

LEXALTICO LLP

TORONTO · FAMILY · EMPLOYMENT · ESTATE · CORPORATE · IMMIGRATION

hello@lexaltico.com · +1 416 333 6200

© Lexaltico LLP. This guide is general information, not legal advice. Speak with a lawyer about your situation.

FREE GUIDE · LEXALTICO LLP

Incorporating in Ontario — What Business Owners Need to Know

Federal vs provincial incorporation, costs, legal requirements, and the steps to set up your Ontario corporation. Updated 2025.

What's in this guide

- Why Incorporate?
- Federal vs Ontario Provincial Incorporation
- Key Steps to Incorporate
- Share Structure Basics
- Directors and Officers
- Ongoing Compliance
- Costs Overview
- Common Mistakes

1. Why Incorporate?

Incorporating creates a separate legal entity that shields your personal assets from business liabilities. It also provides tax advantages, easier access to financing, and a more professional image for clients and partners.

- Limited liability — personal assets protected from business debts
- Tax advantages — small business deduction, income splitting, retained earnings
- Easier to raise capital and attract investors
- Perpetual existence — the corporation outlives its founders
- Enhanced credibility with clients, banks, and suppliers

2. Federal vs Ontario Provincial Incorporation

You can incorporate federally under the Canada Business Corporations Act (CBCA) or provincially under the Ontario Business Corporations Act (OBCA). Federal incorporation gives you the right to operate under your corporate name across Canada and offers broader name protection. Provincial incorporation is simpler and less expensive but limits name protection to Ontario.

- Federal (CBCA): \$200 online, Canada-wide name protection, must also register extra-provincially in Ontario
- Provincial (OBCA): \$360 online through ServiceOntario, name protection in Ontario only, simpler process
- Most small Ontario businesses choose provincial incorporation unless they plan to operate in multiple provinces

3. Key Steps to Incorporate

- Choose a corporate name or use a numbered company
- Conduct a NUANS name search (\$13.80 federal, \$8 Ontario)
- Prepare Articles of Incorporation — share structure, directors, registered office
- File with Corporations Canada (federal) or ServiceOntario (provincial)
- Create corporate by-laws and organizational resolutions
- Obtain a Business Number (BN) and register for HST, payroll, and corporate tax with CRA
- Register for WSIB if you have employees
- Open a corporate bank account

4. Share Structure Basics

Your Articles of Incorporation must specify the classes of shares your corporation can issue. At minimum, you need one class of shares with voting rights, the right to receive dividends, and the right to receive remaining property on dissolution.

- Common shares — voting rights, residual value, variable dividends
- Preferred shares — fixed dividends, priority on dissolution, often non-voting
- Multiple classes allow income splitting, estate planning, and investor structuring
- A corporate lawyer can design a share structure that optimizes your tax position

5. Directors and Officers

Every Ontario corporation must have at least one director who is a resident Canadian (25% Canadian residency requirement for federal corporations with 4+ directors). Directors owe fiduciary duties to the corporation and face personal liability for certain obligations including employee wages (up to 6 months) and source deductions.

- Directors: set corporate policy, approve major decisions, fiduciary duties
- Officers (President, Secretary, Treasurer): manage day-to-day operations
- A sole shareholder can be the only director and officer

6. Ongoing Compliance

- File annual corporate tax return (T2) within 6 months of fiscal year-end
- File Ontario Annual Return through the Ontario Business Registry
- Maintain corporate minute book — by-laws, resolutions, share registers
- Hold annual meetings or pass written resolutions in lieu
- Update corporate records for any changes (directors, address, share structure)

- Failure to file annual returns can result in dissolution by the province

7. Costs Overview

- Provincial incorporation filing: \$360
- Federal incorporation filing: \$200
- NUANS name search: \$8–\$14
- Legal fees for Articles + by-laws + minute book: typically \$1,500–\$3,000
- Corporate seal (optional): \$50–\$80
- Annual legal/accounting maintenance: \$500–\$1,500

8. Common Mistakes

- Incorporating without proper share structure — expensive to fix later
- Mixing personal and corporate funds — risks piercing the corporate veil
- Not maintaining the corporate minute book
- Failing to register for HST when revenues exceed \$30,000
- Not understanding director liability for employee wages and source deductions

Need legal advice? Book a free consultation at lexaltico.com/contact