



PO Box 2402
3499 Voght St.
Merritt, BC V1K 1B8
Phone: 250-378-9446
cjrbook@telus.net

Business Information Start Up

- Prior to starting a business there are many points one needs to consider and be prepared for.
- You need to decide whether to be a Proprietorship or Ltd (Inc.).
- Basically, if you choose to operate as a Proprietorship the Profit of your company will be what you pay income tax and Canada Pension on at the end of the year. Sometimes, this can be a difficult financial situation if you don't prepare properly.
- If you are a proprietorship you will pay taxes based on the amount of drawings you have taken, and the remaining profit of the company.
- If you are a Ltd. company, you will receive a pay cheque directly from your Ltd Company and a T4 at the end of the year. You will then complete your personal income tax based on wages you take from the company.
- A Ltd or Inc company is responsible for the profit of the company on its own and is usually taxed at a lower tax level than a personal income tax.
- To incorporate a company costs about \$1200 done via a lawyer. This is one-time fee only to start the company. Then an annual fee of about \$300 per year will be paid the lawyer to keep your company in good standing.
- Most large contractors will not entertain hiring your business unless you're a Ltd. company.
- A Ltd. company will also need to have liability insurance which will cost approximately \$800 - \$1000 per year; this is for protection of the directors and officers of the company.
- A proprietorship company will also require insurance, but you will have to check with your insurance company to see what the cost is.
- To file your corporate tax return the accountant will charge you about \$1,000 - \$1,500 per year.
- Unless you have substantial equipment or hire employees whether you're Ltd or Proprietor you will not qualify for WCB coverage but may qualify for some Personal Optional Protection which is determined by inquiring with Work Safe BC.
- With a Proprietorship the fee to start a business is about \$70.00 with no annual fee. Your Income tax filing/year end will cost about \$300.00 depending on the organization of your documents.
- Monthly Bookkeeping fees will vary depending on the size of your business, and type of company in which you operate. It will also be highly dependent on your ability to keep the documentation organized.
- In order to determine whether you will make money as a self-employed business you need to determine how much revenue you can generate. You should make at least 25 – 30% more than your current hourly wage after operating expenses to ensure a viable future.
- Regardless of the type of contract work you do, or whether your company is a proprietorship or Ltd (Inc) company we highly suggest saving in a separate account at least 20-25% of every dollar you bill out for tax implications at the end of the year.

Please remember this is general information other information is available. This should help to get you started.