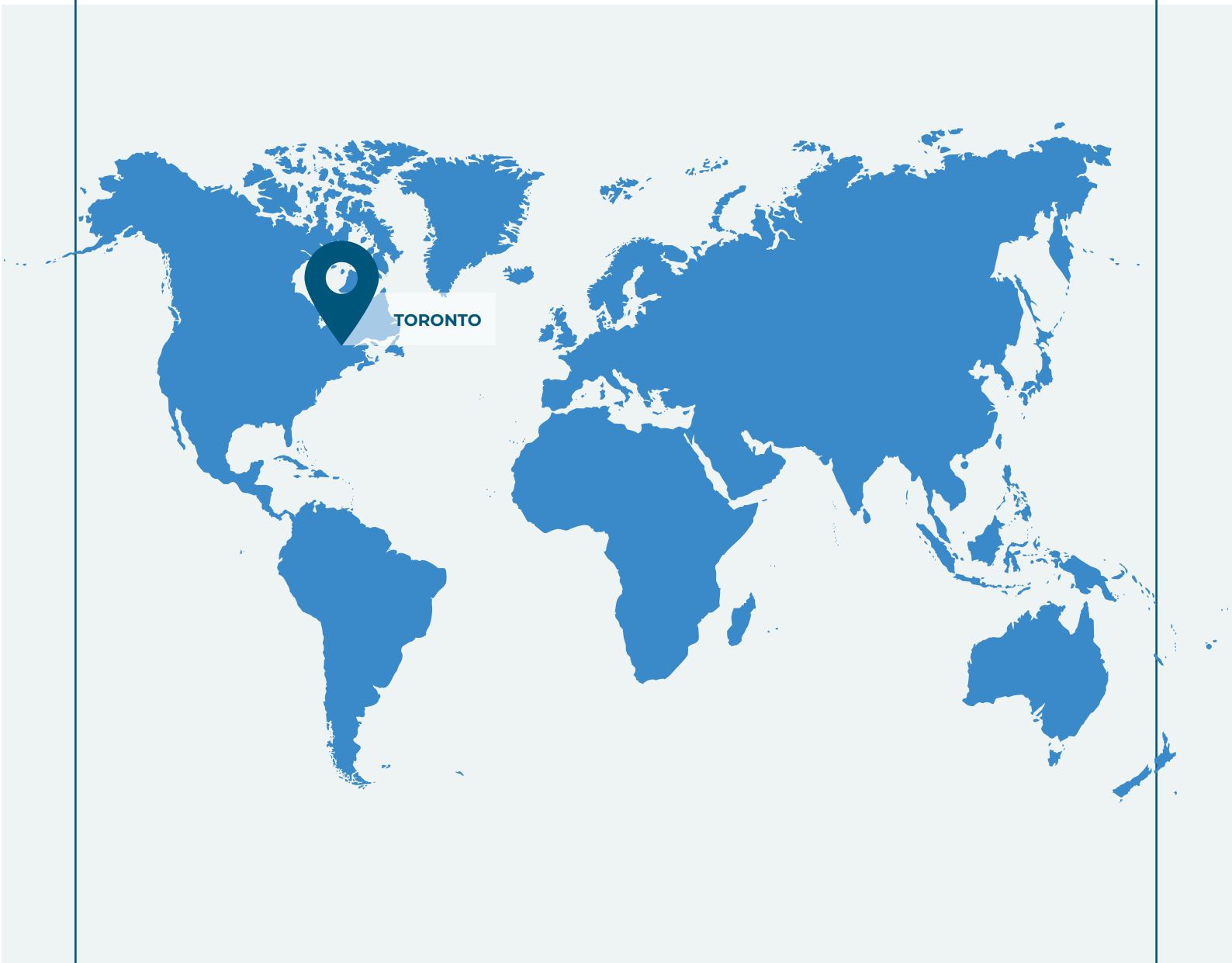


DOING BUSINESS IN CANADA



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TO SET UP A BUSINESS IN CANADA YOU CAN EITHER:

Open a branch office OR choose one of the different forms of company as a subsidiary

BRANCH	SUBSIDIARY
Not a company on its own but an extension of operations in the home country.	Separate legal entity incorporated under Canada’s federal or provincial laws, such as the Canada Business Corporations Act or the legislation for a particular province.
Requires an extra-provincial license to operate in each Canadian province, such as Ontario or British Columbia.	Owned or controlled by the parent company but operates independently, with its own board of directors, bylaws, and registered office
Managed directly by the parent company.	Structure protects the parent company’s global assets from Canadian legal or financial issues.
Parent company assumes full responsibility for the branch’s liabilities and operations and legal obligations such as lawsuits.	Subsidiary is taxed on its worldwide income at Canadian corporate tax rates (around 27%). It benefits from tax credits, deductions, and double taxation treaties.
Taxed on its Canadian-sourced income at the combined federal-provincial corporate tax rate.	Incorporating involves a NUANS name search, Articles of Incorporation, a registered office, and bylaws.
Branch tax applies to profits repatriated to the parent company, though tax treaties between Canada and home country may eliminate this.	Compliance includes annual corporate filings and financial reporting.
No Canadian board of directors is needed, and compliance is minimal, focusing on annual filings and tax reporting.	Subsidiary is viewed as a Canadian company by the local market which may have advantages.
Branch is perceived as a foreign entity, which may alter perception in Canadian market.	



TYPES OF SUBSIDIARIES AND THEIR CHARACTERISTICS:

There are multiple forms of companies, namely

Corporation	Limited Partnership (LP)	General Partnership (GP)	Professional Corporation (PC)	Limited Liability Partnership (LLP)
Owned by shareholders (the parent company) and managed by directors	Consists of at least one General Partner (GP) with unlimited liability and one or more Limited Partners (the global parent) with liability limited to their investment. Only the GP can manage.	All partners are personally liable for all debts and acts of negligence by other partners.	Used by a wide range of professionals such as physicians, dentists, lawyers, accountants, veterinarians, architects and engineers. Lawyers and accountants require that only licensed professionals can own shares.	Provides protection from personal liability for the professional negligence or „malpractice“ of other partners. The individual professional remains personally liable for their own errors, errors of subordinates, and general „trade debts“ (like office rent) of the firm.
Taxed as a resident of Canada on its worldwide income	Profits and losses "flow through" to the partners, who report them on their own tax returns.	Pass through entity where partners are taxed individually.	A corporation (T2) tax return is filed.	Profits "flow through" to the partners, who report them on their own tax returns.
The Parent is generally not responsible for the subsidiary's debts or legal failures.		Setup requires only business name registration and a partnership agreement.	Prior approval from governing body (e.g., CPA Ontario or CPABC) must be obtained before registration.	Prior approval from governing body (e.g., CPA Ontario or CPABC) must be obtained before registration.
It is the easiest structure for opening bank accounts, hiring employees, and obtaining an EFILE number for tax services.			Professional(s) is(are) liable for malpractice and must have malpractice insurance	Requires professional liability insurance
Incorporating federally requires 25% of directors to be Canadian residents; incorporating provincially allows 100% foreign directors. All provinces and territories allow 100% foreign directors, except Manitoba and Newfoundland and Labrador.				



TAXES

1. Corporate income tax

Tax is based on Federal and Provincial rates (Federal 15%). The provincial rate varies by province (e.g. Ontario is approx. 12%). Branches are subject to an additional branch tax (25%) which can usually be reduced by way of a tax treaty with the home country. Or eliminated if Canadian profits are reinvested in Canada.

Small business tax rates

As of 2025–2026, **the combined federal-provincial small business tax rate in Canada typically ranges from 9% to 12.2% on active business income for Canadian-controlled private corporations (CCPCs)**. This rate includes a 9% federal rate (after deduction) on the first \$500K of active business income plus provincial rates varying from 0% to 3.2% on active business income threshold imposed by each province. There are a number of other important considerations that are taken into account in determining the final rate applied and it is important to get tax advice from a qualified professional to ensure all factors are considered.

Note that a Canadian-controlled private corporation (**CCPC**) **is a private company, resident and incorporated in Canada, that is not controlled—directly or indirectly—by non-residents, public corporations, or a combination of both**. To qualify at the end of the tax year, it must not have shares listed on a stock exchange and must be owned by Canadian residents. The small business reduction is phased out with taxable capital over \$10 million. Also, the \$500K must be shared amongst associated corporations.

2. Sales Taxes (akin to a VAT)

The Goods and Services Tax (GST) is a 5% federal tax that applies to the sale of most goods, services, and intangible property across Canada, with some exceptions such as basic groceries and prescription drugs. In provinces that have

implemented the Harmonized Sales Tax (HST)—currently New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario, and Prince Edward Island—the GST is blended with provincial taxes into a single, higher rate. In provinces without HST (British Columbia, Saskatchewan, Manitoba, and Quebec), a separate Provincial Sales Tax (PST) or Quebec Sales Tax (QST) is applied to specific goods, services, and software. Both GST/HST and provincial sales taxes are generally charged at the point of sale by registered businesses to the final consumer.

Registration Threshold: Registration is mandatory once

System Rate (Examples)		Provinces
HST (Harmonized)	13% – 15%	Ontario (13%), Atlantic Canada (15%)
GST + PST	5% + 6% or 7%	British Columbia, Saskatchewan, Manitoba
GST Only	5%	Alberta, and the Territories
GST + QST	14.975%	Quebec

global taxable supplies exceed \$30,000 CAD in a single year.

GST/HST on a return is calculated by subtracting Input Tax Credits (ITCs) on business purchases from the total tax collected on sales. PST is calculated separately and filed with provincial authorities, while GST/HST is filed with the Canada Revenue Agency (CRA).

Input Tax Credits (ITCs): Can claim back the sales tax paid on business inputs (software, rent, etc.) against the tax collected from clients.

HST filing frequency in Canada is determined by a business's annual taxable revenue, with options for monthly, quarterly, or annual reporting. Generally, revenue under \$1.5M allows for annual filing, \$1.5M–\$6M requires quarterly, and over \$6M requires monthly filing. Deadlines are typically one month after the period ends, or June 15 for annual filers.

3. Employer Payroll Taxes

If employees are hired, then the following taxes apply:

- **CPP (Canada Pension Plan):** Employees' contributions are matched. The rate is 5.95% (plus a „CPP2“ second tier for higher earners).
- **EI (Employment Insurance):** 1.4 times the amount the employee pays. About 1.63%
- **Workers' Compensation:** A provincial insurance premium (e.g., WSIB in Ontario) to cover workplace injuries. Rates are low for office-based operations. For some industries, this coverage is mandatory.
- **Employer Health Tax (EHT):** Some provinces (Ontario, BC) charge a tax on your total payroll if it exceeds a certain threshold (e.g., \$1 million in Ontario).

Employer payroll tax remittances (CPP, EI, and income tax) in Canada are generally due by the 15th day of the month following the month the employee was paid. For most employers, this is a monthly requirement, though some small businesses may qualify for quarterly filing, and large employers may have accelerated schedules. Employer payroll tax returns (T4 and T4A information returns) in Canada are due by the last day of February following the calendar year to which the information return applies.

4. Withholding Taxes (Cross-Border)

Cross-border withholding taxes in Canada are managed by payers who must deduct 15% (Regulation 105) for services or up to 25% (Part XIII) for income like dividends/royalties, remitting these to the CRA by the 15th of the following month. Year-end involves issuing NR4/T4A-NR slips, with non-residents filing returns to claim refunds. The NR4 information return must be filed by March 31st of the following year. The T4A-NR slip, for reporting of fees paid to non-resident staff sent to Canada by the parent, to perform work in Canada, must be issued to the recipient and filed with the CRA by the last day of February the following year.

If the Canadian subsidiary sends money back to its global parent, „Part XIII“ withholding taxes apply.

- **Dividends:** The standard rate is 25%, but under many treaties this is often reduced depending on the level of ownership.
- **Management Fees:** Fees paid to the parent company for „overhead“ or „management“ are often subject to withholding unless specifically structured under a tax treaty.
- **Interest:** Generally, interest paid to an arm's-length foreign lender is 0%, but interest to a parent company is usually subject to tax under treaty.

If operating in the Province of Quebec:

(This is not an exhaustive list)

- **Bill 96** – French is the official language of business. Business name must be in French. Engagement contracts must be in French first.
- For tax filings, separate filings are required for returns to Revenue Quebec for provincial corporate taxes and the CRA for Federal taxes.
- For payroll, Quebec has unique payroll deductions, including the Quebec Pension Plan (QPP) (instead of CPP) and the Quebec Parental Insurance Plan (QPIP).
- Upon registration, an enterprise number, Numéro d'entreprise du Québec (NEQ) is issued. This is the primary ID for all provincial dealings.
- Directors must now provide a copy of a government-issued ID to the registry.





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