TAX TIP INCOME SPLITTING USING DIVIDENDS CORPORATIONS

INCOME SPLITTING USING DIVIDENDS FOR CORPORATIONS

There are significant tax advantages to taking your shareholder's draw as a dividend versus a wage.

Let's use the following example:

You own a profitable small business earning $50,000 per year.

If you owned it 100% then you would pay $12,800 in personal income taxes. If you claimed the business 50/50 with your spouse each of you would pay $4,941 for a combined total of $9,880.

If you incorporated and paid the taxes corporately and issued a dividend of $25,000 to each of you the corporation would pay $7,500 in income tax (15% flat rate) and one of you would pay $300 OHIP and zero. So the combined taxes owing would be $7,800.

Thus, by incorporating and issuing dividends you save from $2,080 to $5,000 per year in income taxes. This scenario assumes that your spouse has no other employment income.

	Proprietorship	**Corporation**
Corporate Taxes Payable on $50,000 income		$7,500.00
Combined Personal Taxes owing	$9,880.00	$300.00
Total Taxes	**$9,880.00**	**$7,800.00**
Tax Savings		**$2,080.00**

PLEASE USE WORKSHEET FOR HOME OFFICE EXPENSES FOR CORPORATIONS