The One-Person Corporation

Three Jobs in One

While there are three types or classes of participants in a corporation, it is not uncommon for a single individual to want to incorporate a business.

The three types of people involved with a corporation are directors, officers, and shareholders. Each of these groups has its own responsibilities and powers within the corporation. Small corporations often have overlap between these positions. It is not uncommon for one person to be a director, a shareholder and an officer, but it is important to understand the different roles each position must play in corporate governance, even if it is the same people filling all of these roles.

Fortunately, Canadian corporate law allows a single person to perform all three functions. Because of this, it is possible to have a fully functioning corporation being run by only one person.

In a one-person corporation, the individual will be fulfilling three distinct roles. There are actually many professional consultants and SME's that operate this way, because of the tax advantages and to realize the low corporate tax rates.

In this situation, the individual must be careful to ensure that they are carrying out the responsibilities that attach to each of the roles they are performing. For instance, any fundamental changes to the company must still be authorized by the individual in their capacity as a director and then approved by a resolution passed in their capacity as a shareholder.

It's helpful to at least have an understanding of the roles of each of the three functions, director, officer, and shareholder.

Directors

Directors of a corporation supervise the management of the business and affairs of the corporation. Directors do not have to be actively involved with the operations of the business; they are essentially the body that oversees the corporation's affairs.

Directors act by passing resolutions, which can either be done at a meeting of the board of directors or by way of written resolution signed by all of the directors. In practice, the directors make decisions such as declaring dividends, adopting or repealing by-laws, approving financial statements, issuing shares, or selling part of the business.

The types of roles and responsibilities a corporation's board of directors take on vary from corporation to corporation. Generally speaking, it is the directors who manage the most important parts of the business and who make the most important decisions regarding the business.

Officers

The directors of a corporation are authorized to designate the offices of a corporation, appoint officers, specify their duties, and delegate certain powers of management and supervision to them. Some of the more common officer positions created in Canadian corporations are the chief executive officer (CEO), the treasurer, and the secretary.

Shareholders

A person becomes a shareholder when shares in the corporation are issued to them in exchange for money paid, property transferred, or past services rendered to the corporation. Shares can also be acquired by purchasing them from another person who already owns them. Corporations must keep a record of their current shareholders and of any share transfers that take place.

Finally

So, in addition to being both the company's president and janitor, you will also act as director, officer, and shareholder. For the more part, having this added responsibility will have little to no impact on the day-to-day operation of your business.