Levante

START RIGHT

After incorporating in Ontario or federally: the checklist

File the Initial Return within 60 days, set up the minute book and issue the founders' shares, open your CRA accounts and a bank account, and budget the first year. The full checklist, with the seven questions founders ask most.

Category	Starting up
Last reviewed	September 24, 2026
Web version	withlevante.com/library/after-incorporating-checklist/

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Written for founders: what corporate law expects, the accounting and tax filings, a realistic budget, and the questions we hear most. Tick the boxes as you go.

Corporate law: the minute book and what the law expects

When you incorporate, you create a separate legal “person”, the corporation, that owns the business, signs the contracts and pays the tax. Because it is a separate person, the law wants a paper trail of who owns it, who runs it, and what was decided. That paper trail is the **minute book**: a binder (paper or digital) holding the company’s founding documents, its rules (by-laws), the written decisions of directors and shareholders (resolutions), and lists of shareholders, directors and the people who ultimately control the company. Both the federal law (the *Canada Business Corporations Act*) and provincial law, such as the Ontario law (the *Ontario Business Corporations Act*), require you to keep these records at your registered office and to keep them up to date.

Why it matters in practice: sometimes a bank, lender, investor, grant program or eventual buyer asks for the minute book first. If it shows the founders’ shares were never properly issued, or a dividend was paid with no resolution, you pay to fix it before anything else can happen, and the CRA can question who owned what, and when. A clean minute book is cheap; an empty one is expensive later.

Corporate law checklist: the must-haves

Only what the *Ontario Business Corporations Act* or the *Canada Business Corporations Act* actually requires. Section references are in grey for your lawyer or accountant.

- [ ] **A registered office address** in Ontario (Ontario company) or in Canada (federal company), where the records below are kept. OBCA s.14 · CBCA s.19

- [ ] **At least one director**, 18 or older, who has consented in writing to act. Federal: at least one in four directors must live in Canada. OBCA s.115, 119 · CBCA s.102, 105, 106
- [ ] **The organizational resolutions** signed right after incorporation: the directors must adopt by-laws, authorize the issue of shares, appoint officers, make banking arrangements, and appoint an auditor (or record the shareholders' audit waiver). OBCA s.117 · CBCA s.104
- [ ] **Shares actually issued** to the founders by directors' resolution and paid for. A company must have at least one shareholder, and a shareholder is entitled to a share certificate or written acknowledgment on request. OBCA s.23, 54 · CBCA s.25, 49
- [ ] **The records kept at the registered office:** articles and by-laws; minutes and resolutions of shareholders and of directors; a register of directors; a securities register listing every shareholder and every share issued or transferred; and proper accounting records. OBCA s.140, 141 · CBCA s.20, 50
- [ ] **A register of individuals with significant control**, everyone who owns or controls 25% or more, updated within 15 days of learning of a change. Federal companies also file it with Corporations Canada each year and on any change. OBCA s.140.2 · CBCA s.21.1, 21.21
- [ ] **An annual shareholders' meeting** within 18 months of incorporation and then every 15 months, or, for a small company, a written resolution signed by all shareholders instead. OBCA s.94, 104 · CBCA s.133, 142
- [ ] **Annual financial statements** placed before the shareholders at that meeting or resolution, and an auditor appointed each year unless every shareholder consents in writing to skip the audit. OBCA s.148, 154 · CBCA s.155, 163
- [ ] **A written record of every directors' decision**: dividends declared, shares issued or transferred, loans to shareholders, officers appointed, year-end chosen, kept in the minutes. OBCA s.129, 140 · CBCA s.117, 20
- [ ] **Government filings:** Ontario initial return within 60 days (or federal registration in Ontario); the annual return (Ontario: within 6 months of year-end, free; federal: within 60 days of the anniversary, $12); and a notice of change within 15 days when directors or the office address change. Corporations Information Act s.2–4 · CBCA s.113, 263
- [ ] **Business name registration** if you trade under any name other than the exact corporate name ($60, renew every 5 years). Business Names Act s.2

Recommended, not required: a shareholders' agreement (2+ founders); "private company" restrictions in the articles (to raise money from angels).

Accounting and tax: what has to be set up and filed

Before the first sale, a new corporation needs its CRA program accounts, a business bank account and a bookkeeping system. Within the first year it files its first T2 and slips and, once registered, its HST returns. The checklist below is the order to do them in.

Accounting and tax checklist

- [ ] **CRA business number** and program accounts: corporate tax (RC), HST (RT), payroll (RP). Free, online, about 20 minutes.
- [ ] **Separate bank account and credit card** for the company from day one. Never mix personal and company spending.
- [ ] **Accounting software connected to the bank** (QuickBooks Online or Xero) with a receipt-capture app. Photograph every receipt; a bank line is not proof.

- [ ] **Register for HST now**, even before sales, so you get back the HST (13% in Ontario) you pay on rent, software, contractors and professional fees. It becomes mandatory once sales pass $30,000 in a quarter or over four quarters in a row; from then on add HST to every invoice at the rate for the customer's province (13% in Ontario).
- [ ] **HST returns filed** on the schedule you chose (yearly, quarterly or monthly) and paid on time.
- [ ] **Payroll set up before the first payday**: withhold tax, CPP and EI; remit by the 15th of the following month; T4 slips by the last day of February; a Record of Employment when anyone leaves.
- [ ] **WSIB registration** within 10 days of hiring your first employee (mandatory for most Ontario businesses).
- [ ] **Contractor payments tracked** and T4A slips issued where required (generally $500 or more in fees to an unincorporated contractor); make sure contractors are really contractors (own tools, own clients, control their hours).
- [ ] **Shareholder loan account** tracked for every dollar you put in or take out. Money you take out must be repaid within one year after the company's year-end, or it is added to your income.
- [ ] **Monthly close:** bank and credit card matched to the books, HST reviewed, receipts attached. The month-end bookkeeping checklist covers it step by step.
- [ ] **Year-end financial statements** prepared (usually a CPA "compilation", see the questions below).
- [ ] **Corporate tax return (T2)** filed within 6 months of year-end, with the Ontario schedule. Tax owing is due 2 months after year-end (3 months for most small CCPCs claiming the small business deduction), before the return is filed; no instalments in your first year, then quarterly or monthly if you owe more than $3,000. The CRA deadlines calendar has the full year.
- [ ] **T5 slips** by the last day of February for any dividends paid; T1135 if the company owns foreign assets over $100,000; the SR&ED claim within 18 months of year-end if you do R&D.
- [ ] **Records kept six years**, including the receipt behind every expense.

What a new company really costs

The government fee is the small part. Ranges are typical for a small Ontario company in 2026; a company with employees, investors or R&D sits at the top of each range.

One-time set-up

ITEM	TYPICAL COST
Government incorporation fee	$200 federal · $300 Ontario
Name search (NUANS) for a named company	$15–$75
Online incorporation service (standard documents, minute book), or do it yourself for the government fee alone	$500–$700 total
Lawyer: tailored articles, minute book, advice	$1,500–$2,500+
Lean first year, all in	**$2,500–$5,000**

Every year after

ITEM	TYPICAL COST
Annual corporate return	$12 federal · $0 Ontario

ITEM	TYPICAL COST
Minute-book upkeep, if a lawyer or service does it	$150–$400
Accounting software; bookkeeping if outsourced	$30–$90 a month; $300–$700 a month
Year-end statements, T2, HST and slips (CPA)	$1,500–$4,000
Payroll service, if used	$20–$50 a month plus per employee
Typical steady-state year	**$3,000–$8,000**

Questions we hear most

Seven questions that come up in almost every first conversation with a new founder, answered for a small Ontario or federal corporation. The answers are general; the section 85 and shareholder loan ones in particular depend on your facts.

1. I already own a website, a brand or other assets from my business. How do I move them into the company without paying tax? (the "section 85" transfer)

If you simply sell your assets to your new company at their value, you personally pay tax on any gain, painful when the gain is on something you built for nothing, like a brand, software or a customer list. Section 85 of the Income Tax Act lets you transfer assets at your own cost instead of their value, so no tax is triggered now; it is deferred until the company sells the asset or you sell your shares. Conditions: the company gives you at least one share as payment, you both sign a joint election form (T2057) by the first tax-return deadline, and the values must be supportable.

> **Example.** Maya ran a design studio as a sole proprietor for two years. She incorporates and moves in her website and brand, which cost her nothing to build and are now worth $20,000. A plain sale to the company would give her a $20,000 taxable gain this year. With a section 85 election she transfers them at an elected amount of $1 (the minimum, since her cost is nil) and takes payment in shares of the company. Result: no personal tax now; the company owns the website and brand; the gain is taxed only when the company is eventually sold, and her shares may then qualify for the $1.25 million lifetime capital gains exemption. Done properly with an accountant and lawyer it costs roughly $1,000–$2,500, and it should be done in the first year while the numbers are small.

2. What are the most common first-year mistakes?

Personal spending through the company: groceries, a trip, the mortgage paid from the company account. The CRA taxes it as income to you and the company gets no deduction. **Forgetting HST**: passing $30,000 in sales without registering, or invoicing without HST; you owe it whether or not you collected it. **Late payroll remittances**: a 3% to 10% penalty on money that was never yours. **Employees called contractors**: if they work your hours, with your tools, for you alone, the CRA can reassess years of CPP and EI. **An empty minute book**: dividends and loans with no resolution behind them. **Two founders each billing the same venture through a personal company**: the small business deduction on that income can be denied or shared under the CRA's specified corporate income rules. Ask before you invoice.

3. Do I need a "compilation report"? What is it?

A compilation is the basic set of year-end financial statements a CPA prepares from your books, with a short "Compilation Engagement Report" attached. The CPA does not audit or verify the numbers; they organize your records into a proper balance sheet and income statement and note the accounting basis used. It is the standard year-end package for a private company, and your corporate tax return is built from it. You are not required by law to have one, but you will need it as soon as a bank asks for statements to open a line of credit or lend, an investor or grant program (such as IRAP) asks for financials, a landlord asks for statements before a lease, or you buy or sell a business. Larger loans and outside investors may ask for a **review** (the CPA tests the numbers for reasonableness). An **audit** (the CPA verifies the numbers) is needed only if a lender or shareholders' agreement demands one or if not every shareholder signs the yearly audit waiver.

4. Should I pay myself a salary or dividends?

Both are legal and, over the long run, the total tax is designed to come out roughly the same. The difference is in what each buys you. **Salary** is a deductible expense for the company, gives you RRSP contribution room and CPP retirement benefits, counts as income when you apply for a mortgage, and qualifies for the childcare deduction and the SR&ED credit if you do R&D. The cost is CPP (about 12% combined on roughly the first $74,000 of salary in 2026) and running payroll every month. **Dividends** are simpler, no payroll, no CPP, and are declared by a resolution whenever the company has profit to distribute, but they earn no RRSP room or CPP, and Ontario is trimming the dividend tax credit on January 1, 2027 (2026 Ontario Budget), which makes them slightly more expensive. A common pattern for a new company: a modest salary to cover living costs and build RRSP room, and dividends from what is left at year-end once the accountant sees the numbers. Whatever you do, write the decision down in the minute book and keep it consistent; taking money out with no label is what creates problems.

5. Can I take money out of the company and pay it back later?

Yes, but there is a clock. Money you take that is not salary or dividend is a shareholder loan. If it is not repaid within one year after the end of the company's financial year in which you took it, the whole amount is added to your personal income for the year you took it. Repaying it later gives you a deduction in the year you repay, but you have paid the tax in the meantime. While the loan is outstanding, the CRA also taxes you on a deemed interest benefit at its prescribed rate unless you pay the company that interest. Track every dollar in a shareholder loan account, and clear it each year with a properly recorded salary or dividend.

6. Which year-end should I pick, and does it matter?

You choose it in your first corporate tax return, and it can be any date within 53 weeks of incorporation. December 31 is simplest because it lines up with your personal tax year, T4s and T5s. Some companies pick a quieter month so year-end work does not land in their busy season, or a date early in the calendar year so a bonus declared at year-end can be paid (and taxed to you) in the following calendar year. Changing it later needs the CRA's permission, so choose once.

7. When should I bring in an accountant, and what can I do myself?

Talk to one **before incorporating** if you have a co-founder, a founder outside Canada, a business or assets you already own, or family money coming in; an hour then avoids a reorganization later. Talk to one **before your first year-end** to settle the year-end, the salary-versus-dividend mix and any section 85 transfer. **Every year** you will want the statements and the corporate return done by a CPA. You can do the receipts, the bank matching if you enjoy it, and the annual government filing (five minutes online).

Written for an Ontario or federal corporation. Other provinces have their own corporations act, annual return and payroll tax; the CRA items apply everywhere.

Sources: Corporations Canada, Ontario Business Registry, Canada Business Corporations Act, Ontario Business Corporations Act, Income Tax Act, CRA: Corporations. Figures current to September 2026.

BEFORE YOU USE THIS

General information for Canadian businesses, not advice for your situation. Rules and deadlines change, and your facts may differ. Check the CRA's current guidance or ask your accountant before acting on it. Figures current to September 2026.

Want the first year set up right?

Levante takes on the books, payroll and HST from day one and handles the filings after that. A CPA answers the questions on this page for your situation. One monthly fee.

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