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Asset Sale vs. Share Sale Due Diligence Checklist

Structure-specific diligence for Canadian business purchases. Full guide at bizlistings.ca/blog/asset-sale-vs-share-sale.

Decide the structure first

- Confirm in writing whether the deal is an asset purchase or a share purchase.
- Ask your accountant to model the after-tax outcome of both structures.
- Confirm whether the seller is claiming the Lifetime Capital Gains Exemption — it usually drives a share-sale preference.
- Agree how any price gap between structures will be shared.

Asset sale — what to verify

- Detailed asset list with serial numbers, condition, and book value.
- Clear title: PPSA / RDPRM searches for liens on equipment and vehicles.
- Allocation of purchase price across equipment, inventory, and goodwill.
- Which contracts, leases, and licences need landlord or third-party consent to assign.
- Whether key customer contracts are assignable at all.
- Employee treatment: terminations and rehires, accrued vacation, severance exposure.
- GST/HST elections (section 167) and provincial sales tax on asset transfers.
- Which liabilities you are expressly NOT assuming — get the list in writing.

Share sale — what to verify

- Minute book review: share register, directors' resolutions, and any unanimous shareholder agreement.
- Corporate searches and confirmation the corporation is in good standing.
- All historical tax filings: corporate, payroll, GST/HST, provincial.
- Contingent and off-balance-sheet liabilities, litigation, and warranty claims.
- Environmental history of any owned or leased property.
- Employment history: misclassified contractors, unpaid overtime, WSIB/WCB standing.
- Change-of-control clauses in leases, loans, and customer contracts.
- Indemnities, holdbacks, and escrow to cover pre-closing liabilities.

Common to both

- Three years of financials plus a normalized SDE or EBITDA calculation.
- Customer concentration and supplier dependency.
- Lease term, renewal options, and assignment rights.
- Insurance history and claims.
- Working capital target and how it is measured at closing.

General information only, not legal, tax, or accounting advice. Deal structure has significant tax consequences — always retain a Canadian business lawyer and accountant.