

FREE STRATEGY GUIDE · 2025 EDITION · FOR
INCORPORATED CANADIAN BUSINESS OWNERS

The *Corporate Asset Transfer* Blueprint

How incorporated Canadian business owners are legally redirecting **\$50,000-\$200,000+ per year** in corporate taxes into tax-sheltered, generational wealth — using strategies written directly into the Income Tax Act.

\$2.1M+

IN TAXES SAVED

500+

BUSINESS
OWNERS
HELPED

100%

CRA COMPLIANT

01

THE PROBLEM

The *Corporate Tax* Problem

Why high-income incorporated Canadians are paying far more than they have to — and the structural gap most accountants miss.

If you run a profitable corporation in Canada, you already know the feeling. Another strong year. Revenue is up. And then your accountant hands you the bill.

For most incorporated business owners — dentists, contractors, consultants, physicians, engineers — that bill lands somewhere between **\$50,000 and \$200,000 per year** in combined corporate and personal taxes. Sometimes more.

And most of them accept it. Because they've been told there's no other way.

THE UNCOMFORTABLE REALITY

"Your accountant focuses on compliance and basic deductions — saving you thousands while you lose hundreds of thousands to unnecessary taxation."

Here's what's actually happening. The CRA has structured the Income Tax Act to create what we call **The Canadian Tax Penalty Box** — a

series of overlapping tax traps that systematically extract maximum revenue from successful incorporated business owners:

1 The 50%+ Passive Income Trap

Every dollar your corporation earns in passive investment income is taxed at over 50% in most provinces. You worked for that money, invested it, took the risk — and the government takes half.

2 The Small Business Deduction Grind-Down

Once your corporation accumulates more than \$50,000 in passive investment income annually, you start losing access to the small business deduction — the low tax rate on the first \$500,000 of active corporate income. At \$150,000 in passive income, it's eliminated entirely.

3 The Double Taxation Nightmare

When you eventually want to get money out of your corporation, you pay corporate tax on the way in — then personal tax again on the way out. Depending on your province, that combined burden can reach 65% or more.

The result? Most successful Canadian business owners will pay **more in taxes over their lifetime than they leave to their families.**

That's not an exaggeration. That's the math.

50% + PASSIVE INCOME TAX RATE	\$50K SBD GRIND- DOWN THRESHOLD	65% + COMBINED DOUBLE TAX WALL	\$0 WHAT YOU SHOULD ACCEPT
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The good news is that the same tax code designed to extract your wealth also contains the mechanism to legally eliminate it. It's not a loophole. It's not offshore. It's been in Canadian tax law for decades. And in Chapter 2, we'll show you exactly what it is.

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THE SOLUTION

The *CRA-Approved* Solution

An overview of the corporately-owned life insurance strategy — fully recognized and regulated by the CRA for decades.

Hidden within the same legislation designed to tax your wealth is a completely legal strategy that lets Canadian corporations grow wealth with **zero taxation** — not tax-deferred, not taxed at a lower rate. Zero.

It's called **Corporate-Owned Life Insurance** — specifically, corporately-owned whole life or universal life structured under Section 148 of the Income Tax Act. It's explicitly endorsed by the CRA through official tax interpretations. Major Canadian accounting firms — BDO, KPMG, Grant Thornton — routinely recommend these structures to their clients.

IMPORTANT DISTINCTION

"This isn't about loopholes. It's about structuring properly. Tax-deferred means tax delayed — not tax eliminated. This strategy eliminates the tax entirely."

Think of it this way. Your TFSA lets you grow personal money completely tax-free — but it has a contribution limit of \$7,000 per

year. Corporate-owned life insurance is like a TFSA for your corporation — with **no contribution limits**.

Here's why most business owners have never heard of it:

What Your Accountant Does

- T2 corporate tax filing
- Standard deductions and credits
- Compliance and annual filing
- Basic salary/dividend planning
- RRSP and TFSA recommendations

What a Specialist Does

- Corporate structure reorganization
- Capital Dividend Account planning
- Passive income tax elimination
- Tax-free wealth transfer strategy
- Insurance-based tax sheltering

Your accountant is excellent at what they do. But implementing these strategies requires **insurance licensing** that most CPAs don't have — and it requires expertise in the intersection of tax law and insurance that most financial advisors don't have either. It's a specialty within a specialty.

Think of it the same way you think about medical specialists. You wouldn't ask your family doctor to perform heart surgery. You wouldn't ask someone who isn't qualified to answer questions about advanced tax strategies. The knowledge gap isn't about effort or care — it's about license and specialization.

The result: the vast majority of incorporated Canadian business owners are sitting inside a tax structure that's costing them \$50,000–\$200,000+ per year in unnecessary taxes, with no one in their corner who can actually fix it.

These strategies use established tax provisions that have existed for decades. They have survived multiple government changes, are backed by constitutional property rights, and are explicitly approved by the Canada Revenue Agency. No grey areas. No offshore structures. No aggressive shelters.

03

THE MECHANISM

How the *Strategy* Works

Step-by-step: how corporate dollars fund the policy, how growth is sheltered, and how the structure is built.

Let's break this down clearly. No jargon. No complexity. Just the mechanism — and what it actually does for your balance sheet.

The strategy works in three stages:

1 Stage 1 — Corporate Funding

Your corporation uses retained earnings — money that's already been taxed at the low corporate rate — to fund a corporately-owned whole life insurance policy. The corporation is both the owner and the beneficiary of the policy.

2 Stage 2 — Tax-Exempt Growth

Once inside the policy, the money grows completely tax-exempt under Section 148 of the Income Tax Act. The CRA cannot tax this growth. There are no contribution limits. The policy's cash value compounds year over year with no annual tax drag pulling it down.

3 Stage 3 — Tax-Free Extraction via the Capital Dividend Account

When the insured person passes away, the death benefit is paid to the corporation tax-free. A portion of this death benefit — often the full amount above the policy's adjusted cost basis — flows into the corporation's

Capital Dividend Account (CDA)

under Section 89 of the Income Tax Act. The corporation can then pay this out as a capital dividend to family shareholders, completely tax-free.

THE TRIPLE TAX ADVANTAGE

Tax-exempt growth (Stage 2) + No passive income impact on your SBD (ongoing) + Tax-free CDA extraction (Stage 3) = complete tax elimination on that pool of corporate wealth.

There's an additional benefit that most business owners don't realize until they see the numbers: because the growth inside the policy is tax-exempt, it **does not count as passive investment income** for the purposes of the Small Business Deduction grind-down. Your active business income keeps getting taxed at the low rate — the passive income trap is completely bypassed.

✗ TRADITIONAL APPROACH	✓ WITH CORPORATE LIFE INSURANCE
Passive income taxed at 50%+	Investment growth: 100% tax-exempt
SBD lost at \$50K passive income	SBD: fully protected
RRSP withdrawal: 45-54% taxed	Access: tax-free policy loans
Estate heavily taxed on second death	Legacy: tax-free via CDA (Section 89)
Contribution limits cap growth	No contribution caps — ever

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REAL NUMBERS, REAL CASES

Three Canadian Business Owners. One Strategy.

These are illustrative examples based on real structures. Numbers are approximate. Results vary by province, age, health, and corporate structure. Always consult your CPA and legal advisors.

Ontario Dentist

Professional Corporation · \$2.5M

Annual Revenue

HEALTHCARE
PROFESSIONAL

Dr. Sarah built her practice to \$2.5M in annual revenue but was paying approximately \$120,000 annually in corporate taxes on the practice's retained earnings. Her accountant had optimized her salary/dividend split but told her there was nothing more to do. She had \$800,000 sitting in a corporate investment account growing at 50%+ passive income tax rates.

ANNUAL TAX BURDEN

\$120K

Before strategy

20-YEAR PROJECTION

\$2.3M

Additional family wealth

WHAT CHANGED

\$150,000 annually redirected from corporate investments into a tax-exempt policy. Growth sheltered from passive income taxation. SBD fully protected. Implementation took three meetings and less than four hours of Dr. Sarah's time.

Always consult your CPA and legal advisors before implementing any tax strategy. Results are illustrative and based on assumed rates of return. Individual results will vary.

Alberta Contractor

Construction Company · \$500K

Annual Surplus

TRADE &
CONSTRUCTION

Mike's construction company was generating \$500,000 in extra annual revenue above operating costs. Following traditional advice, he was on track to pay approximately \$4.2M in taxes over his remaining working years — more than he would keep for his own retirement.

PROJECTED LIFETIME TAX

\$4.2M

Traditional approach

TAX-FREE FAMILY WEALTH

\$3.1M

Redirected in 20 years

WHAT CHANGED

Same \$200,000 annual corporate surplus — redirected into a corporate whole life structure. Complete elimination of passive income taxation. \$1.9M in direct tax savings. SBD fully protected. \$2M life insurance death benefit protects the company and creates a tax-free legacy for his three children via the CDA.

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BC Professional Corporation

PROFESSIONAL
SERVICES

Consulting Firm · Two Partners

Two partners in a Vancouver consulting firm were each taking \$200,000 annually in dividends but wanted to reduce their personal tax burden. Each was paying approximately 48% on those dividends. Their existing advisor had no strategy beyond TFSA contributions and RRSP top-ups.

PERSONAL DIVIDEND TAX

~48%

Per partner, per year

COMBINED TAX SAVINGS

40%

Of dividends no longer taken personally

WHAT CHANGED

Corporate structure reorganized. Dividend payments restructured. Tax savings deployed into tax-exempt corporate insurance contracts for each partner. Personal tax brackets lowered while corporate wealth continued building. 40% of previous dividend amounts no longer need to be taken personally.

Always consult your CPA and legal advisors before implementing any tax strategy. Results are illustrative and based on assumed rates of return. Individual results will vary.

Is This Right for You?

Answer these five questions honestly. If you answer Yes to two or more, you are very likely a strong candidate for this strategy.

- Does your corporation retain **\$50,000 or more in annual profit** after all expenses, salaries, and dividends?

- Do you have corporate investments or savings **sitting in a corporate account** earning passive income and being taxed at 50%+?

- Has your accountant told you there's "**nothing more we can do**" to reduce your tax burden?

- Do you want to transfer **meaningful wealth to your family** without it being heavily taxed in your estate?

- Are you currently **paying more in corporate and personal taxes** than you feel is reasonable given what you're building?

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WHAT TO DO NEXT

The Cost of *Inaction*

Every year that passes is another \$50,000–\$200,000 that could have been growing tax-free instead of funding government programmes.

Let's be direct about what inaction actually costs.

If you're currently paying \$75,000 annually in unnecessary corporate taxes, that's not just \$75,000 gone this year. Over 20 years, with compound growth, that represents **over \$3.2 million in lost family wealth.**

That's the real cost of staying where you are.

Right now, you have three choices:

1 Do nothing.

Continue following conventional tax advice and remain inside the Canadian Tax Penalty Box. Your accountant keeps filing your T2. The CRA keeps taking its share. Every year the cost compounds.

2 Try to figure it out yourself.

Attempt to implement these structures without the appropriate licensing and expertise. The risk of improper implementation — policies structured incorrectly, CDA calculations done wrong, corporate reorganizations missing key steps — can cost more than the taxes you're trying to eliminate.

3 Work with a specialist.

Take the efficient path. Book a free 30-minute Corporate Tax Assessment with a licensed specialist who implements these structures every day. We'll calculate exactly how much you qualify to redirect — and show you what the structure looks like for your specific situation.

BOOK YOUR FREE ASSESSMENT

Find Out Exactly What You Qualify For

30 minutes. Confidential. No cost. No obligation. Just honest answers about what's possible for your specific corporate structure.

30

MINUTES

\$0

COST

100%

CONFIDENTIAL

[ADVISOR BOOKING LINK]

If there's nothing to improve, we'll tell you. But in the last few years, that hasn't happened yet.

Disclaimer: This guide is for informational purposes only and does not constitute financial, tax, or legal advice. All case studies are illustrative examples. Results vary by individual circumstances, province, age, health status, and corporate structure. Always consult a qualified CPA, tax lawyer, and licensed insurance professional before implementing any tax strategy. Corporate-owned life insurance strategies are subject to CRA regulations and individual underwriting requirements.