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# Setting up a Corporation in Canada - Everything You Need to Know



Incorporating a Canadian company creates an entity separate from the officers running the corporation. This limits officers' liability to the amount of their investments in the corporation, and also provides a slew of tax breaks. Canada provides for federal and provincial corporations, and while setting up a corporation isn't a no-brainer, it's not rocket science either. Here are the eight steps you follow to establish a Canadian corporation:

- 1. *Select jurisdiction:*** You can set up a federal corporation that allows you to operate in all parts of Canada using a countrywide unique name. Alternatively, you can establish a provincial company that can operate in one or more of the 13 Canadian provinces. The company name is unique only within the province(s) of incorporation. When you set up a federal corporation, you must also set up at least one provincial jurisdiction, adding to the cost of the process. Choice of jurisdiction depends on where you plan to do business. If you'd like a corporate name that is unique everywhere within Canada, you'll need to select the federal jurisdiction.
- 2. *Pick a name:*** The corporate name must be unique within each of its jurisdictions, and must meet any applicable provincial requirements. The name must have descriptive and distinctive elements. If you don't want to use a name, you can use the corporate number of the incorporating jurisdiction, a good choice for a small company wanting a speedy incorporation. The name can't be too close to an existing one, and can be in French, English, or both. The name must end with Inc., Ltd., Corp. or Ltée.
- 3. *Confirm name availability:*** You must confirm that your chosen corporation name is unique within an official English or French corporate-name database. You'll have to pay a fee to search the database. If the name is unique, you can reserve it and use it in later steps. You must use the reserved name before it expires (in 90 days). There are corporate-name databases at the federal, provincial and provincial-group levels.
- 4. *File articles of incorporation:*** You can file your articles of incorporation, along with the results of the name search and applicable fees, with the appropriate government agency. If you abandon your application, you can get a fee refund. Data elements include:
  - a. Location of registered office
  - b. Types and classes of shares
  - c. Any voting restrictions on shares
  - d. Minimum and maximum number of directors
  - e. Restricted activities
  - f. Supporting documents



- g. Signature of incorporator, who must be at least 18 years old and not bankrupt

**5. Purchase corporate minute book and corporate seal:** If your articles of incorporation are accepted, you'll have to purchase and maintain a binder (plain or fancy) called a corporate minute book. You can also get a corporate seal to emboss legal documents, although this is optional. The corporate minute book will contain a variety of documents, including:

- a. Articles of incorporation
- b. Corporate by-laws
- c. Meeting minutes and resolutions
- d. Registers for directors, securities and share transfers
- e. Copy of governmental filings
- f. Copy of unanimous shareholder agreements

**6. Complete organizing procedures:** Now that you are incorporated, you'll have to organize the corporate structure. You do this with an initial meeting of shareholders and directors, or with documents signed by these two groups. Among the item on the to-do list are:

- a. Corporate-bylaws approval
- b. Share issuance
- c. Director election
- d. Corporate officer appointment
- e. Other corporate resolutions
- f. Optional shareholder agreements

**7. Obtain licenses and permits:** Before you begin operations, you (with the consultation of a competent lawyer) must obtain any required licenses and permits, including:

- a. Federal business number, which is used on your federal income tax filings, import/export accounts, goods and services tax, harmonized sales tax, and employer payroll deductions
- b. Non-corporate business names, if any, used in specific provinces
- c. Provincial sales tax account
- d. Participation in provincial employer health tax and worker's compensation
- e. Other required municipal/provincial licenses

**8. Establish bank account:** You must never commingle personal and corporate funds, so you'll need a corporate checking account. You'll have to submit to the bank your articles of incorporation, as amended. For officers to legally sign corporate



checks, they must register with the bank account. The bank may require you to provide copies of various resolutions and corporate bylaws before it can open the account.

That's it. You can now begin operations.

To get advice on any of these steps or to be put in touch with the right lawyer, please contact Miller Bernstein today.