Business Owner Corporate Cash Checklist

Why can investing more of your company's cash leave you paying more tax?

Bliss Financial Consulting Inc

How to use it: if your company has retained earnings, tick each item. Anything left unticked is what to work through with us and your accountant.

1 Cash in the company

Pay it out and it's taxed; leave it and it loses value; invest it and the tax is heavier.

- [ ] Know the company's passive investment income (interest, rent, etc.) is taxed at 46.7% in Alberta
- [ ] Checked whether passive income exceeds $50,000 a year: above that, every $1 reduces the small business limit by $5, until it is gone at $150,000
- [ ] Run your numbers with the Passive Income and Small-Business Tax calculator on our website

2 Invest it in the right place

- [ ] Hold less interest-type investments and more growth-oriented investments in the company
- [ ] Looked into company-owned participating life insurance: cash value growth is not passive income and does not reduce the small business limit

3 Rental property in the company

- [ ] Know mortgage principal is not deductible: cash on hand may be low while taxable passive income is higher
- [ ] Know interest on money borrowed to invest can be deducted against passive income

4 Before putting a large sum into a project

- [ ] Before paying for a project entirely in cash, considered whether the money could be locked up or cash flow could run short
- [ ] Looked into an IFA: making the same company money do two jobs

5 Retirement and succession

- [ ] Decided at least 5 years before retiring what to do with the company: sell the shares, sell the assets, or keep it and pay dividends as needed
- [ ] Before selling small business shares, know the Lifetime Capital Gains Exemption (LCGE) requires qualifying two years in advance
- [ ] Know passing company assets to the next generation can involve several layers of tax
- [ ] Know insurance proceeds paid to the company can go to the family tax-free through the Capital Dividend Account (CDA)

6 If you can no longer run the business

- [ ] Have a shareholder agreement: who takes over, and at what price shares are bought and sold
- [ ] Have key person insurance and buy-sell insurance in place

Remember: The rules decide from the start how much you get to keep. The earlier you plan, the better.

Can't tick a box? Scan to add us on WeChat and send us your question.

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This checklist provides general information only and is not personalized insurance, investment, tax or legal advice. Tax rates use Alberta 2026 as an example.