



商業信託
Commercial Trust



Country Profile: Canada

The Facts

Location	North America
Languages	2 official languages - Canadian English, Canadian French
Nationality	Canadian
Religions	Roman Catholicism – 42.6% Protestant – 23.3% Others – 34.1%
Government	Parliamentary Democracy, Federation and Constitutional Monarchy
Head of Government	Governor General of Canada
Legislature	The Parliament of Canada
Constitutional Document	Constitution of Canada
Economy	Canada economy relies highly on manufacturing and mining. Canada is the US's largest foreign supplier of energy, highly skilled labor force and modern capital plant
Currency	Canadian Dollar (CAD)
GDP (2011)	Total – CAD 1,708.1 billion Per capita – CAD 49,676 Real GDP growth – +2.5%
Population	33.4 million (approx.)
Percentage of population	British Isles Origin – 28% French Origin – 23% Other Europeans – 15% Others – 48%
Area	Land – 9,093,507 km ²
Time zone	CST (UTC -6); CDT (UTC-5) PST (UTC -8); PDT (UTC -7) MST (UTC -7); MDT (UTC -6) EST (UTC -5); EDT (UTC -4) AST (UTC -4); ADT (UTC -3) NST (UTC -3.30); NDT (UTC -2.30) <i>Note: Canada is divided into 6 time zones</i>
Public Holidays	National holidays – 9 Regional holidays – 16 (approx.)
Climate	The climate varies considerably throughout Canada. Generally in winter, temperatures fall below freezing point throughout most of Canada. Summer is short, humid and hot.



Sources: Government of Canada, Statistics Canada, International Monetary Fund, Central Intelligence Agency

Canada

Canada is the second largest country of the world, inhabited by 35 million people. The North American country is the world's eighth largest economy and it patronizes several innovative and large businesses. Moreover, the country is quite rich in natural resources and has a vast pool of skilled labor, coupled with stable political and economic climate. All these factors make Canada a premier location for business investment. Furthermore, the country enjoys free trade agreements with the US, Mexico and several other countries. Technological advancements have further helped businesses make the most of Canada's favorable business environment.

The Canada Business Climate

According to a survey by Doing Business in 2012, Canada was ranked 13th (out of 183 economies) in terms of ease of doing business and 3rd in terms of starting a new business. Owing to its commercial and cultural affinity with neighboring United States, Canada is considered a world leader in a variety of sectors, including manufacturing and energy. Canada has excellent trade ties with the US and Mexico and several prominent countries of Asia, Europe, the Middle East and South America. Ranked 4th in terms of taxation, the country has a business friendly government that provides adequate intellectual property rights protection for the corporate sector. Some of the reasons why Canada is considered simply irresistible by businesses from across the world include:

- **Labor and Natural Resources:** Canada maintains a highly skilled workforce that is both educated and professionally competent. The land is amply rich in natural resources and is considered one of the leading industrialized centers of the world.
- **Trade Agreements:** Canada maintains excellent trade relations with many leading economies such as the US and enjoys free trade agreements with several Asian and European countries.
- **Investment-friendly Climate:** The Canadian government has business friendly import and export norms and provides a safe and secure environment (IP rights protection) for businesses to operate. The country was ranked 5th in terms of investor protection by Doing Business in 2012.
- **Taxation:** Canada is ranked 8th in terms of taxation. The country not only has user friendly tax norms but also maintains ideal immigration and banking regulations.
- **Grants and Incentives:** The Canadian government offers numerous grants and incentives to assist investors. These incentives come in the form of cash grants and tax relaxations to support new business ventures.

Setting Up a Business in Canada

A corporation has to be incorporated in Canada under the Canada Business Corporations Act or a corporation's act of one of the Canadian provinces (for instance, Ontario's Business Corporation Act). Some of the essential mandates for setting up a corporation include:

- **Articles of Incorporation:** The corporate name chosen must be distinctive and include a legal element (Ltd. etc). The name must not cause confusion with any other existing corporation's name or trademark.
- **Number of Directors:** The corporation should have at least one director, unless it is a public corporation, and must have limited liability for its shareholders.

The cost of incorporation is relatively modest in most jurisdictions. For instance, the fee in Ontario is C\$360 and the fee for federal incorporation is C\$300. In Nova Scotia, the fee to incorporate a company is C\$1050. In addition to this, a legal fee has to be paid, depending on the corporation's structure. Once all the documents are filled and the fees paid, the incorporation is automatic. The corporation comes into existence on the date of issue of the certificate of incorporation by the regulators.

Legal Forms of Doing Business in Canada

A consideration of different forms of business enterprises available under federal and provincial law will assist the investor in determining the most suitable arrangement for conducting business. The most common legal forms of setting up business in Canada are:

- Corporations
- Partnerships
- Sole Proprietorships
- Joint Ventures
- Branch

The appropriate structure must be chosen depending on the location of the business, liability, issues of exposure, financing requirements and tax considerations.

Corporations

A corporation with share capital is the most common business entity in Canada and enjoys many advantages that make it the most preferred investment vehicle. Corporations can also be incorporated without share capital but mostly for not-for-profit purposes. In Canada, there are two basic forms of corporations, public and private. While a private corporation cannot trade its shares publicly and is limited to a certain number of shareholders, a public corporation is subject to reporting and disclosure requirements and must file a prospectus before offering shares for public sale. The different forms of registering a corporation in Canada are:

- Unlimited liability company
- Limited liability company
- Company incorporated under provincial law

A foreign company can also set up branch entities. These can be established as separate entities from the parent company.



Unlimited Liability Company

An unlimited liability company can be incorporated under the provincial laws of Alberta, British Columbia and Nova Scotia. A few features of an unlimited liability company in Canada are:

Unlike shareholders of other corporations, shareholders of ULC are held personally liable for any liabilities of the company.

- These are established, generally, by foreign investors who wish to take advantage of tax treatments.
- These companies are eligible for “Check-the-box” election in the US and may be taxed as either a corporation or a flow through entity.
- These companies are considered distinct legal entities.
- An unlimited liability company must have a registered office in Canada.
- A once popular mode with US investors, this business form has now fallen out of favor with Americans due to changes in the US-Canada tax treaty.

Limited Liability Company

This is one of the most commonly used business forms by investors in Canada. The features of a limited liability company in Canada can be summarized as:

- Partners are liable for company’s debt only to the extent of their contribution to the company’s capital.
- The company must have a registered office in Canada.
- This form shelters shareholders from liability in most circumstances, except upon liquidation of the company.
- Shareholders have to present a minimum capital requirement.

Company Incorporated Under Provincial Law

The regulations that need to be fulfilled for the establishment of a company incorporated under provincial law are as follows:

- If the business of a corporation is carried inside a province, the company is incorporated provincially.
- Companies that wish to operate businesses subject to federal regulations must be incorporated under federal law.
- Scope of public disclosure varies widely with various provincial jurisdictions.

Partnerships

A partnership is an entity formed for the purpose of conducting a specific business by two or more parties. The parties involved may be individuals or corporations. The different forms of registering a partnership firm in Canada include:

- General partnership
- Limited partnership

General Partnership

While a partnership is formed under the laws of a particular province, partnerships with businesses in more than one province will have to comply with the laws of all the involved provinces. The regulations that need to be fulfilled for establishing a general partnership include:

- Each partner contributes both capital and effort, and each enjoys a share in the partnership's profits.
- Each partner is liable for debts and obligations of the partnership on an unlimited basis.
- General partnership is not considered a separate legal entity.
- All partners are liable to participate in ownership and management.
- The partnership must have a minimum of two partners.

Limited Partnership

Limited partnerships are formed by filing a declaration of partnership under the relevant statute. The regulations that need to be fulfilled for the establishment of a limited partnership include:

- The contributions of effort and capital are divided in limited partnership.
- While the general partner runs the enterprise, other partners contribute the capital needed to run the business.
- The amount for which any partner is liable is limited to the amounts specified in the partnership agreement.
- Usually general partners have unlimited liability and the limited partner's liability extends to the amount of capital invested.
- Must possess a minimum of two partners.

Sole Proprietorship

This business form is employed when the business is owned and operated by an individual. Some of the features of this form of business in Canada are:

- The structure is simple with few legal complications (licensing, etc.), best suited for small enterprises.
- All benefits and liabilities of the business are go to the individual owner.
- Liability of the enterprise is the same as the liability of the individual operating the business.
- Unlike corporations, assets of the sole proprietor are at risk of honoring the liabilities of the enterprise.
- Opportunities for tax planning are limited, as the profits flow through the individual and are taxed at his/her hands.

Joint Ventures

A joint venture is an arrangement made between two or more business entities to undertake a specific business activity.

- All parties contribute capital, labor and resources as determined in the agreement and share the profits accordingly.
- A JV is normally a temporary structure, which is dissolved once the project is completed.
- A joint venture has no distinct legal status in Canada and is not taxed as a partnership.
- A JV in Canada is governed by contracts, including clauses like management, sharing of profits, etc., which are typically set out in the contract.

Branch

A foreign enterprise can conduct operations in Canada through a branch operation by applying for the appropriate license or registering under the province it is slated to work in. The regulations that need to be fulfilled for the establishment of a branch operation include:

- A branch office is not legally distinct from the parent company, the parent will be exposed to debts and obligations of the Canadian operation.
- Is quite popular as it enjoys numerous tax advantages.
- There are penalties for failing to obtain a license wherever required, without a license, a foreign corporation is not capable of maintaining a proceeding in court.
- The procedure for obtaining a license is uncomplicated provided the name of the corporation is not similar to any existing corporation.



Taxation

A business corporation that is incorporated either federally or provincially in Canada is resident of Canada for tax purposes and has to pay tax on its earnings in Canada. Profits are distributed as dividends, with the dividends paid to non-residents being subject to withholding tax. Taxes are levied on capital gains, services and property. There are also excise taxes, probate taxes, duty fees and tariffs imposed on businesses or individuals who live or visit Canada. Taxation rights on income are granted by provincial and federal laws including:

- Income tax act
- Income tax application rules, 1971
- Income tax regulations
- Income tax conventions, the interpretations act
- Provincial tax acts
- Case law

In principle, the tax treaty between Canada and any other country will override any inconsistency that may arise with the income tax act. This helps avoid situations where an individual or business may be subjected to double taxation.

How is Corporate Tax Applied?

While property taxes are levied by municipalities, taxes on corporate income are levied at the financial and provincial level. All corporations have to file income tax returns for each fiscal year, even when they have no tax liability. The corporate return is due within six months of their fiscal year end, while taxes payable are due two months after the year end. Businesses are allowed to choose their fiscal year end during the first year of operation.

Partnerships comprised of corporations are required to have a December 31 year end and must file a partnership information return before March 31, following the calendar year in which the partnership's fiscal year ended. Partnerships are not liable to Canadian taxation, rather the partners are subject to tax with respect to their share in the partnership's income. The tax rate for corporations throughout Canada is between 12% and 51%. The tax rate is determined by the corporation's provincial residence as well as the nature of the taxable income.

Immigration and Visa Requirements

Business persons who wish to enter Canada for investment purposes anywhere in the business cycle (from visiting a client for one day to establishing a subsidiary), have to apply either for temporary admission or for permanent residency.

Temporary Admission

The general requirements for temporary admission into Canada include:

- The investor must possess the academic and vocational experience required to perform the work s/he seeks to initiate.
- The investor must be cleared by authorities on criminal and medical grounds.
- The concerned individual must possess valid permit issued by Citizenship and Immigration Canada.
- The individual must also possess the minimum capital requirement as outlined by the authorities.

An investor or entrepreneur has to submit the following documents to the Canadian authorities for getting an appropriate visa:

- A business case highlighting his/her business idea.
- Passport and relevant identification documents.
- Tax and financial statements.
- Travel documents (tickets etc.).

It is important to be aware of the immigration laws and regulations of the country to ensure that your business stay is as hassle free as possible and subsequently as rewarding as you imagined.

Banking Requirements

To open a corporate bank account, the banks require a detailed business and personal information of all the owners of the account. The bank would not only authorize the actual owner but also people who have been given signatory rights. Generally, the banks request a personal meeting with the owner of the company before setting up the account. Apart from filling the account opening form, a list of other documents also have to be provided including:

- **Business Plan:** For corporate bank accounts, you need to submit a business plan and also show capital to support the plan.
- **Tax and Financial Statements:** You also need to show your tax statements along with other financial documents to impart transparency to the procedure.
- **Fees:** Each bank requires you to pay a introductory fees for opening the account, this fees varies from bank to bank.
- **Other documents:** Apart from this you also need to show your passport and visa papers to the bank.

The success of your application depends on the particulars of your business. If your credentials are authentic and descriptive and you maintain a clear financial history, then your chances of success are pretty high.

It can be fairly concluded that Canada is one country that offers skilled workforce, strategic global location and political and economic stability to investors. A country with an amazing business potential aided by complete government security, Canada is the place to invest your money. Lastly, Canada has the lowest payroll taxes among the G7 countries, which puts an end to discussion as to why Canada is considered such a well regarded investment destination.

Reference

Government of Canada	www.canada.gc.ca
Statistics Canada	www.statcan.gc.ca
International Monetary Fund	www.imf.org
Central Intelligence Agency	www.cia.gov

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