b>Pregnancy leave</b>	Any employee whose pregnancy leave begins after January 1, 2018, and who is not eligible for parental leave will be entitled to end their pregnancy leave either 17 weeks after the leave began or 12 weeks after the birth, stillbirth, or miscarriage, whichever is later.	Bill 47 does not change this provision.
<b>Parental leave</b>	Parental leave may now begin as late as 78 weeks after the child is born or first comes into the employee's custody, care, and control. Parental leave now lasts up to 61 weeks for employees who	Bill 47 does not change this provision.



<b>Family medical leave</b>	Family medical leave is now 28 weeks, instead of eight.	Bill 47 does not change this provision.
<b>Critical illness leave</b>	Critical illness leave is now available for any prescribed family member, not just children. Leave entitlement is 37 weeks for minor children and 17 weeks for adults.	Bill 47 does not change this provision.
<b>Child death leave</b>	Entitlement of up to 104 weeks of unpaid leave for child death regardless of whether that death is crime-related.	Bill 47 does not change this provision.
<b>Crime-related child disappearance leave</b>	Entitlement has increased to a maximum of 104 weeks.	Bill 47 does not change this provision.
<b>Domestic or sexual violence leave</b>	Available to employees who have been employed by their employer for at least 13 consecutive weeks. Provides up to 10 days of leave to be taken as individual days, and up to 15 weeks to be taken as full weeks. The first five days of leave must be paid.	Bill 47 does not change this provision.
<b>Personal emergency leave</b>	Personal emergency leave is now available to all employees. Two of the 10 days must be paid. Employers can no longer require a doctor's note.	Repealed. Replaced with three unpaid <b>sick leave</b> days, three unpaid <b>family responsibility leave</b> days, and two unpaid <b>bereavement leave</b> days. Each has separate criteria for use and employers may ask for proof of entitlement to leave (e.g., doctor's note for sick leave). Employees must have been employed with employer for two weeks to be entitled to these leaves.
<b>Contractor and employee distinctions</b>	Employees cannot be misclassified as independent contractors. Employers have burden of proof to establish that an individual is not an employee.	Burden of proof that a person is not an employee no longer lies with the employer.

<b><i>Labour Relations Act, 1995</i></b>		
<b>Provision</b>	<b>Bill 148 Changes</b>	<b>Bill 47 Changes</b>
<b>Card-based certification</b>	A card-based union certification process will apply to workers in the temporary help agency industry, the building services sector, and the home care and community services industry.	Repealed.
<b>Secret ballot certification</b>	Unions can more easily obtain certification where an employer has engaged in misconduct, access to first contract arbitration is easier, and the Ontario Labour Relations Board will be able to conduct votes outside of the workplace.	Some of the original provisions are repealed but replaced with similar provisions still providing the same rights.
<b>Employee lists</b>	Under certain circumstances, trade unions can apply for an order directing employers to provide a contact list of employees.	Repealed. Unions which received employee lists must destroy them upon the act coming into force, and any pending applications for employee lists will be terminated.
<b>Termination and discipline</b>	Employers may not terminate or discipline an employee in a bargaining unit without just cause during a lawful strike or lock-out, nor between the date of certification and when the first collective agreement begins.	Bill 47 does not change this provision.
<b>Arbitration and mediation</b>	Mediation is now an available remedy during labour disputes, in addition to existing arbitration provisions.	Repealed and replaced with new provisions that provide for first collective agreement arbitration.
<b>Reinstatement</b>	Employees shall be reinstated after a lawful strike or lockout to their former positions, subject to certain exceptions.	The provisions remain, but are amended to state that an employee must submit an application for reinstatement within six months following the commencement of a lawful strike.

Source - [Ontario](#) Business Improvement Association

[OBIAA-Comparison-Chart-Bill-148-to-Bill-47.pdf](#)

## **Appendix B – Update to Changes to the Federal Small Business Tax**

### **What's Up with Federal Small Business Taxes?**

December 2017, Charla Robinson, President Thunder Bay Chamber of Commerce

On October 16, Finance Minister Bill Morneau announced the federal government's response to the more than 21,000 submissions it received during the previous three months with regard to the government's proposed changes to the tax treatment of small business. The changes are:

1. The Small Business Corporate Tax Rate will be reduced.
2. Higher taxes on ordinary (non-eligible) dividends.
3. Rules related to "Income Sprinkling" will be simplified.
4. Access to the Lifetime Capital Gains Exemption will not be changed.
5. Rules governing the Conversion of Capital Gains into Dividends will not be changed.
6. The government will work to make it easier and less costly to transfer business to the next generation.
7. Proposals for the tax treatment of Passive Income will be revised.

[Download a more comprehensive primer from the Canadian Chamber of Commerce covering all of the updates.](#)

The changes relating to points 1, 4, 5 & 6 have been welcomed by the Thunder Bay Chamber, the Canadian Chamber and by businesses across the country. The reduction of the Small Business Corporate Tax Rate will save companies earning \$500,000 in income eligible for the small business deduction \$2,500 in 2018 and \$7,500 annually from 2019 onward. Similarly, retaining current Capital Gains exemptions and conversion rules is good news. We applaud the government for listening to the concerns of small business owners and entrepreneurs and taking action to address these issues. However, we remain concerned about the potential negative impacts of tax changes on small business investment and growth relating to the tax increase on ordinary dividends, the lack of detail provided relating to income sprinkling, and the proposals for the tax treatment of passive income.

We expect that the revised rules on Income Sprinkling will be released within the next few weeks (before Christmas). With that in mind, the Canadian Chamber has called for the government to ensure it: allows sufficient time for input from business; considers an exemption from the rules for spouses; and, postpones the implementation of the changes until at least January 1, 2019. You can be assured that we will keep our members informed of these details when they are made available.

The revisions to tax treatment of passive income continue to be surrounded by uncertainty. The Chamber is concerned: that the \$50,000 threshold is inadequate for small businesses that are saving in order to make larger investments in innovations or business growth; and, that the threshold is too small to provide business owners with long-term earnings security. We firmly

believe that the government should not proceed with its passive income rules until a full economic impact assessment has been carried out and an approach has been developed that can ensure there will be no unintended negative consequences to business investment.

In light of mounting regulatory compliance costs imposed by all levels of government, proposed carbon taxes, and the prospect of US tax reform, the Canadian Chamber is calling on the government to undertake a comprehensive review of the tax system and is recommending that it establish a Royal Commission to do so. In addition, the Canadian Chamber will launch its own competitiveness assessment of Canada's business tax system in 2018. The findings of this review will help to shape the priorities for tax reform.

Our Chamber is proud to be working with the Canadian Chamber on these important issues and will continue to work together to advocate for a tax system that is fair and competitive for all Canadian businesses. For more information on this issue, [visit our Corporate Tax advocacy page](#).



## **Appendix B1 - Canadian Chamber of Commerce 2021 AGM Resolution 19. Helping Small Businesses Recover, Grow and Drive Job Creation**

### **DESCRIPTION**

The COVID-19 pandemic has taken a heavy toll on Canada's small and medium sized businesses (SMEs) (1). With vaccination rates rising and the economy slowly reopening, SMEs continue to experience numerous challenges, regardless of whether they are operating at full pre-pandemic capacity again or are part of the hardest hit sectors who will be last to recover. With over 99% of Canada's businesses falling into the SME category (2), it is critical that SMEs are at the forefront of the government's economic growth and job creation policy considerations as they begin to look at how Canada's economic rebound and recovery will unfold.

### **BACKGROUND**

Today, SMEs are facing a binary track of recovery realities: on the one hand, many SMEs will continue to see ongoing public health restrictions that restrict their ability to operate at full or even partial capacity, and prohibits their recovery until 2022 or beyond. This includes businesses in the tourism, hospitality, travel, events, and arts and culture sectors. On the other hand, SMEs in other sectors are on track to fully reopen before the end of 2021 and are now looking at how to pay down debt acquired during the pandemic in a sustainable way.

These two realities mean that governments must be putting forward policies that help ensure that businesses who continue to be impacted by the pandemic have the support they need to bridge into recovery, while also ensuring that businesses that are in recovery are being incentivized to invest and grow rather than solely paying off debt. To achieve this, SMEs must not be the ones who carry the burden of paying for the pandemic through increased taxes, fees, and the introduction of other prohibitive regulatory barriers.

However, governments must also not be naïve about the motivations of SMEs in paying down their debt and avoiding investments in new ventures. According to the May 2021 Canadian Survey on Business Conditions conducted by Statistics Canada, small businesses were 250% more likely to see their credit rating negatively impacted during the pandemic than larger businesses(3). The same survey also indicated that businesses in the hardest hit sectors were the highest users of both CEWS (59% of businesses in accommodations and food services, and 52% of businesses in arts, entertainment and recreation) and CERS (41% of businesses in accommodations and food services, and 24% of businesses in arts, entertainment and recreation). These figures compare to 37% of businesses from across all sectors utilizing CEWS, and only 12% of businesses from across all sectors utilizing CERS. Clearly, SMEs in

these sectors will require ongoing government support until all public restrictions are lifted and they obtain the opportunity to fully resume operations.

Finally, according to a 2020 report from Innovation, Science and Economic Development Canada, a firm's employment growth is negatively related to its level of regulatory burden – most particularly is this burden for small businesses. For every one percentage point increase in the growth rate of regulatory compliance cost intensity, the report found there is about a 0.5 percentage point decline in the firm's employment growth(4). Despite these added costs of regulatory compliance, SMEs are historically Canada's leaders in job creation.

Between 2014 and 2019, SMEs were responsible for 61.2% of Canada's net private sector employment growth (5). To help incentivize economic growth and job creation post-pandemic, the Government of Canada needs to focus on reducing the regulatory burden for SMEs and creating opportunities for commercialization of products, innovation, and SME scale-up.

With SMEs accounting for more than 99% of all businesses in Canada and over 76% of all private sector jobs, it is imperative that Canada's economic recovery prioritize the ability of SMEs to actively participate in the economy and not just operate in cruise control trying to pay down debt. The postpandemic recovery is an opportunity for the government to level the playing field for SMEs and help create opportunities rather than barriers, and jobs rather than layoffs.

## RECOMMENDATIONS

That the Government of Canada:

Commit to support SMEs, not only in surviving through the pandemic, but their recovery as well by:

1. Ensuring that any new regulations for SMEs are improving or creating opportunities for SMEs rather than creating new regulatory hurdles. The government should consult with the network of chambers in Canada via the Canadian Chamber of Commerce in the development of major new regulations to avoid these issues;
2. Identifying measures to drive economic recovery and job creation for SMEs in the short term, including tax holidays and incentivizing the commercialization of Canadian innovation, investment, and growth;
3. Extending the CEBA repayment deadline to qualify for the forgivable portion to December 31, 2023;
4. Extending CEWS and CERS for businesses still operating with public health restrictions until Spring 2022 using subsidy rates from Period 16 (May 9-June 5); and
5. Extending repayment terms and forgiving all interest payments on all government backed pandemic loans (CEBA, BCAP, HASCAP, RRRF, etc.) for SMEs.



## NOTES

1, 2, 3, 4, 5

Submitted By: Canadian Chamber of Commerce SME Committee

1 <https://edmontonjournal.com/business/local-business/covid-impacts-on-small-biz>

2 [https://www.ic.gc.ca/eic/site/061.nsf/eng/h\\_03126.html](https://www.ic.gc.ca/eic/site/061.nsf/eng/h_03126.html)

3 <https://www23.statcan.gc.ca/imdb/p2SV.pl?Function=getSurvey&Id=1305631>

4 [https://www.ic.gc.ca/eic/site/pbri-iafp.nsf/vwapj/Impact-regulatory-compliance-costs-business-perf-5.pdf/\\$file/Impact-regulatory-compliance-costs-business-perf-5.pdf](https://www.ic.gc.ca/eic/site/pbri-iafp.nsf/vwapj/Impact-regulatory-compliance-costs-business-perf-5.pdf/$file/Impact-regulatory-compliance-costs-business-perf-5.pdf)

5 [https://www.ic.gc.ca/eic/site/061.nsf/eng/h\\_03126.html](https://www.ic.gc.ca/eic/site/061.nsf/eng/h_03126.html)

*Source – Canadian Chamber of Commerce 2021 Annual General Meeting Proposed Resolution N. 19*

<https://chamber.ca/wp-content/uploads/2021/09/2021ProposedPolicyResolutions.pdf>

## Appendix C – Federal Incorporation Requirements

For information on creating a federal corporation, you can contact Corporations Canada at **1-866-333-5556** or follow the instructions below.

To set up a federal corporation, you can file online at <https://www.ic.gc.ca/app/scr/cc/CorporationsCanada/bs/crp-wz.html?lang=eng> or submit the following documents to Corporations Canada.

### Steps to Incorporating

Incorporating your company federally is a four-step process. Read on or [incorporate now](#).

- [Step 1: Deciding how you want to name your corporation](#)
- [Step 2: Completing articles of incorporation](#)
- [Step 3: Establishing the initial registered office address and first board of directors](#)
- [Step 4: Filing the appropriate forms and paying the fee](#)
- 

### Next Steps Following Incorporation

Now that you have received your certificate of incorporation, the next step is to complete the internal organization of the corporation.

- [Organizing your corporation](#)
- [Keeping your corporation in good standing](#)

## Organizing your Corporation

### First Directors

When you incorporated, you filed a form entitled Form 2 – Initial Registered Office Address and First Board of Directors. This form lists the first members of the board of directors of your corporation.

The mandate of the first directors begins on the date Corporations Canada issues the certificate of incorporation and ends at the first meeting of shareholders. At that [first meeting of shareholders](#), the shareholders elect the corporation's directors. The shareholders can elect the first directors or elect other individuals.

### Organizational Meeting

Early in the life of your corporation, an incorporator or a director will likely call an "organizational meeting." The notice for this meeting must be sent at least five days before the

meeting to each director listed in Form 2 – Initial Registered Office Address and First Board of Directors. This notice must indicate the date, time and place of the meeting.

At this meeting, the directors can:

- Make by-laws (see [Making by-laws](#) ; these by-laws will have to be approved by shareholders at the first meeting)
- Adopt the forms of security certificates (shares) and corporate records the corporation will use
- Authorize the issuing of shares (see [Issuing shares](#) ) and other types of securities
- Appoint officers (see [Appointing the officers](#))
- Appoint an interim auditor to hold office until the first meeting of shareholders
- Make banking arrangements
- Take care of any other business.

## **Making By-Laws**

By-laws are rules that govern the internal operations of a corporation. For example, you might want to set some rules for your corporation that are not dealt with in the *Canada Business Corporations Act* (CBCA). You also might want to modify some of the rules that are in the CBCA, as long as those changes are permitted by the Act. Some [model by-laws](#) can help you with content and wording.

Among other things, your by-laws can:

- Set the date of your corporation's financial year-end
- Make banking arrangements
- Address the appointments, qualifications and duties of officers
- Delegate the responsibility for setting the salaries of directors and officers
- Establish the salaries or other remuneration of directors and officers
- Set down the procedures for calling and conducting directors' and shareholders' meetings
- Establish the minimum number of people required at directors' and shareholders' meetings to establish quorum (that is, enough people to make binding decisions)
- Make rules limiting the modifications that can be made to the powers given to corporate directors under the CBCA (for ex., the by-laws could make all share issuances subject to shareholder approval).

Unless your corporation's by-laws state otherwise, the directors have the power to make, repeal and amend the by-laws. Every new by-law and any by-law change (including the repeal of a by-law) require shareholder approval at the first regular meeting of shareholders after the directors have passed the new or amended by-law. The effective date of a by-law is the date it is passed by the directors, not the date of approval by shareholders.

## Issuing Shares

One of your corporation's first activities following incorporation will be to issue shares. A person becomes a shareholder when a corporation "issues" shares in that person's name. Unless you indicate differently in your articles of incorporation or by-laws, your corporation's board of directors can generally issue shares whenever it wishes, to whomever it chooses, and for whatever value it decides.

Directors can decide to issue shares by majority vote. The directors' decision (called a resolution) to issue shares must be recorded in the corporation's minute books.

The corporation cannot issue a share until it actually receives full consideration (payment) for that share. This consideration is generally in the form of money, although it can also be in the form of services or property given to the corporation. A person's payment for the share(s), in a form agreed upon by the directors, represents that person's investment in the corporation.

Once a share has been issued, the shareholder is entitled to a share certificate. This certificate must state:

- The corporation's name, as set out in the articles of incorporation
- The name of the shareholder
- The number and class of shares it represents.

If your articles of incorporation contain [restrictions on share transfers](#) (as do the articles of most small corporations), the share certificate itself must refer to these restrictions.

All shares are without nominal value (also known as par value). A share certificate does not carry any monetary value and no value appears on the certificate.

## Appointing the Officers

Officers are responsible for the day-to-day operations of the corporation. The directors are responsible for [appointing officers](#). With the directors, the officers will form the management of the corporation. Officers can take any position that the directors want them to fill (for ex., president, secretary or any other position).

## First Meeting of Shareholders

The directors of your corporation must call the first shareholders' meeting within 18 months of the corporation's date of incorporation. This meeting is usually held after the first [organizational meeting](#) of the directors.

At this meeting, the shareholders:

- Elect directors

- if the directors change from those you indicated on Form 2 – Initial Registered Office Address and First Board of Directors, you will need to file the change regarding directors (see [Filing changes regarding directors](#))
- Confirm, modify or reject the by-laws established by directors
- Appoint an auditor. Note that this auditor can either be the same one appointed by the directors or a different one.

## Keeping your Corporation in Good Standing

To make sure that your corporation continues to benefit from incorporation under the CBCA, you need to fulfill certain requirements with Corporations Canada. Depending on the type of requirement, you need to file annually or when circumstances change. Namely, you must:

- [Filing an annual return](#): Filing an annual return for a business corporation provides up-to-date information to Corporations Canada.
- [Filing a change of registered office address](#): Your registered office address is the official address for communications with your corporation.
- [Filing changes regarding directors](#): Interested stakeholders have a right to know who the current directors are and where they can be reached.
- [Amending your articles](#): Your articles set out basic information about your corporation.

### Filing an Annual Return

Regardless of the size of your corporation, you are obligated to file an annual return if your corporation's legal status is "active" (that is, not dissolved, discontinued or amalgamated with another corporation). You can find the status of your corporation on [Search for a federal corporation](#).

### Note

Your annual return is not your corporation's tax return, which must be filed with the Canada Revenue Agency.

If you are no longer operating the corporation, you can dissolve your corporation (see [Dissolving a business corporation](#)), which means that you are legally terminating its existence.

Your annual return must be signed by an individual who has the relevant knowledge of the corporation and who is authorized by the directors.

Corporations Canada offers several different ways to file (see [How do I file my application under the Canada Business Corporations Act \(CBCA\)?](#)). If you file online, you will receive an email confirmation that your annual return has been processed. Keep the original signed annual return with the corporate records.

## Purpose

The annual return is a document that provides information about your corporation. This information lets Corporations Canada make sure that your corporation complies with certain requirements of the CBCA.

It also allows Corporations Canada to keep its database of federal corporations up to date. This information is made available to the public on [Search for a federal corporation](#). The information found in the database allows investors, consumers, financial institutions and many others to make informed decisions about your corporation.

## Deadline

Every corporation must submit an annual return every year to Corporations Canada within 60 days of its anniversary date. The anniversary date is the month and day on which the corporation was created or the date on which the corporation first came under the jurisdiction of the CBCA (be it the date of incorporation, amalgamation or continuance). You do not need to file for the year the corporation was incorporated, amalgamated or continued.

For a corporation that has been revived, the anniversary date remains the date on which it was created (be it the date of incorporation, amalgamation or continuance).

Your anniversary date can be found on your corporation's certificate of incorporation, amalgamation or continuance. You can also find your corporation's name on [Search for a federal corporation](#).

If you file your annual return before the anniversary date, it will not be accepted because the annual return must reflect the corporation's situation on its anniversary date of each year.

If you do not file your annual return on time, the status of your corporation's annual filings on [Search for a federal corporation](#) will be displayed as "overdue" and your corporation will not be able to obtain a certificate of compliance (see [Certificates of compliance and certificates of existence](#)).

## Reminder Notices

Corporations Canada will send a personalized reminder notice when your annual return is due. If you do not file on time, you will receive a default notice approximately 90 days after your anniversary date.

The reminder notice and default notice will be sent by email if you have subscribed to [Annual return reminder emails](#). If you have not subscribed to this service, you will receive these notices by post at either your corporation's registered office address or at any additional address you might have provided to Corporations Canada.

## Note

To ensure that you receive reminder notices, remember to file a [change of registered office address](#) and update the email address for your annual return reminder (see [Annual Return Reminder Emails](#)).

## Consequences of not Filing an Annual Return

Corporations Canada has the power to dissolve a corporation that has not filed its annual returns. Dissolution can have serious repercussions, including not having the legal capacity to conduct business.

Some corporations, especially small businesses, might not always be aware of these filing requirements. While the law allows Corporations Canada to dissolve a corporation after one year of non-filing, the policy is to only dissolve a corporation when it has not filed an annual return for two years.

After that period elapses, Corporations Canada will send a final notice warning of the intention to dissolve the corporation and provide an additional 120 days to file the required annual returns. This final notice will be sent by post to all valid addresses Corporations Canada has on file (including current directors' addresses). Further, the name of the corporation to be dissolved will be published in [Monthly transactions](#).

If the corporation does not respond, Corporations Canada will issue a certificate of dissolution following the expiration of the deadline stated in the notice.

You can revive a corporation after it has been dissolved (see [Reviving a business corporation](#)).

## Filing a Change of Registered Office Address

You must notify Corporations Canada of any change to your corporation's registered office address (for ex., if the corporation moves) within 15 days following the change. You can also provide an additional address, if there is one.

## Caution

The registered office address, even if it is also a residential address, is corporate information that is public (see [Public disclosure of corporate information](#)) and will be published on [Search for a federal corporation](#). If the additional address for the corporation is different from the new registered office address, you should include the additional address when filing the change to the registered office address.

## Moving the registered office within the province or territory indicated in the articles

To file a [change of registered office address](#) for moving within the province or territory indicated in your articles, you can do so online.

You will need your corporate name and, if you file online, your [corporation key](#). You will also need the form signed by an individual who has relevant knowledge of the corporation and who is authorized by the directors, such as:

- A director of the corporation
- An authorized officer of the corporation
- An authorized agent.

### **Moving the registered office into another province or territory other than the one indicated in the articles**

If you move your registered office to a province or territory other than the one indicated in the articles, you are responsible for [amending your articles](#). To do this, you must file [articles of amendment](#) and pay the filing fee (see [Services, fees and turnaround times – CBCA](#)).

### **Filing Changes Regarding Directors**

You must notify Corporations Canada of any change in the board of directors within 15 days of the following actions:

- New directors are elected, or
- Individuals cease to be directors.

You must also notify Corporations Canada of any change of address of a director within 15 days of being informed of the change. Note that directors must notify the corporation of a change in their address within 15 days.

Directors can provide either a residential address or an address for service. An address for service is an address where legal documents must be accepted by the director or someone on their behalf, and where an acknowledgement or delivery receipt can be provided, if required. An address for service can be the residential address of the director or a business address.

The directors of your corporation have the power and the duty to manage the business, and affairs of the corporation. As a result, interested stakeholders have a right to know who the current directors are and where they can be reached.

### **Caution**

The names and addresses of the directors of a corporation, even if the address of a director is also a residential address, are corporate information that is public (see [Public disclosure of corporate information](#)).

### **Document to File Changes Regarding Directors**

To file changes regarding directors, you will need to [view/change director information](#).



## Changing the Number of Directors Indicated in your Articles

If the number of directors changes from the number indicated in your corporation's articles, you must indicate these changes by [amending your articles](#) and pay the filing fee (see [Services, fees and turnaround times – CBCA](#)). You must still change director information (see [View/Change Director Information](#)).

**Note:** at least 25% of the directors must be resident Canadians.

## Directors and Officers

Directors are responsible for supervising the activities of the corporation and for making decisions regarding those activities. Officers are responsible for the day-to-day operation of the corporation.

Duties and responsibilities of directors can be found on <http://www.ic.gc.ca/eic/site/cd-dgc.nsf/eng/cs06643.html>

## Corporate Records and other Corporate Obligations

Your corporation is a separate legal entity that must fulfill certain obligations under the *Canada Business Corporations Act* (CBCA).

Looking for information on [keeping your corporation in good standing](#)?

## Maintaining Corporate Records

Your corporation must keep certain corporate records at its registered office (or at some other location in Canada, as set out by the directors).

On request, a corporation's shareholders and creditors can access the following records:

- Articles of amendment, including amended articles of incorporation or restated articles of incorporation
- By-laws and their amendments
- Any unanimous shareholder agreement
- Minutes of meetings and shareholder resolutions
- Notices that have been filed, meaning:
  - Form 2 – Initial Registered Office Address and First Board of Directors
  - Form 3 – Change of Registered Office Address
  - Form 6 – Changes Regarding DirectorsNote that, when filed online, the original signed notice must be kept with your corporate records.
- A share register showing the names and addresses of all shareholders, and details of shares held

- A securities register showing the names and addresses of those who are or have been a security holder; the number of securities held by each security holder; and, the date and particulars of the issue as well as the transfer of each security.

A corporation's shareholders and creditors cannot, however, access the following records:

- Minutes of meetings of the directors
- Resolutions of the directors and minutes of committees
- Accounting records.

**Note:** corporations often maintain their corporate records in a single book, referred to as the "minute book" of the corporation. Minute books are available from legal stationery stores and search houses.

## Other Corporate Obligations

### Appointing Auditors

At annual shareholders' meetings, shareholders must, by ordinary resolution, appoint an auditor to audit the corporation's financial statements. However, the shareholders of a non-distributing corporation can decide by a unanimous resolution (which includes voting and non-voting shares) not to appoint an auditor.

Appointing an auditor increases the reliability of the financial statements and improves protection for stakeholders.

### Preparing Financial Statements

A corporation must prepare financial statements. Financial statements must be prepared in accordance with the Generally Accepted Accounting Principles set out in the *CPA Canada Handbook – Accounting* or the *CPA Canada Public Sector Accounting Handbook*.

In some cases, distributing corporations can prepare their financial statements according to the U.S GAAP. To determine if this applies to your corporation, consider consulting a lawyer or another professional.

### Sharing Financial Statements

You must provide copies of your financial statements to your shareholders at least 21 days before your corporation's annual meeting each year.

Most corporations do not need to file financial statements with Corporations Canada. To know if you need to file, see [financial statements and proxy circulars](#).

## Appendix D- Provincial Incorporation Requirements

If you would like more information about the requirements for setting up and operating a provincial corporation in Ontario, refer to the following:

Read online: [Provincial Incorporation](#)

or copy and paste the following link on your browser <https://www.ontario.ca/page/incorporating-business-corporation>

Articles of Incorporation, Form 1 under the *Ontario Business Corporations Act (OBCA)* must be completed and filed to incorporate a business corporation in Ontario.

### Methods of Incorporation

There are three service delivery choices available to clients who wish to incorporate a business corporation in Ontario:

1. File Articles of Incorporation electronically via the Internet through one of the Service Providers under contract with the Ministry of Government and Consumer Services.
2. For over-the-counter service, articles may be filed in person at the Toronto office or at some Land Registry/ServiceOntario offices in Ontario (See the “Offices That Endorse Articles Submitted Under the *Business Corporations Act*” information sheet). The information sheet is available online at [ServiceOntario.ca](#).
3. Submit Articles of Incorporation by mail to the Central Production and Verification Services Branch, 393 University Avenue, Suite 200, Toronto, Ontario M5G 2M2.

### Electronic Incorporation

Electronic filing of Articles of Incorporation, *OBCA* Form 1, is available through Service Providers under contract with the Ministry of Government and Consumer Services. The Ministry's fee to file Articles of Incorporation electronically is \$300. The Service Providers charge an additional fee for the immediate online service they provide.

For more information about service providers, visit:

- [Cyberbahn, a division of Thomson Reuters Canada Limited](#)
- [OnCorp Direct Inc.](#)
- [ESC Corporate Services Ltd](#)

### Incorporation in Person or by Mail

To incorporate a business corporation in Ontario, the following documentation must be submitted:

1. **Articles of Incorporation** (Form 1 approved by the Minister under the Regulations to the *Business Corporations Act*), completed in duplicate and bearing original signatures on both copies.
2. **Ontario-based NUANS** (for a proposed name). NUANS is a computerized search system that compares a proposed corporate name or trade-mark with databases of existing corporate bodies and trade-marks. This comparison determines the similarity that exists between the proposed name or mark and existing names in the database, and produces a listing of names that are found to be most similar. A NUANS search is not required if incorporating a number company.
3. **Fee** of \$360. Make cheque payable to the Minister of Finance.
4. **Covering letter** giving a contact name, return address and telephone number. If a future date of incorporation (up to 30 days ahead) is required it must be set out in the covering letter.
5. **Other support documents**, if required (e.g. legal opinion). Note: Consent to Act as First Director is no longer required to be filed with the Branch but it must be kept at the corporation's registered office.

## Forms

You can download the following forms from our Central Forms Repository:

- [Articles of Incorporation, Form 1](#)
- [Consent to Act as First Director, Form 2](#)

or copy and paste the following link on your browser:

<http://www.forms.ssb.gov.on.ca/mbs/ssb/forms/ssbforms.nsf/FormDetail?openform&ENV=WW&NO=007-07116>

You may also buy the forms from most legal stationers or name search houses. Legal stationers and name search houses are listed in the [Yellow Pages](#) under “Legal Forms” and “Searchers of Records” respectively.

## Name Search

Unless the corporation will have a number name, an original Ontario-biased NUANS name search report must be obtained from a private name search company and be submitted with the Articles of Incorporation. The NUANS report cannot be dated more than 90 days prior to the submission of the articles. For example, articles submitted on November 28th could be accompanied by a NUANS name search report dated as early as August 30th, but not dated earlier. The Companies and Personal Property Security Branch does not provide this search.

Suppliers are listed in the Yellow Pages under the heading “Searchers of Records” or visit Industry Canada's NUANS site at, [nuans.com](http://nuans.com) for a list of registered search houses that can assist you with obtaining a NUANS search report and filing your corporate documents with the Ministry of Government and Consumer Services.

## General Information

Please be advised that the Branch **cannot** give legal advice. This information is intended as a general guide only. For further assistance or legal information, please consult private legal counsel.

If you need a lawyer, you may wish to contact the Law Society Referral Service of the Law Society of Upper Canada. You will be referred to a lawyer for up to one half-hour free legal consultation. You must be 18 years of age to access this service. The Law Society Referral Service can be reached by telephoning 1-800-268-8326.

Please refer to the *Business Corporations Act* for details governing business corporations in Ontario. The *Business Corporations Act* is available on the Internet at [ontario.ca/laws](http://ontario.ca/laws) or can be purchased through Publications Ontario at 416-326-5300 or toll-free at 1-800-668-9938. The website for Publications Ontario is [publications.serviceontario.ca](http://publications.serviceontario.ca).

## Reporting Obligations of a Provincial Corporation

### What are the Filing Requirements for Ontario Business Corporations?

For tax years ending **after December 31, 2008**, you are required to file a Schedule 546, *Corporations Information Act* Annual Return for Ontario Corporations, with the Canada Revenue Agency, together with your T2 Corporation Income Tax return. This return must be filed within six months after the end of each tax year. You continue to have the option of filing a standalone *Corporations Information Act* Annual Return electronically with the Service Providers under contract with the Ontario government.

For additional information, please copy and paste the following URL on your browser <https://www.ontario.ca/page/corporations-information-act-annual-return-questions-and-answers>

### Apply for HST, Payroll, Import/Export and WSIB Accounts

- **HST** - Any business that generates more than \$30,000 in annual taxable sales has to register for HST
- **Payroll** - Any business that has employees must register for a Payroll account
- **Import/Export** - If you are planning to trade with other countries, this account would be very helpful
- **WSIB** - This account is mandatory if you are going to have employees. This account is also mandatory if you operate a business in the construction industry, even if you have no employees.

You can request all or any of the above tax accounts during the registration process. Simply check the appropriate check-box on the application form.