

# TAX TIP INCOME SPLITTING USING DIVIDENDS

## CORPORATE BUSINESSES

### INCOME SPLITTING USING DIVIDENDS FOR CORPORATE BUSINESSES

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 EHT 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.

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

**PLEASE USE WORKSHEET FOR HOME OFFICE EXPENSES FOR CORPORATE BUSINESSES**



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