

# ALBERTO ROMANO, *PROFESSIONAL CORPORATION*

## Chartered Professional Accountant

### STEPS TO SET UP AN INCORPORATION

*The following steps will walk you through the process of incorporation and other items to get your newly incorporated company ready for business:*

#### **Step 1 – Incorporation**

This can be done for a minimal fee at any Alberta registries office, however, the registry office will not provide you with corporate bylaws or articles of incorporation and will not assist you with issuing the common shares of the corporation to its initial shareholders.

We instead recommended that you seek the assistance of a corporate lawyer for your incorporation as they can help you with setting up your corporate minute book, finalizing important corporate legal documents and issuing the common shares of the corporation to its shareholders. This is crucial in ensuring that the corporation gets started off on the right foot from both a corporate law and tax perspective. Please let us know if you would like us to provide a referral

#### **Step 2 – Opening a corporate bank account**

Once you have completed your incorporation process, you will then need to open a bank account in the corporation's name. This is the account that will facilitate the majority of the corporation's business transactions, both the deposit of income earned by the corporation as well as expenses.

As there can be benefits to paying for corporate expenses using a credit card, you may wish to also set up a credit card in the corporation's name. This can also be a very useful way of ensuring that corporate and personal transactions are tracked separately as the use of a personal credit card to pay for business expenses can often lead to errors or over/under-claiming of business expenses.

#### **Step 3 – Canada Revenue Agency business account registration**

The corporation may be required to set up several accounts with Canada Revenue Agency (CRA) depending on its tax compliance requirements. The first step in this process will be registering for a business number with the CRA. You can complete

your business number registration by following the steps outlined at the link below:

<http://www.cra-arc.gc.ca/tx/bsnss/tpcs/bn-ne/bro-ide/menu-eng.html>

When you register for your CRA business number, you will also be prompted to register for any specific tax accounts that will be tied to your CRA business number including corporate tax (RC), payroll (RP) and GST/HST (RT). If you are unsure which accounts will be required for your business, you can also apply for these specific accounts at a later date.

#### **Step 4 – CRA "My Business Account" registration**

Once you have completed your CRA business number registration, you may also want to register for the CRA's "My Business Account" online services for corporations. This is an account that gives you online access to information for your corporation including account balances and correspondence, lets you file returns online, as well as make or transfer payments online.

You can find information on the CRA's "My Business Account" service including instructions for registration at the link below:

<http://www.cra-arc.gc.ca/esrvc-srvce/tx/bsnss/myccnt/menu-eng.html>

Please let us know if you would like assistance with registering for your CRA business number.

#### **Step 5 – Filing your corporate tax return and choosing a fiscal year end date**

Every corporation must choose a fiscal year end date which will represent the end of the corporation's taxation year. Your fiscal year end can be any date that you choose (although it is generally easier to have this date correspond with a month end date) provided that it is no more than 365 days from the corporation's date of incorporation.

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You will want to pick a date that works well for you and your business, as it can be difficult to change a corporation's fiscal year end date once it has been set.

Your fiscal year end date is officially set with the Canada Revenue Agency and Alberta Tax and Revenue Administration upon filing your first T2 (Federal) and AT1 (Alberta) corporate tax returns. The annual deadline for paying any corporate taxes owing for each fiscal year is three months after the corporation's fiscal year end and the deadline for filing the returns is six months after the corporation's fiscal year end.

### **Step 6 – Determining GST/HST filing requirements and filing returns**

Depending on the nature of your business you may also be required to collect GST/HST on sales and file GST/HST returns for the corporation. It is important to determine the corporation's GST/HST requirements before you start doing business so that the proper GST/HST amounts can be collected on your first invoices.

When you register for your CRA GST/HST (RT) account, you will be provided with options for filing GST/HST on either an annual, quarterly, or monthly frequency depending on the corporation's level of anticipated sales. You can elect to change this filing frequency at any time.

If your corporation does business in provinces other than Alberta, it may be required to collect a different rate of GST/HST or an additional Provincial Sales Tax (PST). Each province that collects PST has a separate registration and filing requirement as well as separate rules on PST taxable/exempt sales.

### **Step 7 – Setting up payroll and CRA payroll source deduction remittances**

In addition to determining the tax filing requirements of the corporation, you will also need to give thought as to how you are going to pay yourself personally from the corporation. There are different tax advantages to taking either dividends or salary from the corporation, so you will want to ensure that you discuss this with us in detail in order to come up with a plan for drawing earnings from the corporation.

If you decide to pay yourself in the form of salary or wages from the corporation, the corporation will also be required to withhold source deductions (including CPP, federal, and provincial tax) from these wages and remit these source deductions on a periodic basis.

You can refer to the link below for information on determining which remittance frequency applies to your corporation. In most cases payroll remittances are due by the 15<sup>th</sup> day of the month following the end of your remittance period.

<http://www.cra-arc.gc.ca/tx/bsnss/tpcs/pyrll/pymnts/hwrmt-eng.html#rmtxmpl1>

Please contact our office if you would like assistance in determining your required remittance amounts.