

# Unsure of the best way to structure your business?

## Here's some helpful info on Business Structures!

The type of structure you choose for your business significantly effects the way you report your income. The business structure impacts the type of tax returns you file each year, and many other matters.

### Sole Proprietorship

- Low start-up costs
- Little to no working capital
- Unlimited liability
- Risk to personal assets

### Partnership

- Low start-up costs
- Shared risk or losses
- Unlimited liability
- Divided authority

### Incorporation\*

- Most expensive structure
- Tax advantages/shared risk
- Closely regulated
- Limited liability

\*It is recommended that you speak with your legal counsel and accountant on whether incorporation is right for your business.

## Sole proprietorship

- The simplest kind of business structure; an unincorporated business owned by one individual.
- The owner has sole responsibility for making decisions, receives all the profits, claims all losses, and does not have separate legal status from the business.
- The owner assumes all the risks of the business (the risks extend even to your personal property and assets).
- Pay personal income tax on the net income generated by your business.
- You may need to register a business name, or you may have the choice to register a business name, operate under your own name, or both.

## Partnership

- An association or relationship between two or more individuals, corporations, trusts, or partnerships that join 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.
- Business profits/losses usually divided among the partners based on the partnership agreement.
- Easy to form – 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.
- Bound by the actions of any member of the partnership, as long as these are within the usual scope of the operations.

## Corporation

- A separate legal entity – it can enter into contracts and own property in its own name, separately and distinctly from its owners.
- Raise large amounts of capital (money or other assets) more easily than a sole proprietorship or partnership.
- When forming a corporation, the owners transfer money, property, or services to the corporation in exchange for shares. The owners of these shares are [shareholders](#).
- Shareholders cannot claim any loss the corporation incurs.
- You can buy and sell shares of a corporation without affecting the corporation's existence.
- A corporation continues to exist unless it winds up, amalgamates, or gives up its charter for reasons such as bankruptcy.
- Set up includes completing [articles of incorporation](#) and sending the documents to the appropriate provincial, territorial, or federal governments.

Find more information from the Government of Canada on Business Structures [here!](#)

Still need help navigating this process? [Contact a Business Navigator today:](#)

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