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WHITE PAPER

Dissolution of a Corporation

How do you "Close" your Corporation?

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While most business owners have heard of filing "Articles of Incorporation" to create a corporation, it is less likely that they have heard of the term "Articles of Dissolution". Just like a corporation must file forms to be created, a corporation must file forms with the government to formally "dissolve" or close the corporation. Articles of dissolution are the mechanism which the corporation files with the relevant corporation when it wishes to terminate its existence.

If your corporation is ceasing operations, is already is no longer in business, or was never actively used, it must submit a filing called "articles of dissolution" with the government in which your corporation was formed in order to formally dissolve your business or non-profit corporation.

There are **six primary steps** involved when dissolving a company.

1. Corporate Action

The owners of the corporation must approve the dissolution of the business. With corporations, the shareholders must approve this action. For small businesses, the shareholders or members are often involved in the day-to-day operations of the business, and therefore know the circumstances leading to the dissolution.

The bylaws of a corporation typically outline the process for dissolution in terms of necessary approvals. To comply with the formalities of a corporation, the board of directors should draft and approve the resolution to dissolve the corporation. The shareholders should then vote on that resolution once approved by the directors. Both actions should be documented and placed in the corporate record book. The percentage required to approve dissolution depends on the jurisdiction, but is typically not less than 2/3 majority.

2. Filing the Articles of Dissolution with the Jurisdiction of incorporation

After the shareholders or members have voted to dissolve the corporation, the appropriate paperwork must be filed with the jurisdiction of incorporation in which the business was formed. If the business has qualified to transact business in other jurisdictions (i.e. provinces), the appropriate paperwork must also be filed in these jurisdictions.

The process for filing the certificate of dissolution varies by jurisdiction. Some jurisdictions of incorporations require the documents be filed before notifying creditors and resolving claims. Other jurisdictions require the documents be filed after that process.

Ontario corporations (not Federal corporations located in Ontario) require tax clearance for the corporation before the certificate of dissolution can be filed. In these cases, any back-taxes owed by the corporation must first be paid.



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Below are the current government dissolution fees for Canadian jurisdictions:

Jurisdiction	Government	Dissolution Fees	Jurisdiction	Government	Dissolution Fees
Federal		None	Nova Scotia		\$0
Alberta		\$50	Ontario		\$25
British Columbia		\$20	Prince Edward Island		\$10
Manitoba		\$50	Quebec		\$0
New Brunswick		\$62	Saskatchewan		\$0
Newfoundland		\$0	Yukon		\$20

Moreover, if you are incorporating a federal corporation, you must also remove your federal corporation from the provincial registry.

Province	Extra-provincial Dissolution Fee	Province	Extra-provincial Dissolution Fee
Alberta	\$0	Ontario	\$0
British Columbia	\$20	Prince Edward Island	N/A
Manitoba	\$50	Quebec	\$0
Newfoundland	\$10	Saskatchewan	\$0
New Brunswick	\$0	Yukon Territory	\$20
Nova Scotia	\$0		

3. File All Necessary Federal, Provincial, and Local Tax Forms

Because you are ceasing operations, your tax obligations do not immediately cease. You must formalize the closing of the business with the Canada Revenue Agency as well as your provincial and local taxing agencies. The CRA includes a form for closing business tax accounts. Also, do not overlook payroll reporting obligations if you have employees. It is recommended that you consult with an accountant or tax advisor on the requirements for your particular business.

4. Notification to Creditors

You may be required to notify by mail all of your company's creditors of the dissolution. If you are certain that the corporation has no creditors, then this step becomes moot for your corporation.

The notice given should typically include the following information:

- That your corporation has been dissolved or has filed the statement of intent to dissolve.
- The mailing address to which creditors must send their claim(s).
- A list of the information that should be included in the claim.
- The deadline for submitting claims.
- A statement of claims may be barred if not received by the deadline.



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It is possible that your jurisdiction of incorporation may allow for claims from creditors that are not known to the corporation at the time of dissolution. In these jurisdictions, notice in the local paper of your company's dissolution may be required. It is best to seek the advice of an attorney regarding what your jurisdiction of incorporation mandates.

Quebec companies (not Federal corporations located in Quebec) are required to place an ad in a newspaper advising the public of its intent to dissolve.

5. Settling Creditors' Claims

Claims submitted to the company by creditors can be accepted or rejected by your corporation. Accepted claims must either be paid or arrangements that are satisfactory to creditor must be made for repayment. With rejected claims, you must advise creditors in writing that your corporation rejects their claims. It is advisable to seek the services of an attorney to assist in this process. Your attorney can advise you about the relevant statutes governing actions on rejected claims.

6. Distribution of Remaining Assets

After payment of creditors' claims, the remaining assets, if any, may be distributed to the owners of the company. Assets are distributed in proportion to the share of ownership of "common" and "participating" shares.

If you have a corporation that has multiple classes of stock, such as common and preferred shares, the corporate bylaws typically outline the procedure for distributing assets to these shareholders.

For additional information on the distribution of assets, it is best to contact an accountant or tax advisor.Δ

Lionel J. Perez is co-founder and currently oversees operations of 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.