# Sole Prop vs. Corporation

How sole proprietors and corporations write off expenses, pay the owner, and register for GST/HST.

**Pick the form** — T2125 or T2 return → **Keep the proof** — Itemized receipts, logbook → **Claim it** — Right line, right entity → **Audit-ready** — Records kept 6 years

## 1 Structure

Sole prop vs. corporation

Who files what, what rate applies, and who carries the risk.

SMALL BUSINESS RATE

**11%–12.2%**

combined for a corporation (sole prop: personal rates)

THE DIFFERENCE

| | |
|---|---|
| Sole prop: Form T2125 | WITH T1 |
| Corporation: T2 return | OWN T2 |
| Sole prop liability | UNLIMITED |
| Corporation liability | LIMITED |

**Corporate losses stay inside: carry back 3 years, forward 20.**

## 2 Write-offs

Master expense guide

Home, vehicle, meals, equipment, fees and ads, each with the paper that protects it.

A $1,000 WRITE-OFF SAVES

**$305**

as a sole prop at 30.5% ($110-$122 as a corp)

WHAT QUALIFIES

| | |
|---|---|
| Home office | T2125 |
| Vehicle with logbook | LOGBOOK |
| Meals, entertainment | 50% CAP |
| Equipment, software | CCA |

**Commuting is personal. Keep itemized receipts, not card statements.**

## 3 Pay & GST/HST

Salary, dividends, $30,000

How owners get paid, and when GST/HST registration kicks in.

GST/HST REGISTRATION AT

**$30,000**

of revenue in one quarter or over four quarters

HOW IT WORKS

| | |
|---|---|
| Salary (T4) | DEDUCTIBLE |
| Dividends (T5) | NO DEDUCT |
| CPP on salary | 11.9% |
| RRSP room on salary | 18% |

**Register within 29 days of passing $30,000.**

## JON'S 3 GOLDEN RULES

**1 Separate business, personal**

Dedicated business bank account and credit card.

**2 Keep itemized receipts**

Card statements lack item detail and GST/HST numbers.

**3 Log mileage every day**

A missing log is a common reason vehicle claims are denied.

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General information based on 2026 federal rules as of November 2026. It is not personalized tax advice. Rates, limits and line numbers change, so confirm with the CRA or a tax professional before you file.