



THE NAVIGATOR

DECISION TREE FOR ADDRESSING SURPLUS CASH IN A CORPORATION

Surplus cash in a corporation – Part 1

As the owner-manager of your operating company, you may have surplus profits accumulating in your corporation. This surplus cash could be in your operating company or it could be in your holding company. In either case it is still a corporate structure and the tax implications are the same.

Your first reaction may be to figure out how to withdraw the funds from the corporation and pay as little income tax as possible. While this might seem like the best solution, other options might be more appropriate depending on your situation and your personal and business needs.

There are many issues to consider when deciding what to do with your corporation's surplus funds. What do you need the money for most? What options are available? And what are the tax implications of those options?

The first in a four-part series, this article introduces the issue of having surplus cash in a corporation and provides a decision tree to help you address your corporation's needs and your personal needs.

This four-part series takes you through some of the key issues to consider when you have surplus cash in your corporation:

- Part 1:** Decision tree for addressing surplus cash in a corporation
- Part 2:** Taxation of investment income in a corporation
- Part 3:** Taxation of business income

and methods of withdrawing cash from a corporation

- Part 4:** Retirement and estate solutions using excess funds in a corporation

The terms 'corporation' and 'company' are used interchangeably to refer to a Canadian-controlled private corporation (CCPC). This means that the corporation is not controlled by a non-resident of Canada or a public corporation and no class of shares of the corporation is listed on a prescribed stock exchange.

This four part series does not apply to public corporations or to businesses operating as a partnership or a sole proprietor.

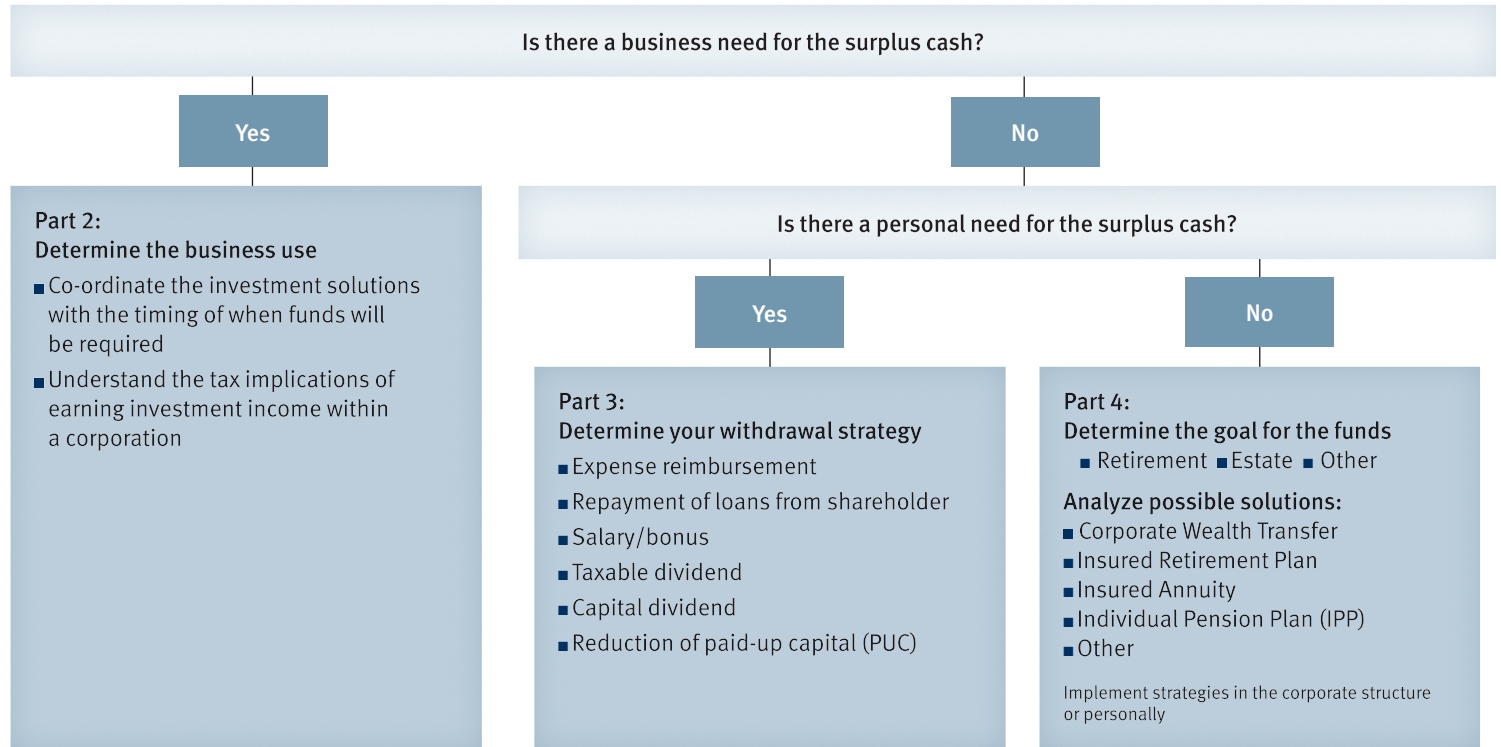
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Decision Tree

The decision tree is a good place to start when deciding what to do with your surplus cash. It identifies some key factors you should look at depending on your needs and points you to the most appropriate article to get more information.



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