

Four Common Forms of Business Structure

	Sole Proprietorship	Partnership (General or Limited)	Limited Company (Ltd.)	Limited Liability Company (LLC)
Formation	No formal formation requirements.	The business owners (partners) enter into a partnership agreement. There is no requirement to register a local general partnership with the Registrar of Companies. Limited partnerships must be registered.	The business owner or owners (shareholders) file a Memorandum of Association with the Registrar of Companies and pay the applicable fees.	The business owner or owners (members) enter into an LLC agreement, select a name of the company, and file a certificate of formation with the Registrar of Companies and pay the applicable fees.
Liability for Debts	The business owner is personally liable for the debts of the sole proprietorship.	There is no limit to the amount of liability of general partners. With few exceptions, each general partner is jointly and severally liable with the other general partners for the debts of the partnership. Limited partners, so long as they merely fund the partnership and do not participate in the management of the partnership, are only liable up to the amount each limited partner has agreed to contribute.	Limited company shareholders' liability is limited to the amount of each shareholder's capital contributions, with few exceptions. The limited company is liable for its own debts, and shareholders do not participate in the daily management of the company.	The liability of the LLC members is limited to the amount of each member's capital contributions, with few exceptions. LLC members enjoy limited liability even though the members may participate in the daily management and operations of the LLC – a key difference between LLCs, and partnerships and sole proprietorships.
Formalities, Governance and Recordkeeping	None. Governance and recordkeeping is done by the owner. Lack of internal controls may result in less access to financing or business capital.	The partnership agreement governs the scope of operating the partnership. Partnerships are required to maintain a register of partners. Partnerships maintain records of partner contributions to capital and loans to/from partners (if any exist), in addition to financial accounting records of the partnership.	A limited company is governed by its bye-laws. Limited companies are required to maintain a register of shareholders and a register of directors. Limited companies maintain records of shareholder contributions to capital and loans to/from shareholders (if any exist), in addition to financial accounting records of the company.	An LLC is governed by its LLC agreement. LLCs are required to maintain a register of members and a register of managers. LLCs maintain records of member contributions to capital and loans to/from members (if any exist), in addition to financial accounting records of the LLC.

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(Formalities, continued)		No statutory requirement for annual meeting of partners.	Annual shareholder meeting is required, but may be waived.	No statutory requirement for annual member meeting.
Number of Owners	Maximum of 1 owner.	At least 2 partners; no maximum number of partners.	At least 1 shareholder; no maximum number of shareholders.	At least 1 member; no maximum number of members.
How managed?	Managed by the business owner/proprietor.	The general partner(s) manage the partnership.	The shareholders select a board of directors which, in turn, manages the limited company.	The members may select a manager or managers of the LLC. The LLC members may instead opt to have a member-managed LLC whereby the members have both contributed funds to start the LLC and also take part in the day-to-day management of the LLC.
Finance information	Unless the business owner makes deliberate efforts to distinguish between his or her own finances and the business finances, the separation (if any) will be unclear to others – including banks, creditors and other claimants.	Partners contribute capital in exchange for partnership interests. Additional financing may be provided by one or more limited partners, or from outside sources such as bank loans.	Shareholders contribute capital in exchange for shares of the company. Additional financing may be provided by outside sources such as bank loans, or by raising capital on the stock exchange by selling shares in the company.	Members contribute capital in exchange for interests in the LLC. Additional financing may be provided by outside sources such as bank loans. Although less common, some LLC interests may be sold on the stock exchange.
Annual costs and fees	No annual filing fees or costs for the business. Owner may be required to make Social Insurance contributions and ensure that health coverage is maintained.	No initial or annual filing fees for local general partnerships.	<u>Initial fees:</u> \$305 initial application \$ 90 name reservation \$ 90 memorandum of association <u>Annual fees:</u> \$650-18,410 Annual fee (varies) \$ 46 Annual return of shareholdings \$1,700+ Legal and administrative fees	<u>Initial fees:</u> \$305 initial application \$ 90 name reservation <u>Annual fees:</u> \$900 Annual fee \$ 46 Annual return of holdings of LLC interests