

Ontario Ministry of Agriculture, Food, and Rural Affairs

# Business Structures and Business Name Registrations

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OMAFRA

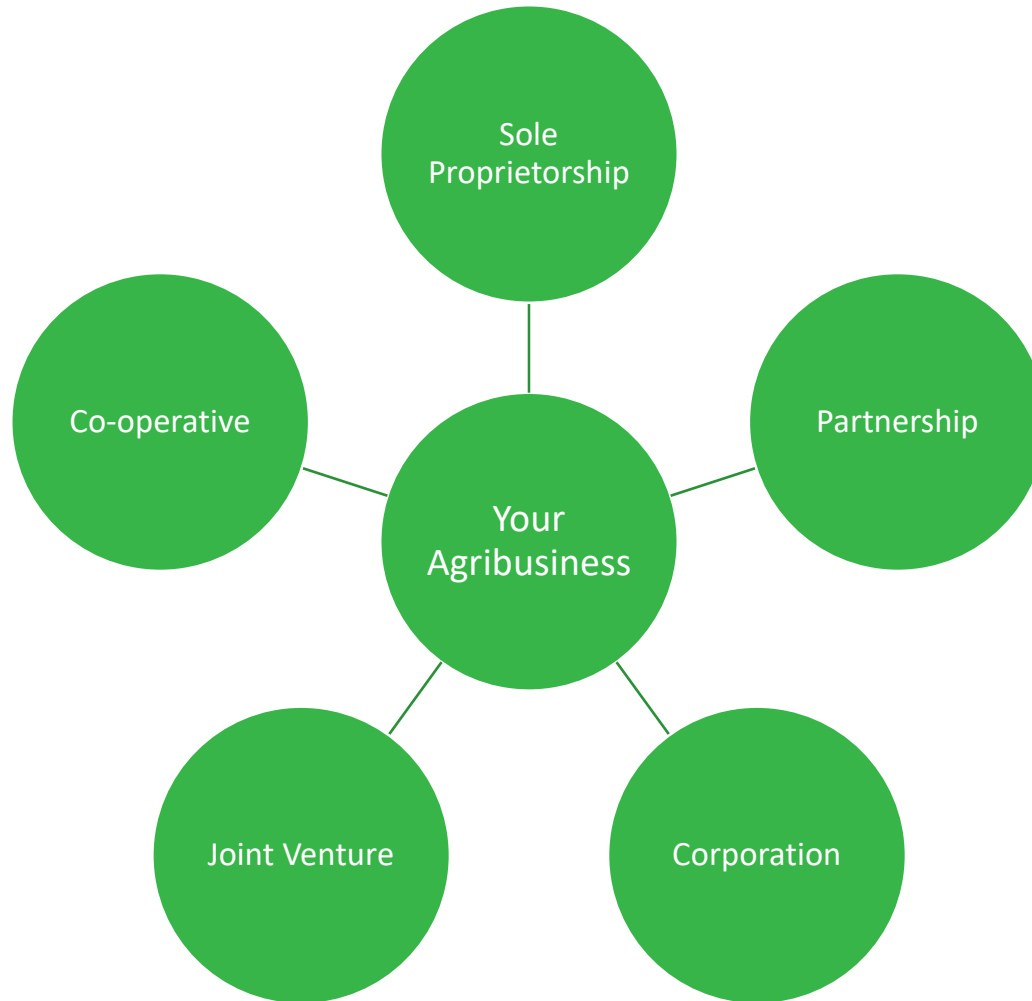
# Agenda

- Outline business structure options for your agribusiness.
- Review the advantages and disadvantages of each structure.
- Examine the legal and financial issues associated with each structure.
- Review the process to register a business name and obtain a Master Business License

# **Business Structures**



# Types of Business Structures



# Sole Proprietorship

A Sole Proprietorship business structure:

- Is the simplest form of business structure.
- Refers to the person that owns the business.
- Is generally used for smaller farm operations and agribusinesses.



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# Sole Proprietorship

Advantages	Disadvantages
Simple to set up	Not a legal entity
Directly receive all business profits	Personally, liable for all business decisions
Control over all business decisions`	Income is taxable at personal tax rates

# Sole Proprietorship

## Legal Considerations:

- Does not require separate agreements, contracts or documentation to carry on business.
- Personally responsible for all actions of business (financial, liability and human resources).



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# Sole Proprietorship

## Financial Considerations:

- Personally responsible for all business debts.
- Income or business loss is documented on personal income tax returns.
- May not be eligible for some government funding programs.



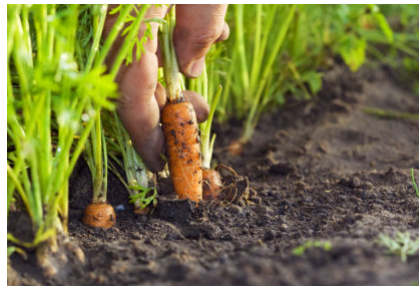
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# Partnerships

A Partnership business structure:

- Involves two or more persons that will carry on a common or shared business.
- Usually involves family members.
- Can be a complex legal agreement, or an implied partnership.



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# Partnerships

Advantages	Disadvantages
Lower costs	Unlimited and shared liability
No formal agreement required	No protection from progressive individual tax rates
Easy dissolution	Detailed record keeping required

# Partnerships

## Legal Considerations:

- Shared liability.
- A formal legal agreement is strongly encouraged.
- Decide how the partnership will continue in the event of a dissolution of business (divorce, death).
- How will business disagreements be solved?



# Partnerships

## Financial Considerations:

- What type of accounting method will you use?
- Who owns what assets?
- Allocating profits/losses.
- Is your business taking advantage of the best possible tax rate?



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# Corporations

A Corporation business structure:

- Is a legal entity.
- Is owned by shareholders.
- Is usually more beneficial for larger farming operations.
- Requires a formal agreement.



# Corporations

Advantages	Disadvantages
Limited personal liability	Higher costs involved in setting up a corporation
Preferential tax rates	More complex record keeping required
Easier access to capital	More complex tax filings

# Corporations

## Legal Considerations:

- Terms of incorporation
- A formal shareholder agreement is usually required.
- Distribution of shares
- Rules for dissolution
- Roles of shareholders



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# Corporations

## Financial Considerations:

- Are there any financial benefits that you would lose by incorporating (Capital Gains Tax Exemption)?
- Are there any personal tax exemptions that you are losing?
- Are you comfortable with the additional costs (legal, administrative)?



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# **Registering a Business Name**



# Registering your Business Name

- Why would I need to register a business name for my farm business?
  - The business name is different to your personal name(s) if your farm business is a sole proprietor or a partnership
  - You change the name of your incorporated farm business from the original name



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# So, I Need to Register my Business Name, what is next?

- Business name search
  - Through Service Ontario (online) you will need to review the databases to see if someone else has registered the same business name
  - If your planned business name has been registered already, then you will need to think of a different name
- Register your business name
  - If your proposed business name has not been registered before, then you can register and receive a Master Business License

# Is there a Cost to Search/Register a Business Name?

The short answer is Yes.

There is a cost to complete a search of your proposed business name, and to register.

- \$8-\$26 to complete a search of your business name
- \$60 to register your business name

Business names are only valid for 5 years

- To renew your business name, it will cost \$60.00

# Conclusion



There are different options to structure your business

Tonight, we discussed 3 of the more popular options



Before choosing a specific business structure, it is important to have a discussion with your accountant, lawyer, farm business advisor



If you decide to register your farm business name, make sure you complete all of the steps as outlined by Service Ontario



Master Business Licences are valid for 5 years, do not forget to renew

# Questions?



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# Thank you for your time!

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