



## Are You Thinking of Selling Your Business?

Selling your business is one of the most significant decisions you'll face as an entrepreneur. You've invested so much time and energy building it into a viable enterprise, and with some preparation, you could increase its value and ensure you get the best sale price. In this article, we'll take you through the different aspects of selling a business that you must consider.

### Taxes When Selling Your Business

Will you be selling the business's assets, or shares of the company that runs the business? The first is known as an asset sale; the second is a share sale. Each has unique tax advantages.

#### Asset Sales

In an asset sale, a business sells tangible and intangible assets. Tangible assets include land, buildings, equipment, and inventory. Intangible assets are concepts such as the goodwill your business has accrued, customer lists, patents, copyrights and trademarks.

If your business isn't incorporated, an asset sale is your only selling option since there are no share certificates. The tax advantage of an asset sale is that you can negotiate the price paid for each asset, so you receive the most desirable tax benefit. You also don't inherit any of the liabilities of the existing business.

#### Share Sales

If your business is incorporated, then you have the option to sell shares. This purchase will result in all business assets, including the name, being transferred to the buyer. But, with all assets come with liabilities.

The buyer will be responsible for unforeseen costs, such as back taxes that have yet to be paid. A share sale can be highly beneficial in tax terms as you might not have to pay any tax on the sale at all. And if you're a Canadian resident, you're entitled to a lifetime exemption of \$750,000 on capital gains that you can use to cover the sale.

### Increasing Your Business Value

Even if you aren't thinking about selling anytime soon, there's no time like the present to get your business in the best possible shape to sell. The changes you make will positively impact the profitability of your business, whether you decide to sell or not. Here are some ways you could increase the value of your business:

#### 1. Seek Outside Help

Enlist the help of an expert advisor who can talk you through the process and devise an efficient exit strategy. At Small Business BC, we offer one-on-one consultations with business brokers under our Talk to an Expert advisory service.

#### 2. Optimize Operations

Nobody wants to buy a bloated and inefficient business. Look for ways to cut down on costs and increase operational efficiencies. Your marketing strategies are an easy place to start. Come up with a

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fresh, integrated marketing plan that allows you to hone in on your target market. You could also consider expanding your market by exporting to new provinces or countries.

### 3. Continue Investing

Once you've decided to sell, you must continue investing in your business. Purchase new equipment, keep up with maintenance, and make improvements. Potential buyers will notice if you've been neglecting aspects of your business.

### 4. Don't be Irreplaceable

If you store most of your business processes and information in your head, it will be of little use to potential buyers. Develop clear and teachable processes for day-to-day operations and empower your staff to run the business in your absence. If you provide most of a business's value, that value diminishes the moment you walk out the door.

## Ways to Sell Your Business

Even though businesses are sold every day, it can still feel overwhelming. Here are several different ways you can make it happen:

- Enlist the services of a business broker.
- Ask if your competitors are interested.
- Present yourself as an acquisition target.
- Use an industry consolidator.

Like any other significant transaction, patience is key. If you take your time and prepare adequately, you're much more likely to acquire the return you're hoping for.