

## TYPES OF BUSINESS OWNERSHIP

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Of all the choices you make when starting a business, one of the most important is the type of legal structure you select for your company. Not only will this decision have an impact on how much you pay in taxes, it will affect the amount of paperwork your business is required to do, the personal liability you face and your ability to raise money. It's not a decision to be entered into lightly, or one that should be made without sound business counseling.

The three most common business structures are:

**Sole Proprietorship:** With this type of business organization, you would be fully responsible for all debts and obligations related to your business and all profits would be yours alone to keep. As a sole owner of the business, a creditor can make a claim against your personal or business assets to pay off any debt.

**Partnerships:** A partnership would be a good business structure if you want to carry on a business with a partner and you do not wish to incorporate your business. With a partnership, you would combine your financial resources with your partner into the business. You can establish the terms of your business with your partner and protect yourself in case of a disagreement or dissolution by drawing up a specific business agreement. As a partner, you would share in the profits of your business according to the terms of your agreement.

**Corporations:** Another business structure is to incorporate your business. This can be done at the federal or provincial level. When you incorporate your business, it is considered to be a legal entity that is separate from the owners and shareholders. As a shareholder of a corporation, you will not be personally liable for the debts, obligations or acts of the corporation.

To learn about the differences between these options, you can visit:

<http://www.canadabusiness.ca/eng/125/141/>

When deciding which one is right for you, there are several issues to consider:

- tax
- liability
- duration
- ease and cost of set up

You should consult with an accountant and a lawyer to help you decide which issues are most important to you when deciding which business structure best meets your needs.