



*Helping you reach new heights in business*

## **GOVERNMENT REGULATIONS FOR SMALL BUSINESS START UP**

All businesses, large and small, are subject to certain laws and regulations. These are designed for the good of the public and the protection of the consumer. Some are laid down by the federal government, some by the provincial government, some by the municipality, and others by regulatory bodies set up to ensure that products offered for sale conform to required safety and other standards.

Other regulations are designed for the benefit and protection of the rights of employees - and then, of course, there are the various tax regulations.

This document lists some of the major regulatory issues to consider when opening a small business. It is meant as a guide only, and you should always inquire about your specific business to the appropriate government office.

### **FEDERAL GOVERNMENT**

You will be required to register the business for a Federal Business Number if the business is:

- engaged in a commercial activity with annual sales and revenues of GST taxable goods and services of more than \$30,000
- importing or exporting
- hiring employees
- incorporated

Please see the Canada Customs and Revenue Agency publication: "The Business Number and Your Canada Customs and Revenue Agency Accounts"

### **PROVINCIAL GOVERNMENT**

#### *Business Name Registration*

Ontario businesses conducting business under a name must register that name with the Ministry of Consumer and Business Services. You can register a business name as a Sole Proprietorship, Partnership, or Corporation. There are a number of significant differences between the types of registration. For further information on the implications of choosing a type of registration, please see: "[Comparison of Business Registration Types](#)"

#### *Retail Sales Tax*

This is a consumption tax based on the retail price of most goods; also taxed are certain services and prices of admission. Most goods and equipment used in a business, other than certain categories of production machinery and materials used in manufacturing, are taxable. Certain purchases such as food products, farm implements and children's clothing are exempt from tax.

The tax rate is 8 percent on most purchases of goods and on labour charges to install, repair and maintain taxable goods and equipment. Tax is also payable at 8 percent on all prepared food products purchased from an eating establishment, where the total charge is more than \$4.

Liquor, beer and wine sold in restaurants, taverns, etc. are taxable at 10 percent. Tax at 12 percent applies if these items are purchased from retail outlets. Admission to a place of amusement, where the charge is more than \$4, is taxable at the rate of 10 percent.

Most lodging, as provided by hotels, motels and lodges, is taxable at 5 percent.

Businesses that sell taxable goods, provide a taxable service or charge admission to a place of amusement must obtain a vendor permit and are responsible for collecting tax and remitting it on a regular basis. There is no fee for this permit.

Further retail sales tax information on vendor permits and exempt purchases may be obtained from your local retail sales tax office. Please also see the publication: "[The Basics of Retail Sales Tax](#)". You can also register through Ontario Business Connects, when you register your business name.

### *Employer Health Tax (EHT)*

The Ontario Ministry of Finance, Employer Health Tax branch, administers the Employer Health Tax Act. The Employer Health Tax (EHT) is paid by all employers paying wages to employees who report for work at a permanent workplace in Ontario. It also applies to employers who have employees that report for work at a workplace other than that of the employer when the wages are paid from a permanent workplace in Ontario.

All self-employed people in Ontario must pay the Employer Health Tax. As of January 1, 1999, the first \$400,000 is exempt. For further information on the EHT for the self-employed, contact your EHT regional office. You can also register through Ontario Business Connects, when you register your business name.

### *Workplace Safety & Insurance Board*

Most businesses in Ontario that employ workers must register with the Workplace Safety and Insurance Board (WSIB). You will need to contact the WSIB within 10 days of hiring your first full or part-time worker. This includes family members. You can also insure your workplace on a voluntary basis if your business activity is not automatically covered.

Sole proprietors, partners and executive officers are not automatically covered under the WSIB insurance plan, but you can apply for optional insurance by calling the WSIB.

You can contact the WSIB by telephone or visit their website: [www.wsib.on.ca](http://www.wsib.on.ca). You can also register through Ontario Business Connects, when you register your business name.

### *Special Regulatory Licences*

Many businesses including retail and service outlets, restaurants and lounges, manufacturing and processing operations, may be subject to licences.

These licences are designed to protect the interests and safety of the public regarding the use, application or sale of certain items or services. These include food, drugs, alcoholic beverages, wood products, optical lenses, motor vehicle operations, railroad and water transportation, pressure vessels and pressure regulators, and upholstered and stuffed articles.

For further information, see the publications: "Starting a Small Business in Ontario"

## **MUNICIPAL GOVERNMENT**

Many but not all types of businesses require a municipal license. The fees can vary from a few dollars to a thousand or more, but in most cases the fees are nominal. In addition, business and industry must conform to zoning and bylaw regulations. Most municipalities have a planning board to designate areas within the municipality for residential, commercial, light industry, heavy industry, noxious industry, green belt or parkland. Construction, reconstruction, alterations or additions to a building require approval of the designs by the building department.

For details of fees and application requirements contact the building department or bylaw officer in the municipality in which the business is located.

Most municipalities require a building permit before alterations or new construction take place. It is extremely important, therefore, that the business check zoning regulations before signing a lease, and obtain the necessary building permit before making alterations or starting new construction.

For regular business licences, check with your municipal licensing board, commission or bylaw officer.