

Corporate Law Overview:

Introduction to Business Structures for Legal Support Staff

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Corporate Law for Legal Support Staff

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Introduction to Business Structures for Legal Support Staff

Introduction & Scope

This paper provides a general overview of business structures, including sole proprietorships, partnerships and corporations. The features of each structure are described, along with some of the benefits and downsides to each structure.

There are a number of ways that a business can be structured. The reasons for choosing one structure over another structure will depend on the circumstances of the business. Common considerations include liability concerns, tax efficiency, and how the business will generate capital for its operations.

The starting point for assessing business structures is to understand that a business involves the provision of goods or service. This can be either for profit, or not for profit. This paper will be limited to a discussion of for-profit businesses.

Types of Business Structures

Sole Proprietorships

This is the most simple business structure. It is a single person who owns all of the assets of the business personally. There is no separate legal identity associated with the business, though it may operate under a trade name. If the business needs to borrow money or obtain supplies on credit, the individual is ultimately responsible for the debts. As well, if there is an accident or a dispute that results in a claim against the business, the claim is against the person individually. This means that all of the individual's assets can be used to satisfy the claim, even if they are not related to the business.

A sole proprietorship is a good structure for an individual who is just beginning their business. Once the business develops, the person may choose a different structure for the reasons noted above: liability concerns, tax efficiency, and generating operating capital.

If the sole proprietor of the business wanted to use a trade name, the *Partnership Act* requires that they register the name. A trade name is a name other than the person's name, that they use to promote or offer their goods or services.

A sole proprietorship may need to obtain a business license before carrying on business. Apart from this, and the requirement to register a trade name, there are no other steps needed to start a sole