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**Annual Government Filings & Minutes**  
*Corporate Maintenance and Compliance*

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## **Maintaining Good Standing**

As a small business owner of a corporation, it is crucial to know and understand the steps necessary to maintain "good standing" with the government of formation. Good standing refers to the status a corporation holds by complying with all required corporate requirements with the jurisdiction of incorporation following the initial formation of the corporation. If business owners neglect to file annual reports and pay annual fees, they may find themselves breaching government requirements.

Many new business owners are unaware of the important obligations that must be upheld AFTER they have formed a new business entity. All too often there are accounts of entrepreneurs starting a business, incorporating that business, then failing to comply with various government imposed formalities and filings. There are many ongoing government requirements that small business owners need to comply with, namely: annual government reports/returns and fees, notice of a name change, notices of change of registered office, directors and in certain jurisdictions, their shareholders. These forms are different than tax related forms such as tax returns, GST/PST filings and payroll deductions.

In addition to government filing requirements, there are many other internal formalities small business owners should undertake. A corporation must keep internal records for important decisions that are made by its directors and shareholders. These include any number of matters, from appointing a new officer, paying a corporate dividend (profit), changing the registered office, issuing or transferring shares, approving the financial statements and electing directors, among others. Typically, most corporations prepare "annual minutes" when many of these are decided. These can be done at an annual meeting where "minutes" are signed or they may be papered by records signed by the directors and shareholders, in lieu of such meetings. The decisions are recorded and kept in the corporation's minute book along with all other important corporate documents.

The combination of these two obligations is what lawyers and accountants typically refer to when they speak about "corporate maintenance" and "maintaining your corporation". Good corporate maintenance results from the prompt preparation of proper documentation kept with the records of the corporation, as well as the filing of the government forms and notices keeping the relevant information up to date on government registries. Failure to respect these obligations may lead to government fines and even the dissolution (closing) of a corporation or losing the protection of limited liability by piercing the corporate veil.



## **Avoiding the Piercing of the Corporate Veil**

In most situations, small business owners form corporations, in part, to separate their personal assets from those of their company. However, if the business does not perform all the necessary steps to ACT like a corporation, including paying annual fees, filing annual reports with the government in a timely fashion and holding the necessary meetings, it may fall victim to what is called "piercing the corporate veil."

The veil is the shield of limited liability that stands between the owner of a limited liability company, and the business's creditors. Ordinarily, because of this valuable legal shield created when you formed your business entity, the business's creditors can only seek payment out of the business's assets.

When this veil is pierced, the business's creditors can reach the owner's personal assets outside of the business. In short, limited liability, perhaps the most sought after attribute of a corporation, is lost.

To avoid the piercing of the corporate veil due to failing to maintain corporate formalities, it is very important that small business owners are aware of the government and internal regulations imposed on corporations. There are many ways in which owners can keep track of these regulations. The most common ways are to contact the state directly for an outline of requirements, subscribe to a service or hire a professional or individual to be responsible for these filings. Whichever means the small business owner chooses to comply with these regulations is typically a matter of personal preference. It is, however, very important that they understand that even failure to comply could be detrimental to the life of their business. Δ

*Lionel J. Perez is co-founder and currently oversees operations of [CorporationCentre.ca](http://CorporationCentre.ca) - Canada's leading corporation website for small businesses, entrepreneurs and professionals. As an attorney, Lionel practiced corporate, commercial and technology law with a technology law firm servicing start-ups and publicly traded corporations. Lionel holds law degrees from Osgoode Hall Law School and the Université de Montréal and is a member of the Quebec Bar Association.*