Doing business in Canada

In association with:

Grant Thornton
An instinct for growth™

HSBC

Contents

Introduction

This guide to doing business in Canada will provide foreign investors with an insight into the key aspects of undertaking business and investing in Canada. Canada is one of the G7's top performers in GDP growth due to its well-diversified economy, wealth of natural resources and healthy financial services sector. Canada has been a member of the World Trade Organisation (WTO) since 1995, and retains an active trading stance, most significantly with the United States of America (USA). Canada has been shifting steadily from a rural to an urban focused economy since 1945, and now the majority of the working population and economic activities are centred around the major cities.

Canada has a market-oriented economic system, similar in many ways to the USA, and enjoys similar high standards of living. Canada's economy boasts a number of characteristics that foster business growth, including a prudent fiscal policy, low inflation, low interest and unemployment rates, a highly-educated population and a business-friendly corporate tax framework.

Prior to the 2008 financial crisis, Canada enjoyed solid and consistent growth, reporting at the federal level a balanced budget for 11 consecutive years and 10 consecutive budget surpluses. Canada was affected by the financial crisis, dropping into recession towards the end of 2008, but despite a fiscal deficit in 2009, the Canadian banking system has emerged from the crisis as one of the strongest in the world.

GDP growth has been strong since 2010: three per cent in 2010, three per cent in 2011, two per cent in 2012, two per cent in 2013 and 2.6 per cent in 2014. The economy is heavily service-based, although it has a foundation in natural resources and industry. Canada trades extensively with the rest of the world thanks to many bilateral and regional Free Trade Agreements (FTAs). This trade accounts for approximately 45 per cent of its GDP. Canada is a major supplier of petroleum and other energy resources.

Canada offers the following competitive advantages for investors:

- Excellent, modern infrastructure
- Abundant natural resources
- Stable economy with low national debt
- Educated productive workforce
- Proximity and easy land access to large markets in USA
- Market oriented economy

While this guide makes reference to some of the most common issues investors might face, it must be noted that certain industries, such as the financial services sector, are subject to special regulation. Therefore, individuals and companies wishing to invest or establish businesses in Canada should seek independent legal advice.

The information in this publication is current at January 2015.

Legal overview

Political and legal system
Canada is a federation consisting of 10 provinces (Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario, Prince Edward Island, Quebec and Saskatchewan) and three territories (Northwest Territories, Yukon and Nunavut). For convenience, in the sections that follow any reference to the "province(s)" or other "provincial" matters, should be taken to include the territories, unless otherwise stated.

Canada is a parliamentary democracy and constitutional monarchy, with a Sovereign (currently, the Queen of England) as its head of state and a Prime Minister as its head of government. The Sovereign is represented in Canada by the Governor General, who is appointed by the Sovereign on the advice of the Prime Minister.

Generally speaking, there are three branches of government in Canada: the executive branch (responsible for decision-making), the legislative branch (responsible for law-making), and the judicial branch (the court system).

The Prime Minister leads the executive branch. He or she is typically the leader of the political party which receives the most votes (for seats in Parliament's House of Commons) during the public election process. Although there is no limit on the amount of time or number of terms a Prime Minister may be in office, federal elections must be held at least once every four years in Canada.

The legislative branch of government is composed of the Senate (typically 105 seats appointed by the Governor General on the recommendation of the Prime Minister and serving until the age of 75) and the House of Commons (typically 308 seats, elected by popular vote). The largest political parties in Canada are the Conservative Party, the Liberal Party and the New Democratic Party (NDP). Other parties are also represented, but in far smaller minorities.

Legislative power is vested in a parliamentary system with different representatives elected to federal and provincial governments. Government responsibilities and functions are divided and/or shared between the federal and provincial governments according to the limits prescribed by the Canadian Constitution. However, in the event of a legislative conflict, federal legislation will prevail.

The judicial branch of government, also known as the court system, exists at both federal and provincial levels. The highest court in Canada is known as the Supreme Court of Canada.

The common law applies in all provinces and territories, except Quebec which is a civil law jurisdiction.

Data protection
In Canada, data protection is regulated by federal, provincial and sectorial laws. Considerations impacting the law(s) applicable to a particular organisation include:

- The location of the organisation
- The jurisdictions in which it operates
- The nature of the information
- The intended use of the information
- Whether the organisation transfers or stores information across borders
- The sector in which the organisation operates

The legislative framework primarily focuses on the protection of personal information. It is designed to balance individual privacy rights with the need to collect and use personal information for reasonable purposes. Personal information is very broadly defined (albeit differently, depending on the applicable statute), but generally includes any information about an identifiable individual.

At the federal level, the collection, use and disclosure of personal information is regulated by the Personal Information Protection and Electronic Documents Act (PIPEDA). PIPEDA also applies in provinces that do not have substantially similar legislation. The following provinces have been declared to have substantially similar legislation:

- British Columbia: Personal Information Protection Act
- Alberta: Personal Information Protection Act
- Quebec: An Act Respecting the Protection of Personal Information in the Private Sector

While these regions can apply their own laws to the collection, use and disclosure of personal information by private organisations, PIPEDA remains applicable to any 'federal works, undertakings, or businesses' conducted within these provinces. Common examples of such entities include banks, airlines and radio broadcasters. In addition, any organisation that transfers personal information between provinces or across borders (for consideration) is also subject to PIPEDA.

Organisations should take heed that they may need to comply with more than one information protection regulatory regime. In addition to federal and provincial laws, organisations may also be subject to sectorial legislation. This is particularly true for organisations dealing with the collection, use or disclosure of health information.

In most cases, businesses wishing to process personal information are not required to register with a regulatory body before collection. However, PIPEDA does stipulate various mandatory and recommended practices intended to ensure the safekeeping of personal information.

PIPEDA (and the substantially similar provincial legislation) generally require compliance with the following principles:

- Accountability: organisations are responsible for the information under their control and must designate an individual responsible for compliance with the legislation
- Identifying purposes: the purpose(s) for which personal information is collected must be specified at the time of or before the collection
- Consent: an individual's informed consent must be obtained for the collection, use or disclosure of their personal information
- Limiting collection: the collection of personal information must be limited to that which is necessary for the purposes disclosed by the organisation. Collection must be through fair and lawful means
- Limiting use, disclosure and retention: personal information cannot be used or disclosed for a purpose other than that for which it was collected, without consent, unless permitted or required by law. Personal information must only be retained for as long as necessary to fulfil the purpose(s) for which it was obtained
- Accuracy: organisations must keep personal information as accurate, complete and up-to-date as necessary for the purposes for which it will be used
- Safeguards: personal information must be protected by safeguards appropriate to its sensitivity
- Openness: organisations must make their policies and practices regarding personal information available to individuals
- Individual access: on request, individuals must be informed of the existence, use and disclosure of their personal information, and must be granted access to it. Individuals must be able to challenge the accuracy and completeness of the information and have it amended as appropriate
- Challenging compliance: organisations must have policies in place to receive and respond to complaints and challenges to their compliance with PIPEDA principles. These policies must be made known on request

Compliance with PIPEDA and/or its provincial counterparts is overseen by the applicable provincial or federal Office of the Privacy Commissioner. The Commissioner's Office may investigate alleged infringements of privacy rights and impose sanctions as appropriate.

The following infringements are punishable with a fine of up to CAD100,000:

- Failing to comply with the requirements for retaining information subject to an access request
- Retaliating against an employee for co-operating with the Commissioner, refusing to violate PIPEDA or complying in good faith with the legislative requirements
- Obstructing the Commissioner in the investigation of a complaint or audit

Exchange controls
Canada is very receptive to foreign investment and has no system of exchange control. Once a business has been established in Canada, profits from that business can be freely paid out to foreign investors, provided applicable withholding tax obligations are satisfied.

Money laundering regulations
Anti-Money Laundering (AML) regulations in Canada are dictated by the Proceeds of Crime Money Laundering and Terrorist Financing Act (the "Act"). The provisions of the Act are intended to satisfy the recommendations of the Financial Action Task Force (FATF).

Foundationally, all regulated entities are required to have in place a compliance regime with each of the following elements:

- Designated compliance officer
- Documented risk based approach
- Documented policies and procedures
- Documented training
- An effectiveness review programme of the compliance regime

The Act includes an administrative monetary penalty regime and criminal charges for non-compliance with its provisions.

In February 2014, certain provisions were added to enhance Canada's anti-money laundering regime and further additions are expected before the end of 2015. Canada's financial intelligence unit is the Financial Transactions and Reports Analysis Centre (FINTRAC) which also monitors compliance with AML regulations. The Office of the Superintendent of Financial Institutions (OSFI) monitors the compliance of all regulated banks.

All reporting under the Act is made to FINTRAC, but other agencies may also be involved, particularly for transactions involving persons on lists of known or suspected terrorists. In Canada, the list of known or suspected terrorists is maintained by OSFI and is publicly available. Most regulated entities monitor this list.

COPYRIGHT	
Copyright covers any manifestation of creative activity of an individual nature, established in any form, irrespective of its value, designation or manner of expression (work). In particular, original creative works may include: works expressed in words, mathematical symbols, graphic signs (literary, journalistic, scientific, cartographic and computer software), artistic works, photographic works, string musical instruments, industrial design works, architectural works, urban planning works, musical works, including any accompanying words, stage works, stage musical works, choreographic and miming works, audio-visual works (including cinematography).	
Protection granted	In Canada, copyright automatically protects original literary, dramatic, musical and artistic works the moment they are created. Copyright can protect: books, films, music, sound recordings, newspapers, magazines and artwork as well as originally created typographical arrangements, databases, media broadcasts, computer programs, communication signals and a performer's performance. Copyright is governed by the Copyright Act and the Copyright Regulations.
Infringements	Acts that infringe copyright include; copying, performing in public, broadcasting, publishing or making any adaptations of the original piece of work, without the consent of the owner In Canada, it is not an infringement of copyright to engage in fair dealing with a work for purposes of research, private study, criticism, review, education, parody, satire or news reporting. Copyright can be enforced by the copyright holder through common law remedies and/or remedies provided by the Copyright Act such as injunctive or monetary relief.
Duration	Copyright is valid for 50 years following the death of the author. If the work is not published before the death of the author, copyright subsists 50 years after the publication. Copyrights cannot be renewed.

PATENTS	
A patent can be obtained in Canada for any new and useful invention. Inventions include processes, machines, manufacturing methods, and compositions of matter and any new and useful improvement thereof. Canadian patents cannot be granted for any mere scientific principle or abstract theorem; however, practical application of the theory may be patentable. Patents are governed by the Patent Act and the Patent Rules.	
Protection granted	For an invention to be protected, an application must be filled with CIPO. Public disclosure of the invention before the patent is filed may prevent the inventor from obtaining a patent. In Canada, patents are granted to the first inventor to file an application.
Infringements	The Patent Act authorises the patent holder to sue for infringement. Canadian courts may make orders for relief by way of injunctions and/or the recovery of damages or profits.
Duration	A patent is valid for 20 years from the filing date.

Intellectual Property Rights
In Canada, Intellectual Property Rights such as trademarks, copyrights, patents and industrial designs are protected by law. There is specific legislation for each type of Intellectual Property Right.

The Canadian Intellectual Property Office (CIPO) is responsible for the administration and processing of most intellectual property in the country. CIPO actively participates in developing and implementing government policies, practices and standards.

Canada signed the Berne Convention for the Protection of Literary and Artistic Work which means that works created in other countries that are signatories of the Convention are entitled to the same protection given by the government to Canada nationals.

TRADE MARKS	
A trade-mark is used to distinguish the goods and services of one trader from another and can be granted for letters, numbers, words, phrases, sounds, shapes, logos, picture and/or an aspect of packaging	
Protection granted	In Canada, trade-marks are regulated by the Trade-marks Act and by the Trade-marks Regulation. While registration is not necessary to obtain protection, the rights afforded by registration and the means to avoid infringement are greater for registered trade-marks. Unregistered trade-marks can be protected under the doctrine of passing off if the trade mark has been in use and possesses goodwill. However, the protection is limited to the geographical region where the owner has developed the reputation for the use of the trade-mark. Registration of the trade-mark gives the owner full protection across Canada. Registration also allows for an action to be brought in any competent jurisdiction.
Infringements	The Trade-marks Act authorises the holder to sue for infringement. Canadian courts can issue orders for relief such as injunctions and/or recovery of damages or profits. The Canadian Criminal Code also makes certain types of trade-mark infringement and counterfeiting criminal offences punishable by fine or imprisonment.
Duration	A trade-mark is valid for 15 years and can be renewed indefinitely. However, modifications to the Trade-Marks Act are anticipated, and once implemented (most likely late 2015), the term of renewal will be reduced to 10 years.

INDUSTRIAL DESIGNS	
Industrial designs are visual features of shape, configuration, pattern or ornamentation or any combination of these features, applied to a finished article.	
Protection granted	To qualify for protection, an industrial design must be original and not have been published in Canada or elsewhere more than one year before the filing date. In Canada, designs are protected by the Industrial Designs Act and the Industrial Designs Regulations. Protection grants the owner the exclusive rights to the use and marketing of the design, and the authority to take legal action against those who infringe those rights.
Infringements	Infringement includes any unauthorised use of a registered design. The Industrial Design Act authorise an action for infringement of an exclusive right. Canadian courts may make orders for relief by way of injunctions and/or recovery of damages or profits.
Duration	An industrial design is valid for 10 years from the date of registration provided the owner pays the necessary fees. This term cannot be renewed.

Conducting business in Canada

Business entities
There are numerous possible structures for a business to take in Canada, including:

- Sole Proprietorship
- Partnership
- Corporation
- Cooperative
- Joint Venture
- Branch Office
- Trust

Of these, Sole Proprietorships, Partnerships, Corporations and Cooperatives are the most popular.

Business vehicles are usually governed by provincial law with the exception of corporations, which may also be governed by federal law. The tax implications vary significantly with each form of business organisation, and therefore professional advice should be obtained before setting up and commencing a business.

Corporations
Corporations are the most common form of business organisation. A corporation can be private or public. Public corporations have to comply with extensive regulation in order to protect investors. As a general rule, the transfer of shares in a private corporation requires the consent of the majority of directors and shareholders.

Corporations may conduct business in any province. However, they must report income earned by province where they carry on business through a permanent establishment. Certain provinces require separate registration of a corporation incorporated outside their boundaries, whether provincial or federal. Federal corporations are entitled to carry on business under their corporate name throughout Canada; but provincial corporations are normally required to obtain extra-provincial licenses or register in each province, though some exceptions apply.

Types of corporations
Different types of corporations have different tax implications and entitle companies to different rates and deductions.

Canadian-controlled private corporations (CCPCs)
A CCPC is a special type of Canadian corporation whose defining feature is that it must not be controlled directly or indirectly by public corporations, non-Canadian residents or any combination of the two.

Other Canadian private corporations
These are generally corporations resident in Canada that are controlled directly or indirectly by non-residents. A private corporation is distinct from a public corporation and cannot be controlled by one or more public corporations, or controlled by one or more federal Crown corporations.

Canadian public corporations
A public corporation is resident in Canada and either has a class of shares listed on a Canadian stock exchange or has elected to be a public corporation under Canada's Income Tax Regulations. A Canadian subsidiary of a public corporation does not count as a Canadian public corporation (provided no shares of the subsidiary are publicly traded on a Canadian stock exchange).

Unlimited liability corporations
In this type of corporation, shareholders are infinitely liable for all acts, debts and other liabilities of the corporation. This category of corporation has been abolished in all Canadian jurisdictions except for Alberta, Nova Scotia and British Columbia.

Other Canadian corporations
These types of corporation do not fit the above definitions and can include such entities as non-resident owned investment corporations, credit unions, cooperative corporations, general insurers and Crown corporations.

Formation
Corporations may be created under either federal or provincial law, but incorporation under provincial legislation is more common (under federal legislation, the public has greater access to financial information, which must be filed under federal statutes). Federal corporations are formed under the Canada Business Corporations Act (CBCA).

The following must be submitted (by mail or online) to request a certificate of incorporation under the CBCA:

- Articles of Incorporation: they must detail the name of the corporation, the classes and allocation of shares, the details of directors and the restrictions on share transfers
- The initial registered office address and initial board of directors
- A NUANS name check
- An incorporation fee of CAD200 for online incorporation or CAD250 for incorporation by mail

While similar, the specific requirements and fees applicable under provincial company laws may vary from province to province.

Capital and residency requirements
There is no minimum or maximum share capital requirement when submitting articles of incorporation.

At least 25 per cent of the directors of a corporation incorporated under the CBCA must be Canadian residents. Corporations incorporated under the certain provincial statutes are also required to include a minimum proportion of resident Canadians on their boards of directors, typically 25 per cent.

Filing requirements
Canadian-resident corporations with an annual gross revenue of more than CAD1 million are required to file an electronic tax return with the CRA. Exemptions from this mandatory e-filing requirement apply to non-resident corporations and insurance corporations.

Dissolution
To legally terminate a federally incorporated company, approval is required under the CBCA. Typically, approval is granted if the dissolution occurs under one of three circumstances:

- The corporation has not issued shares
- The corporation has issued shares but has no property and no liabilities, or has distributed all of its properties and discharged all of its liabilities
- The corporation still has property and/or liabilities which need to be liquidated

In all of the above situations, the shareholders (or directors, if the corporation has no shareholders) must sign a resolution that authorises the dissolution. If approved, the company will then receive a Certificate of Dissolution or a Certificate of Intent to Dissolve. The business is then required to cease activity immediately, except to the extent required to effect dissolution. If a Certificate of Intent to Dissolve is issued, the corporation must inform all creditors of its intent to dissolve.

Provincially incorporated corporations would follow different dissolution procedures, which will vary according to the jurisdiction.

Sole proprietorship
Sole proprietorships provide a simple arrangement for carrying on business. A sole proprietorship exists if an individual is the sole business owner and there is no other form of business organisation. All of the business's benefits and obligations incurred accrue to the sole proprietor and are taxed at tax rates applicable to the individual. Under a sole proprietorship, there is no limit on the individual's liability. While there is no specific regulation for this type of organisation, sole proprietors need to comply with federal, provincial and municipal regulations regarding trade, commerce, licensing and registration.

Branch
Foreign corporations can set up a branch in Canada. The branch is not a legally distinct entity and thus the foreign company is responsible for all debts, liabilities and obligations associated with the Canadian branch. The foreign company would also be subject to Canadian federal and provincial laws.

Branches are normally used by foreign corporations that wish to offset losses incurred by the Canadian branch against taxable profits made by the corporation as a whole. It is a popular tool for start-ups or other organisations where losses are expected. Nevertheless, it must be noted that the amount of these offsets depends on the tax law of the country of incorporation.

Branch operations of foreign corporations are required to register or be licensed as extra-provincial corporations in each province in which the branch office carries out business.

Partnership
In Canada, there are two types of partnerships:

- General partnership

A general partnership consists of two or more persons carrying on a business with a view to profit. General partnerships carry on business under a firm name. However, the business is carried on by the partners and is not a separate legal entity; each partner is jointly liable with the other partners to the full extent of their own personal assets.

- Limited partnership

These must consist of one or more general partners and one or more limited partners. Limited partners share profits in the limited partnership in proportion to the contribution made by the partner, but exercise no control over the business. A limited partner has limited liability and usually has priority over a general partner upon liquidation of the partnership.

Cooperative
A cooperative is a similar type of business to a corporation and is governed by similar laws. It is generally described as a business that is organised, owned and democratically controlled by the

people who use its products and services, and whose earnings are distributed on the basis of use of the cooperative rather than level of investment. A cooperative is distinct in that there is a linkage between the ownership and the users of the business. Cooperatives, such as investor-owned corporations, have elected boards of directors and appointed officers.

Joint ventures
A joint venture (JV) is similar to a partnership in that it involves an arrangement where two or more people contribute goods, services or capital to a common commercial enterprise. The main difference is that a JV is considered to be more informal and temporary. The co-venturers do not act as agents for each other. They each receive a share of gross profits but they share only in the expenses related to the specific project, so the business is not considered a "business in common." Joint ventures also have different tax rules than partnerships in that they are not subject to at-risk rules, and co-venturers do not have to calculate the Capital Cost Allowance at the partnership level. Instead, each co-venturer may claim as little or as much as they'd like. Joint ventures also do not have to file information returns. JVs must have a finite scope of business.

Trusts
A trust is a financial arrangement that typically involves three parties:

- The person who sets it up (the "Settlor")
- The person who manages it (the "Trustee")
- The person who benefits from it (the "Beneficiary")

The trust document outlines the terms and conditions of the arrangement; namely, what assets are to be held, by whom, for how long, and for whose benefit.

There are two types of trusts: inter-vivos trusts and testamentary trusts. An inter-vivos trust is established while the settlor is alive. It can be revocable, where the settlor retains control over the trust's assets, or it can be irrevocable. In general, taxes are either paid by the trust or the trust income and/or capital gains are allocated to the beneficiaries of the trust and taxed in their hands. However, where the trust is revocable, the settlor is required to report and pay tax on the income earned by the trust. There is another special rule whereby most trusts are required to report and pay tax on their unrealised capital gains every 21 years.

Testamentary trusts are created after the settlor dies. The conditions of the trust are outlined in a will or provincial/territorial court order. Although testamentary trusts are currently taxed more favourably than inter-vivos trusts, new rules will eliminate this favourable tax treatment (except for the first three years after the set-up of a testamentary trust), beginning in 2016.

Joint ventures also do not have to file information returns. JVs must have a finite scope of business.

Tax system

Both the federal and provincial governments levy taxes on individuals, trusts and corporations. At present, the federal government collects the personal and corporate income taxes for all provinces except Quebec (which has its own legislation for individuals and corporations) and Alberta (which collects its own corporate income taxes).

Federal tax collection and administration is governed by the Income Tax Act (Canada), and administered by the Canada Revenue Agency (CRA). Provincial/territorial tax legislation also imposes additional tax obligations.

Relief mechanisms against double taxation exist, including foreign tax treaties, foreign tax credits and deductions for foreign taxes paid on certain types of income.

Foreign investors are likely to be affected by the following taxes:

- Corporate Income Tax
- Personal Income Tax
- Goods and Service Tax (GST)
- Harmonised Sales Tax (Value Added Tax)
- Import and Export Duties

Corporate Income Tax

Scope
Corporations resident in Canada are taxed based on their worldwide income from all sources, including net capital gains, regardless of whether they are owned by Canadians or otherwise. Non-resident companies are taxed only on income that originates from Canada. The residence of a corporation is determined by either its jurisdiction of incorporation, or the location of its central management and control (ie where the directors of the corporation hold their meetings).

The standard federal corporate income tax rate is 15 per cent, but individual provinces or territories levy an additional tax varying from 10 to 16 per cent of taxable income on top of the standard rate.

The federal government and the provinces and territories generally operate two tiers of tax, a lower rate which is applied to all income eligible for the Small Business Deduction (a specific tax reduction for private companies that retain control within Canada when certain conditions are met), and a higher rate for all other income.

The following net tax rates (2014) therefore apply:

Province or territory	Small business lower rate (total %)	Higher rate (total %)	Manufacturing and processing rate (total %)
Newfoundland and Labrador	14.5	29	20
Nova Scotia	14	31	31
Prince Edward Island	15.5	31	31
New Brunswick	15.5	27	27
Quebec	19	26.9	26.9
Ontario	15.5	26.5	25
Manitoba	11	27	27
Saskatchewan	13	27	25
Alberta	14	25	25
British Columbia	13.5	26	26
Yukon	14.5	30	17.5
Northwest Territories	15	26.5	26.5
Nunavut	15	27	27

Non-resident companies carrying on business in Canada through a branch are taxable at the normal corporate rate on business income and must also pay a 25 per cent tax on after tax income. This branch tax rate may be reduced by a tax treaty.

Taxable income
Taxable profits are defined in accordance with general commercial principles, which are modified in the Canadian Income tax Act.

Inventories are valued at either cost or the lower of cost and fair market value, which excludes the use of last-in, first-out (LIFO) as a basis for accounting. In general, 50 per cent of meal and entertainment expenses are tax deductible, with a few exceptions.

Administration
Taxpayers must file income tax returns on a yearly basis, within six months of the end of the corporation's tax year. A corporation's tax year usually ends at the same time as the financial statement year end. The balance of tax payable, if any, must be paid within two months of year end, with an extension of a further month possible to corporations

qualifying for the Small Business Deduction, provided that certain conditions are met.

A penalty is levied on income tax returns that are late at a rate of five per cent of the value of the unpaid tax, plus an additional one per cent for each subsequent month that the tax remains unpaid (up to a maximum of 12 months).

Capital gains
The taxable portion of capital gains is 50 per cent. A taxpayer's capital gain from the disposition of capital property is equal to the amount by which the taxpayer's proceeds of disposition of the property exceed the adjusted cost base of the property and any reasonable expenses incurred by the taxpayer for the purpose of making the disposition.

Non-residents must pay tax on their capital gains derived from the disposition of "taxable Canadian property" (TCP), which includes:

- Real property situated in Canada
- A share of a corporation not listed on a designated stock exchange, or an interest in a partnership, or an interest in certain types of trusts, where the value of the share or interest, at any time during the five year period immediately prior to the disposition, is derived principally from options in respect of or interest in any combinations of real property situated in Canada, Canadian resource property or timber resource property
- Property held as inventory of a business carried on in Canada

A non-resident vendor of TCP is required to give notice of the disposition to the Minister. Where a non-resident disposes of TCP to a purchaser, the purchaser is liable for tax on behalf of the non-resident vendor equal to 25 or 50 per cent of the cost to the purchaser of the property (depending on the type of property) unless the vendor pays tax or provides acceptable security in respect of the disposition and obtains a compliance CRA1.

The purchase of taxable Canadian property from a non-resident vendor is also exempt from the liability described above if the purchaser concludes, after reasonable inquiry, that the vendor is resident in a country that has a tax treaty with Canada and that the relevant tax treaty provides, at the time of the disposition, that the property is treaty-protected from any tax liability. The onus is on the purchaser to confirm this and to notify the CRA no later than 30 days after the acquisition.

Capital loss carry back
The amount of capital gains subject to tax is half of the gain otherwise realised. Capital losses are subject to the same 50 per cent rule and may only be offset against capital gains. Unused capital losses may be carried back three years and forward indefinitely against capital gains. However, where a corporation has been subject to an acquisition of control, capital losses cannot be carried forward to post-acquisition taxation years. With the exception of the acquisition of control rules, these rules apply equally to individuals and corporations.

Groups
Canada does not allow related companies to group and consolidate tax reporting and provides no reliefs for group losses.

Thin capitalisation rules
Canadian law restricts the ability of certain non-residents to withdraw profits through deductible interest charges. The regulations restrict the deductibility of interest paid by a Canadian corporation on debts owing to "specified non-residents" (ie non-residents that, either alone or together with persons with whom they do not deal at arm's length, hold shares of the corporations representing at least 25 per cent of the votes or value of the corporation, or non-resident persons not dealing at arm's length with such shareholders).

The corporation is not permitted to deduct a specified amount interest deduction where the amount of debts owed to specific non-residents exceeds 1.5 times the equity of the corporation. Certain regulations apply to Canadian resident corporations and to any partnerships in which a Canadian resident corporation is a member.

For 2014 and later taxation years, the rules also apply to Canadian-resident trusts and to any partnerships in which a Canadian resident trust is a member, provided that the trust includes non-resident beneficiaries that hold at least a 25 per cent interest as beneficiaries2.

Foreign affiliates
A non-resident corporation can be considered a foreign affiliate of a Canadian corporation if the Canadian corporations owns at least one per cent of any class of shares of the non-resident corporation, and if the Canadian corporation and other related persons own at least 10 per cent of any class of shares.

Dividends received by a Canadian corporation from a foreign affiliate are fully deductible in certain cases. The determination of deductibility can be quite complex.

Dividend income
In general, dividends paid from one Canadian corporation to another are not subject to Corporate Income Tax. Private corporations are however subject to a special 33.3 per cent refundable tax on dividends received from portfolio investments and in situations where the dividend payer has received a dividend refund.

Dividends paid to Canadian individual residents are taxable, but the individual will also receive a dividend tax credit, as the dividend is paid out of income that has already been taxed once (at the corporate level).

Withholding tax
Withholding tax is a tax imposed on property income payments received by non-Canadian residents from Canadian residents, wherein the tax must be withheld from the payment to the non-resident. This includes dividends, rents, royalties, certain management and technical service fees and similar payments. Interest on debts owed to arm's length non-resident persons or entities is not subject to withholding tax (with certain exceptions such as participating debt interest). Interest on debts owed to non-arm's length persons or entities such as related parties are still subject to withholding tax.

Withholding tax is applied at a rate of 25 per cent (tax treaties may provide for lower rates).

Canada's domestic tax law also provides other exemptions to interest payments on certain debt obligations. Interest considered "fully-exempt" includes:

- Interest paid by a government body or crown corporation
- Interest paid on a mortgage or hypothecary obligation secured by real property outside of Canada
- Interest paid to certain prescribed international organisations and agencies
- Deemed interest amounts pertaining to securities lending arrangements

Certain treaty positions will also reduce the tax payable to certain companies and vary between different countries.

Transfer pricing
Canada's transfer pricing rules are those recommended by the Organisation for Economic Co-operation and Development (OECD). These rules include comparable uncontrolled price, resale price and cost-plus. Other methods may be used if the transaction is carried out based on the arm's length principle.

A penalty is applied if the value of the pricing adjustment exceeds the lesser of either:

- 10 per cent of the taxpayer's gross revenues
- CAD5 million

The penalty is applied only where no "reasonable effort" was made to determine and apply arm's length prices.

It is possible to enter into advance transfer pricing agreements with the CRA.

Tax incentives

Small Business Deduction
A reduced income tax rate is available to a corporation that is a Canadian-controlled private corporation (CCPC), on income earned from an active business carried on in Canada. However, the reduced income tax rate only applies to the first CAD500,000 of such income earned by a CCPC (the 'small business limit'). Although the small business limit for most of the provinces is also CAD500,000, there are some differences3.

A CCPC is eligible for numerous benefits including:

- Access to the small business deduction (a significant income tax deduction, that varies between provinces) when certain conditions are met – as noted above
- An additional month in which to pay taxes, subject to certain conditions
- Enhanced, fully refundable federal tax credits for expenditure on scientific research and development (provincial credits vary by province)
- Deferral of an employee's taxable benefit arising from the exercise of stock options

Manufacturing and Processing (M&P) Investment Tax Credit
Several provinces offer tax credits related to the investment in manufacturing and processing property and equipment. The amount of these tax credits is based on the capital cost of eligible property and equipment and varies among jurisdictions, ranging from as low as four per cent to 40 per cent. The tax credits are only applicable to M&P property acquired within certain dates specified by the jurisdiction.

The rates (as of the end of 2014) are summarised as follows:

Province or territory	Rate (%)	Property acquired after:	Before:
Manitoba	10	11/3/1992	1/1/2018
Nova Scotia	20	19/12/2010	No cut off
Prince Edward Island	10	31/12/1992	
Quebec	5-40	12/3/2008	4/6/2014
	4-32	5/6/2014	1/1/2018
Saskatchewan	6	27/3/1999	31/3/2004
	7	1/4/2004	27/10/2006
	5	28/10/2006	No cut-off

Personal Income Tax (PIT)

Although the federal and provincial jurisdictions administer different tax systems, collection is managed through a central agency: the Canada Revenue Agency (CRA). The only provinces that do not participate are Quebec and Alberta, which manage their own tax collection.

Disagreements are managed through the Tax Court of Canada, which may refer to the Federal Court of Appeal and ultimately, to the Supreme Court of Canada.

Individuals liable to income tax

Resident individuals in Canada will be subject to tax on their worldwide income. An individual's residence is a question of fact. Under Canadian jurisprudence, an individual is resident where the individual, in her or his settled routine of life, regularly, normally or customarily lives. In addition, the Income Tax Act deems an individual to be resident in Canada in certain situation, including where the individual sojourns in Canada for 183 days of the year or more.

Non-residents are subject to Canadian income on certain Canadian source income, including income from a business in Canada, employment performed in Canada, or dispositions of taxable Canadian property.

Taxable income

There are three basic types of income:

- Income from an office or employment
- Income from a business
- Property income

The income tax legislation provides a number of deductions to determine income for tax purposes. However, in the case of employment income, very few deductions are allowed, although certain contributions to a retirement or a pension plan and certain travelling and employment related expenses may be deducted.

Business income is calculated according to certain legislative provisions and concepts established according to jurisprudence: income for accounting purposes (before adjustments are made to calculate taxable income), is generally calculated according to ASPE or IFRS; capital expenditures may be amortised in accordance with regulations; expenses must be reasonable; and interest expenses may be limited, particularly when paid to non-residents.

Capital gains

For the most part, capital gains taxes apply identically to individuals and corporations. Only the gains and losses for personal-use property and listed personal property (LPP) are calculated separately from other capital assets. LPP typically includes personal-use property that can be expected to increase in value over time, such as stamps, coins, art, jewellery, rare books, folios and manuscripts. Capital cost allowance cannot be claimed on this property.

Losses (non-capital)

Non-capital losses (ie losses from office or employment, business of property) may be used to reduce income from other sources. Unused non-capital losses can be carried back three taxation years and carried forward seven, 10 or 20 taxation years (the carry forward period is determined by the year in which the loss is incurred).

Individual responsibilities in relation to Canadian personal income tax

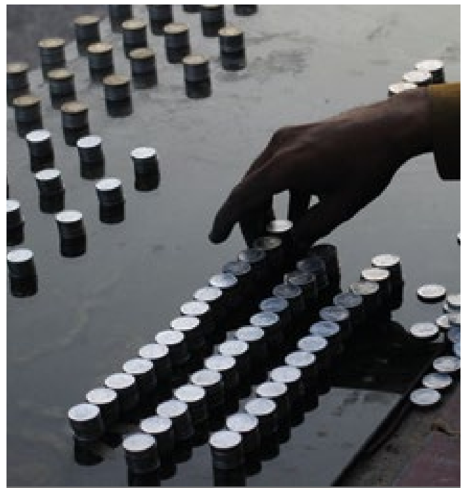
The Canadian tax system is based on self-assessment. Taxpayers are required to prepare and file the prescribed tax returns. The tax liability is satisfied by source deductions, tax instalments and payment on filing.

The deadline for filing personal income tax returns is 30 April (or 15 June in limited circumstances) of the following calendar year. Individuals must declare their income taxes on a yearly basis.

Federal tax rates

Residents – Federal tax on income (2015)		
Annual taxable income (CAD)		Tax rate (%)
Income exceeding	Not exceeding	
0	44,701	15
44,701	89,401	22
89,401	138,586	26
138,586	–	29

Individual territories and provinces will apply different income taxes, and it will be necessary for any foreign investor to consult the tax authority of a particular province or territory to ascertain both the relevant and most recent rates.



The Canadian tax system is based on self-assessment. Taxpayers are required to prepare and file the prescribed tax returns. The tax liability is satisfied by source deductions, tax instalments and payment on filing.

Services rendered in Canada by a non-resident

Fees, commissions and other amounts paid to non-residents for services rendered in Canada are subject to a 15 per cent withholding tax. This is not a final tax, but is an instalment against the non-resident's Canadian income tax liability, if any. The province of Quebec imposes an additional withholding tax of nine per cent for services rendered in Quebec.

Subject to satisfying certain administrative conditions, the non-resident may be granted a treaty-based waiver, or a partial waiver (income and expense waiver), which must be obtained in advance of payment. In lieu of the presence of a waiver, the payer is obliged to withhold and remit the tax.

The rules apply to resident and non-resident payers.

Other taxes

Good and Services Tax (GST)/ Harmonised Sales Tax (HST)

Most goods or services bought, sold or provided in Canada, or imported into the country, are subject to five per cent GST. In general, businesses can recover the tax through an input tax credit if the good or service is acquired for commercial activities.

Application

The provinces of Ontario, Newfoundland and Labrador, Nova Scotia, Prince Edward Island, and New Brunswick have "harmonised" their provincial sales taxes with the GST resulting in a single value added tax (the HST) being levied under the Federal legislation on goods and services supplied in those provinces. Quebec has also harmonised its provincial sales tax (called the Quebec Sales Tax or QST) with the federal GST under Provincial legislation which means there is still separate registration and collection of QST for most businesses in Quebec. Although British Columbia had implemented a harmonised sales tax system (effective 1 July 2010) the province reverted to its previous PST plus GST system in 2013. Under the harmonised sales tax system the federal portion of the tax is five per cent but the provincial component of the tax varies by province. The province of Alberta does not levy a provincial sales tax and, therefore, only the five per cent GST is applicable there.

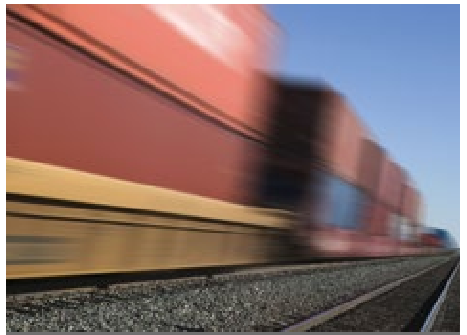
Certain "place of supply rules" determine when to charge the five per cent GST or the HST rate. Certain goods and services are taxed at a rate of zero per cent. These goods and services include those intended for export, basic groceries, certain equipment intended for a farmer or fisherman, prescription drugs and certain medical devices. The GST/HST does not apply to tax exempt goods and services. However, all the inputs used to manufacture, produce or sell such goods or services are ineligible for input tax credits.

Exemptions

Most purchases subject to tax exemption are essential services and financial services. Any person or business carrying on a commercial activity in Canada with sales of more than CAD30,000 a year is required to register and collect the GST/HST on the sale of any taxable good or service as part of this activity. Others may elect not to register, but will then have to pay the GST/HST on the taxable goods and services they buy and will not be able to claim an input tax credit.

Input (GST/HST) Tax credit

A registrant carrying on taxable or zero-rated commercial activities may claim a credit for any tax paid on inputs. An input tax credit is calculated from the GST or HST paid on expenses used in a business's commercial activity. The input tax credit will be deducted from the taxes collected on taxable sales. The net amount will be the remittance to



Special anti-dumping duties exist for imported goods sold in Canada at prices below those in the home market.

be paid or the refund to be claimed from Canada Revenue Agency, as the case may be. Registrants will have monthly, quarterly or annual reporting periods, depending on their sales.

Provincial sales taxes

Four out of ten provinces in Canada (BC, Saskatchewan, Manitoba and Quebec) levy an additional provincial sales tax on goods and certain services, although rates vary across the different jurisdictions. Some provinces also levy tax on resources. Alberta is the only province that does not levy a provincial sales tax.

Employment Insurance

The Employment Insurance (EI) program is controlled by the federal government (except for the Quebec Parental Insurance Plan which is controlled by the Quebec government). Employers and employees are required to contribute to the plan. The employer's required contribution is 1.4 times the amount payable by the employee. There is an annual limit to the amount that the employee and employer are required to contribute. The employer claims the amount paid as a tax deduction and the employee is entitled to a non-refundable tax credit.

EI premiums apply to non-residents performing employment duties in Canada, but generally an exemption is available where the unemployment laws of the home country require premiums to be paid for that employment.

Property taxes

Property owners in Canada are required to pay property tax on real estate. The amount paid is based on the current use and value of the land. Property tax rates vary from municipality to municipality, although provincial legislation determines how property taxes are to be assessed.

Customs duties

The Canada's Customs Tariff codifies the rate of customs duties in Canada, and is based on the World Customs Organisation's (WCO) Harmonised Commodity Description and Coding System (HS). Essentially, customs duty rates are determined according to the country of origin of the goods and whether the country falls under a most-favoured-nation status.

Under the North American Free Trade Agreement (NAFTA), tariffs were eliminated from all goods traded between Canada, the US and Mexico with the exception of those originating from the agricultural, dairy, poultry, egg and sugar industries. Excise duties are applied to alcohol, beer, tobacco and related products.

Special anti-dumping duties exist for imported goods sold in Canada at prices below those in the home market. Goods sold in Canada that are subsidised by the exporting country may be subject to a counter-veiling duty. These duties are imposed over and above the normal customs tariffs.

[1] Includes the 11 per cent federal small business rate.

[2] The tax rate attributable to income derived from manufacturing and processing activity.

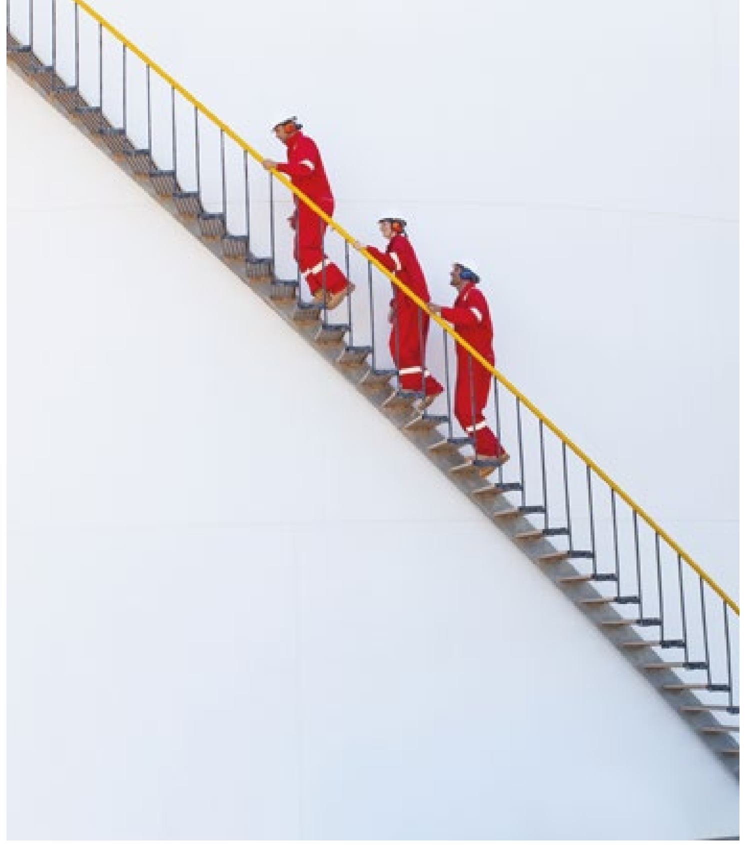
[3] The compliance certificate verifies that the non-resident vendor has made the necessary arrangements for the payment of any resulting tax.

[4] The 2014 expansion of the application of the rules also includes certain non-resident corporations and trusts that carry on a business in Canada.

[5] The small business limit for Nova Scotia is only CAD350,000 while the limit for Manitoba is CAD425,000.

[6] Quebec credit rate is based on both the location within Quebec where the investment is made and the corporation's consolidated paid-up capital.

Labour



Each jurisdiction in Canada (ten provinces, three territories and the federal jurisdiction) has enacted employment standards legislation which sets out the minimum standards to which employers must generally adhere with respect to such matters as: the payment of wages, minimum wage levels, record keeping, hours of work, overtime, public paid holidays, vacation pay, leaves of absences (such as maternity and parental leaves) and entitlements to notice of termination or pay in lieu thereof.

Generally speaking, employment standards legislation sets out the statutory 'floor' of employee rights and benefits. Employers may not, unless an exemption exists – provide less than what is set out in the employment standards legislation of the jurisdiction or jurisdictions in which they operate.

It is also important to remember that in Canada, employment law is not restricted to what is contained in minimum standards legislation. Indeed, employers in Canada must also be aware of privacy, workers' compensation, occupational health and safety, human rights and labour relations legislation, among others. Further, employers should also be aware of the significant role that the common law plays in developing and determining the law in many of these areas.

Some of the key standards and issues that should be considered by employers looking to do business in Canada are briefly canvassed below.

Employment contract

Other than the requirement that an employment contract complies with the applicable employment standards legislation, there are no prescribed forms for employment contracts. Further, employment contracts do not specifically need to be written; they can be implied, oral, or some combination thereof.

Minimum wage

Residents Federal tax on income (2015)	
Annual taxable income (CAD)	
Jurisdiction	**Hourly wage (CAD)**
Alberta	10.20
British Columbia	10.25
Manitoba	10.75
New Brunswick	10.30
Newfoundland and Labrador	10.25 (CAD10.50 from 1 October 2015)
Northwest Territories	10.00
Nova Scotia	10.40 (CAD10.60 from 1 April 2015)
Nunavut	11.00
Ontario	11.00
Prince Edward Island	10.35 (CAD10.50 from 1 July 2015)
Quebec	10.35 (CAD10.55 from 1 May 2015)
Saskatchewan	10.20
Yukon	10.72

It should be noted that some types of employees (such as, in some jurisdictions, employees who serve liquor) may be subject to a minimum wage other than the general minimum wage.

The minimum wage for employees under federal jurisdiction is the general minimum wage rate established in each province or territory. For example, a federally regulated employee working in British Columbia would be subject to the general minimum wage applicable to employees in British Columbia.

Hours of work and overtime

Every jurisdiction in Canada has set out minimum standards with respect to hours of work and overtime, and the key general standards are set out as follows:

Jurisdiction	Maximum Hours of Work	Extended Hours of Work	Entitlement to Overtime Pay
Federal	48 hours/week	With approval of the Minister of Labour or in the case of an emergency	Above 8 hours per day or 40 hours per week.
Alberta	8 hours/day; 44 hours/week	12 hours/day or 44 hours/week; more with approval of the Director.	Above 8 hours per day or 44 hours per week.
British Columbia	No limit subject to requirement that employees not be required to work "excessive" hours.		Above 8 hours per day or 40 hours per week.
Manitoba	8 hours/day; 40 hours/week	More with approval.	After 8 hours per day or 40 hours per week.
New Brunswick	No limit.		Above 44 hours per week.
Newfoundland and Labrador	40hours/week	16 hours/day; Minister may exempt.	Above 40 hours per week.
Northwest Territories	8 hours/day; 40 hours/week	10 hours/day; 60 hours/week Employer may require or permit more with approval.	Above 8 hours per day or 40 hours per week.
Nova Scotia	48 hours/week	More with approval.	Above 48 hours per week.
Nunavut	8 hours/day; 40 hours/week	10 hours/day; 60 hours/week Employer may require or permit more with approval.	Above 8 hours per day or 40 hours per week.
Ontario	8 hours/day; 48 hours/week	More than 8 hours/day with employee's written consent; not more than 13 hours/day; More than 48 hours/week with employee's written consent and approval from Dir. of Employment Standards.	Above 44 hours per week.
Prince Edward Island	48 hours/week	More than 48 hours/week with board approval.	Above 48 hours per week.
Quebec	40 hours – Employee may refuse to work over a certain number of hours.	Staggering of working hours possible with approval of the Labour Standards Commission or collective agreement.	Above 40 hours per week.
Saskatchewan	8 hours/day (10 hours/day on 4 day work-week) 40 hours/week	44 hours/week, more with employee consent.	Above 8 or 10 hours per day (depending on 4 or 5 day workweek) or 40 hours per week.
Yukon	8 hours/day; 40 hour/week	With written agreement, may extend to 12 hours/day maximum, but no more than total of 80 hours/2 weeks.	Above 8 hours per day or 40 hours per week.

In this area in particular, there are a variety of related requirements surrounding break times and hours of rest between shifts, as well as numerous exemptions and arrangements that may be applicable to a particular employer's operations. Employment standards legislation must be carefully reviewed by all employers and potential employers in Canada.

Vacation time and pay

Every jurisdiction in Canada has set out minimum standards with respect to vacation time and vacation pay, which are summarised as follows:

Jurisdiction	Maximum Hours of Work
Federal	2 weeks after 1-5 years 3 weeks after 6 years
Alberta	2 weeks after 1–4 years 3 weeks after 5 years
British Columbia	2 weeks after 1–4 years 3 weeks after 5 years
Manitoba	2 weeks after 1–4 years 3 weeks after 5 years
New Brunswick	Less than 8 years: lesser of 2 weeks or 1 day for each month worked during vacation pay year. More than 8 years: lesser of 3 weeks or 1.25 days for each month worked.
Newfoundland and Labrador	2 weeks 3 weeks after 15 years
Northwest Territories	2 weeks after 1–5 years 3 weeks after 6 years or more total service within the last 10 years

Jurisdiction	Maximum Hours of Work
Nova Scotia	2 weeks 3 weeks after 8 years or more
Nunavut	2 weeks after 1–5 years 3 weeks after 6 years or more total service within the last 10 years
Ontario	2 weeks
Prince Edward Island	Less than 8 years of service: 2 weeks More than 8 years of service; 3 weeks
Quebec	1 day per month of service, total not more than 2 weeks with less than 1 year of continuous service 2 weeks between 1–4 years; 3 weeks after 5 years
Saskatchewan	3 weeks after 1–9 years; 4 weeks after 10 years
Yukon	2 weeks

Social security

Employees working in Canada are entitled to a variety of social benefits which include the Canada Pension Plan, employment insurance and worker's compensation.

Canada Pension Plan

The Canada Pension Plan (CPP), along with the Old Age Security benefit, is intended to support Canadians during their retirement. These funding sources may be supplemented with other savings vehicles as well.

Employers and employees in all provinces except Quebec are required to contribute equally to the Canada Pension Plan (CPP). Contributions are based on an employee's income. Quebec is the only province that has its own pension plan, the Quebec Pension Plan (QPP), which resembles the CPP. Again, the employer can claim the amount paid as a tax deduction and the employee gets a non-refundable tax credit to apply against their other owed taxes.

For 2015, the range of pensionable earnings for the purpose of the CPP contributions is between CAD3,500 and CAD53,600. The CPP contribution rate is 9.9 per cent, split equally between employer and employee. Thus, the maximum amount deducted from an individual employee is CAD2,479.95.

For the purpose of QPP contributions, the range of pensionable earnings is also between CAD3,500 and CAD53,600. However, the QPP contribution rate is 10.50 per cent, split equally between employer and employee. Thus, the maximum annual contribution to be deducted from an individual employee is CAD2,630.25.

CPP and QPP contributions may apply to non-residents performing employment duties in Canada.

In addition, there are a variety of other methods in which Canadians may save for their retirement. For example, Canadians also have the option of saving for their retirement through a Registered Retirement Savings Plan (RRSP)—a vehicle that allows them to put aside money tax free until it is withdrawn from the plan (generally during retirement, although amounts can be withdrawn at any time subject to certain terms and conditions). RRSPs must be converted into a Registered Retirement Income Fund (RRIF) or annuity by the end of the year in which the beneficiary of the plan turns 71.

Some employers also help build an individual's retirement income by providing private pension plans.

In addition, some jurisdictions have recently introduced pooled registered pension plans (PRPPs). These plans are similar to a group administered RRSP for employees, but are intended for workers who do not have employer-sponsored plan, as well as for the self-employed.

Employment insurance
The employment insurance (EI) programme offers security to Canadians who are involuntarily, and temporarily, out of work. When employees lose their jobs they may be able to receive payments from the Employment Insurance fund for a set period of time, based upon the region of the country where they were employed and for how long, until they obtain their next job.

The EI programme is controlled by the federal government (except for the Québec Parental Insurance Plan which is controlled by the Québec government). Employers and employees are required to contribute to the plan. The employer's required contribution is 1.4 times the amount payable by the employee. The employer claims the amount paid as a tax deduction and the employee is entitled to a non-refundable tax credit.

Workers' compensation
Workers' compensation programmes provide a no-fault insurance scheme whereby workers (or their dependants) receive compensation benefits in the event of an injury or fatality arising out of and in the course of their employment. Workers' compensation benefits are generally funded through employer payroll deductions.

Leaves of absence
The employment standards legislation of every jurisdiction in Canada provides for a variety of employee leaves of absence. These should be carefully reviewed, with counsel, when determining which leaves you or your employees may be entitled to receive.

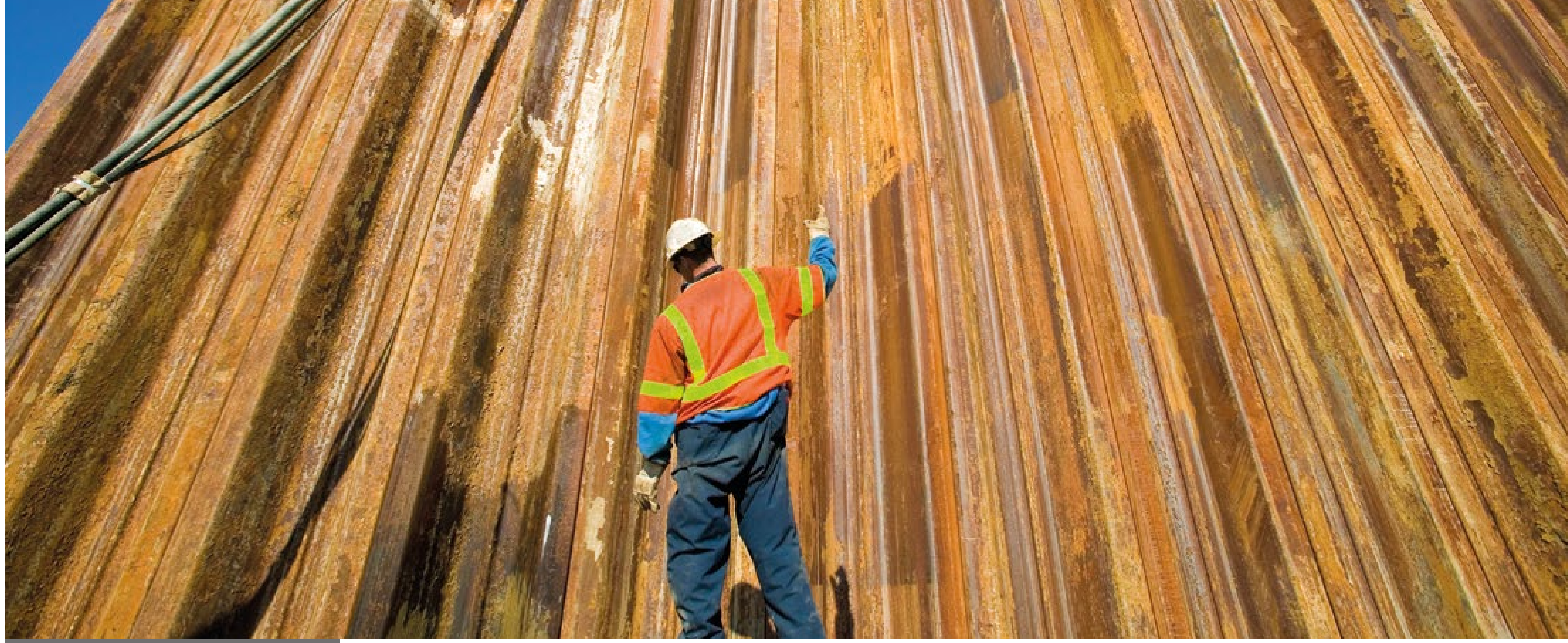
Employees in every jurisdiction in Canada are entitled to maternity and parental leave.

Maternity leave is provided for pregnant employees for up to 17 weeks of unpaid time off (except for in Alberta, which provides for 15 weeks, and Quebec and Saskatchewan, which provide for 18 weeks).

Parental leave is available for employees who are birth parents or adoptive parents. Each province provides for parental leave between 34 and 37 consecutive weeks, with the exception of Nova Scotia and Quebec, which provide for a maximum of 52 weeks of parental leave.

The EI programme also offers temporary financial assistance to workers who are unable to work due to pregnancy or childbirth.

EI maternity benefits are provided to biological mothers who cannot work because they are pregnant or have recently given birth. A maximum of 15 weeks' maternity benefits is available.



The EI programme also offers temporary financial assistance to workers who are unable to work due to pregnancy or childbirth.

EI parental benefits are offered to parents who are caring for a new born or a newly adopted child. A maximum of 35 weeks of parental benefits are available to biological, adoptive, or legally recognised parents. The two parents can share these 35 weeks of benefits. A person recognised as the child's legal parent on the provincial or territorial birth certificate may be eligible to receive parental benefits.

Termination of employment
In all Canadian Jurisdictions, employees who are terminated without cause are entitled to notice of termination, or pay in lieu thereof. Canadian common law (and civil law in Quebec) prohibits the concept of "employment-at-will", in which employers can unilaterally terminate employees without notice of termination or pay in lieu thereof on a without cause basis. With few exceptions, employees can only be terminated without notice of termination or pay in lieu thereof when an employer has 'just cause' to terminate.

Notice
The employment standards statutes of each jurisdiction provide for the minimum amounts of notice or pay in lieu that must be provided to employees. Special notice requirements may apply for the group termination of employees.

In addition, employees may also be entitled to notice of termination or pay in lieu thereof over and above that set out in the applicable statutes based on the concept of 'reasonable notice'.

Employment of resident and non-resident employees
Generally, a non-Canadian citizen must either obtain permanent resident status (by satisfying immigration requirements) or obtain a valid work permit in order to work in Canada.

Obtaining a work permit will involve ascertaining whether a worker needs a Labour Market Impact Assessment (LMIA), or whether the worker is LMIA exempt. LMIA exempt workers can work through the International Mobility Programme and workers who need a LMIA can enter Canada through the Temporary Foreign Worker Programme.

The Temporary Foreign Workers Programme allows employers to hire foreign workers to fill short term labour shortages, when Canadian labour is unavailable. Applications for a LMIA must be completed by the employer to, in most cases, demonstrate the need to fill the job with a foreign worker, and that no Canadian labour can be found to do the job.

The International Mobility programme allows employers to hire foreign workers without the need for a LMIA. These exemptions are typically granted on the basis of significant or reciprocal benefits for Canada.

Foreign nationals seeking entry to Canada to engage in international business activities without directly entering the labour market may qualify for entry as Business Visitors exempted from the requirement to obtain a work permit, provided certain requirements are met.

In addition to a work permit, foreign internationals from certain countries or territories may have to apply for a Temporary Resident Visa at a visa office outside Canada in order to be permitted to travel to Canada.

Trade unions
Trade unions are generally free to organise employees. Unionised workplaces are governed by collective agreements which stipulate the terms and conditions of work for all unionised employees, which may be different than those provided for in employment standards legislation.

Audit

Accounting Standards
In Canada, accounting standards are established and monitored by the Accounting Standards Board. Recognised standards include the Canadian Generally Accepted Accounting Principles (GAAP), the International Financial Reporting Standards (IFRS), and the Accounting Standards for Private Entities (ASPE). Different standards may apply depending on the entity and circumstances involved.

Canadian publicly accountable entities adopted International Financial Reporting Standards (IFRS) in 2011.

Canadian privately held businesses have the option to adopt either IFRS or Accounting Standards for Private Entities (ASPE), which are based primarily on old Canadian Generally Accepted Accounting Policies, which are similar to IFRS standards.

Reporting standards for corporations are derived from the Canadian Institute of Chartered Accountants (CICA) Handbook and provincial securities legislation. Each province has its own securities commission responsible for ensuring that information pertaining to offerings is complete and not misleading. Various industry bodies (eg real estate and educational institutions) have also established specific industry guidelines and standards.

Accounting records and reporting
The Canada Business Corporations Act (CBCA) and various provincial statutes prescribe requirements for maintaining accounting records. A business must keep accounting records with sufficient detail to determine the company's tax obligations and entitlements. These records must be supported by appropriate documentation and allow the company to produce financial statements that provide full and fair disclosure of the financial condition of the business, in accordance with the applicable accounting standards.

Although there is no requirement as to the form in which accounting records must be kept, they must be able to disclose with reasonable accuracy, at any time, the financial position of the company. Accounting records must accurately reflect the company's assets, liabilities, revenues and expenses, and fairly represent the transactions the company conducted or been involved with.

The accounting records must be kept at the company's registered office or at such other place as the directors see fit. The statutory books and records of a Canadian corporation, including those maintained in electronic form, must be kept in Canada.

Companies that are publicly listed are required to comply with the requirements of the relevant securities regulators and stock exchanges that they are listed on. They need to file annual audited financial statements and quarterly unaudited financial statements. Privately owned companies do not need to disclose their financial results publicly.

A corporation shall retain its accounting records for a period of six years after the end of the financial period to which the records relate, subject to any other Act of Parliament or provincial requirement that provides for a longer retention period.

Filing and submission of statutory financial statements
Canadian law requires that public companies provide investors with annual audited financial statements. These statements must be accompanied by certificates signed by the CEO and CFO, much like the system in the United States of America.

Financial statements are required to be prepared in accordance with the appropriate accounting model – IFRS for public companies and private entities that choose to use IFRS, ASPE for private entities, or other accounting standards available to not-for-profit organisations. At a minimum the corporation needs to compile financial statements for filing with the Canada Revenue Agency. These statements must be filed with the Canada Revenue Agency within six months of the company's fiscal year end. If any tax is owed by the corporation, payment may be required at an earlier date. Public companies require audits and must file them with the appropriate securities regulator.

Audit requirements
Most acts related to incorporating a business call for a company to prepare audited financial statements on an annual basis. However, the requirement for an audit can be waived, if desired, by a unanimous vote of shareholders in some circumstances. Audits are required for public companies listed on any of the stock exchanges in Canada and for certain financial services companies, whether public or not.

Trade

Foreign Direct Investment
The Canadian economy is strongly oriented towards Foreign Direct Investment (FDI). Canada thrives on international trade and foreign investment, particularly in natural resources such as energy, mining products and timber.

Canada is generally permissive in its approach to regulating FDI. Investments by non-Canadians to either acquire control of a Canadian business or establish a new Canadian business are generally subject to the provisions of the federal Investment Canada Act (ICA) which can require a foreign investor to either file a notification with the federal government following implementation of a proposed investment or an application for review prior to implementation (in which case Ministerial approval of the transaction must be obtained in order to implement the investment).

Whether a proposed investment is subject to notification or review depends on whether certain financial thresholds set out in the ICA are exceeded. Generally, the ICA offers preferential treatment to investors from WTO member states in that they are subject to higher review threshold for direct acquisitions and only have to file notifications for indirect acquisitions. Non-WTO investors are subject to lower review thresholds for both types of acquisitions. Special considerations apply to investments in Canadian cultural businesses, which may be subject to federal policies restricting certain types of foreign investment in the cultural sector.

The substantive test that is applied by the Canadian federal government for reviewable investments in whether a proposed investment is likely to be of "net benefit" to Canada, a multi-factored test that is largely economic in nature.

Like a number of other major jurisdictions, Canada also has a national security screen for foreign investments. The national security test and review process are also contained in the ICA, but may be applied separately from the "net benefit" test described above and are quite different from a substantive and procedural perspective. However, in practice, few investments have raised national security issues.

Finally, and in addition to the above, there are some sector specific rules that govern FDI in certain industries.

Government incentives
The Export Development Corporation (EDC), a Federal Crown Corporation, has programmes to encourage domestic producers to expand beyond Canadian borders. Most of its programmes relate to guarantees of foreign receivables.

The Canadian federal and provincial governments offer the manufacturing sector a wide range of financial assistance programs to actively promote Canada's industrial development. The programmes are designed to favour the establishment, development and modernisation of industries.

Eligibility for most direct incentive programs is often limited to companies incorporated under federal or provincial laws. Also, government assistance is often only available when it can be demonstrated that traditional private sector financing cannot be obtained. Therefore, projects should be industry-specific or designed to be implemented in areas designated as eligible for assistance.

Financial incentives are available to manufacturers, exporters or potential exporters for activities that include:

- Establishing, expanding or modernising industries in targeted regions
- Technology research and innovation
- Developing export markets
- Promoting participation in tenders for international projects
- Providing export credit insurance and financing
- Manpower retraining and development

Imports

Import and export controls
The flow of goods in and out of Canada is governed by the Export and Import Permits Act (EIPA). The EIPA controls the export of specific goods and technologies included on the Export Control List and to Countries listed on the Area Control List. Export and import permits are issued by the Department of Foreign Affairs, Trade and Development in Canada.

Canada has also imposed economic sanctions against a number of countries, individuals and organisations. These sanctions are enacted pursuant to Acts including the Criminal Code, the United Nations Act, the Special Economic Measures Act and the Freezing Assets of Corrupt Foreign Officials Act.

Canada is also a signatory to a number of free trade agreements.

Of particular note, Canada is a member of the North American Free Trade Agreement (NAFTA). NAFTA, which has been in force since 1994, governs investment in and trade relations between Canada, the United States and Mexico. Canada has also entered into several other bilateral and regional trade agreements.

Import restrictions
Most products may be imported into Canada; however, there are a few restrictions. Certain products are prohibited, while other products are controlled by the Canadian government and may require special licences, including:

- Military goods
- Softwood lumber
- Firearms
- Sugar and products containing sugar
- Logs

Additionally, there are tariff rates and quotas in place to protect domestically produced agricultural and food products.

Duties and/or taxes may need to be paid in order for imported goods to clear customs. Provincial regulations may also impose additional requirements on certain imported goods. A Canadian customs broker or freight forwarder can be a helpful resource in determining the import rules and regulations in a specific market.

Finance

Foreign Direct Investment
Stock and commodity exchanges in Canada include the Toronto Stock Exchange, TSX Venture Exchange, several smaller exchanges designated for specific stock and commodity trading. The Toronto Stock Exchange is the seventh largest in the world.

Many of Canada's largest issuers are also listed on major US exchanges and trade in various US and foreign markets.

Recent innovations in capital fundraising have allowed entities to raise specified amounts of money without needing a regulatory review of a prospectus relating to the offering.

The Bank of Canada is also involved in the country's capital markets. It is responsible for marketing and managing government securities and setting the target for the overnight interest rate.

Canada's three specialised securities trading markets include the Toronto Stock Exchange (TSX), the Montreal Exchange, which solely trades in derivatives, and the TSX Venture Exchange, which trades shares of mining companies and other junior or speculative issues.

Banking system
The Bank of Canada (BoC) is the central bank, and is mandated to promote "the economic and financial welfare of Canada". The BoC provides stability by injecting liquidity into the system, providing policy advice to the federal government and overseeing the way in which funds flow from one account and financial institution to another (also known as clearing and settlement systems). The BoC offers banking services to clearing and settlement systems and collaborates with domestic and international bodies to ensure global financial stability.

The Canadian Deposit Insurance Corporation (CDIC) is a federal crown corporation which insures qualified Canadian savings deposits up to a value of CAD100,000 in case of financial crisis or the failure of a federal CDIC-member bank.

Banks in Canada are regulated under the Bank Act. The Office of the Superintendent of Financial Institutions (OIFS) supervises and regulates federally registered banks, insurance companies and other institutions.

Canada has 28 OSFI-regulated domestic commercial banks (Schedule I Banks), which offer a wide range of financial products to most customers. As well as this, there are a further 24 subsidiaries of foreign banks operating in Canada (called Schedule II Banks) and 26 full service foreign bank branches. This means that a comprehensive array of financial services and investments are available to consumers.

The regulations imposed on financial institutions led to a reduced tendency for high degrees of leverage, and as such, the Canadian banking system was less affected by the 2008 financial crisis than other western countries.

Insurance industry
Canada has a large and comprehensive insurance industry that provides life and health insurance to 28 million Canadians. There are 107 life insurance providers, which hold approximately CAD647 billion in assets, making the insurance industry one of the largest investors in the Canadian economy.

Canadian insurers have a large presence abroad, operating in over 20 countries and generating CAD56 billion in premiums from overseas (41 per cent of total premium intake). Canadian life and health insurers rank in the top 15 in the world and hold nearly CAD658 billion in assets abroad.

Much like the rest of the Canadian financial industry, the insurance sector is very well capitalised, and as such was able to maintain stability during and after the 2008 financial crisis. The insurance sector remains a stable pillar of the financial system in Canada.

Investment management industry
Canada has a well-regulated and stable asset management sector.

The industry has emerged well from the financial crisis, and though there has been an increased focus on regulation since, the Canadian asset management sector has not seen the same sweeping redesigns of the regulatory system that some other countries have had.

The asset management sector in Canada is showing an increased emphasis on fee transparency, as well as a general consensus that legislation akin to the USA's Foreign Account Tax Compliance Act (FATCA) and Europe's Alternative Investment Fund Managers Directive (AIFMD) compliance will soon be necessary. The Canadian investment management industry is already heavily regulated, by the Canadian Securities Administrators.

As of the end of 2014, Canadians held CAD1.15 trillion in mutual funds.

Infrastructure

The overall quality and reliability of infrastructure is a critical factor for businesses across all sectors.

Canada is a highly developed and efficient economy that boasts excellent, world-class infrastructure in most mediums. Canada ranks 12th overall in the 2014 World Bank Logistics Performance Index (LPI) and within that, 10th in the world for infrastructure.

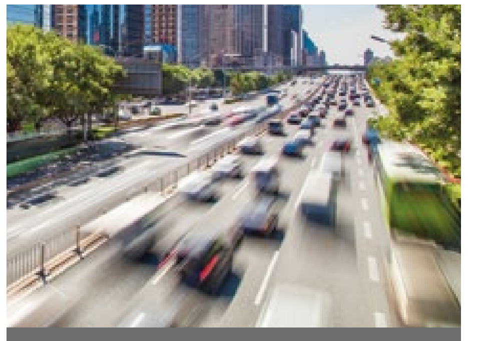
Information and Communication Technology (ICT) infrastructure is a crucial factor for most modern businesses. According to the 2014-15 Global Competitiveness Report, Canada is ranked 30th in the world for firm-level technology absorption, and has the 12th largest proportion of broadband users in the population.

Canada has an excellent transport infrastructure, ranking 19th in the world in the 2014-15 Global Competitiveness Report. Canada's transport infrastructure network includes:

- 1,042,300 km of roadways, of which 415,600 km are paved
- 17,000 km of expressways
- 46,552 km of railways
- 13 international airports
- Several major seaports and numerous smaller sea and waterway ports

The federal government provides infrastructure funding through the New Building Canada Plan. From 2014 to 2024, provinces, territories and municipalities will have access to federal support for their infrastructure project priorities through various sources of funding established in the new CAD53 billion Building Canada Plan, which include:

- The Community Improvement Fund, consisting of the Gas Tax Fund and the incremental Goods and Services Tax Rebate for Municipalities, will provide over CAD32 billion to municipalities for projects such as roads, public transit and recreational facilities, and other community infrastructure
- A CAD14 billion New Building Canada Fund, which consists of the:
  - CAD4 billion National Infrastructure Component (NIC) that will support projects of national significance
  - CAD10 billion Provincial-Territorial Infrastructure Component (PTIC) for projects of national, regional and local significance. Of this amount, CAD1 billion is dedicated to projects in communities with a population of fewer than 100,000 residents
- An additional CAD1.25 billion in funding for the P3 (Public-Private Partnerships) Canada Fund administered by PPP Canada
- CAD6 billion in funding continues to flow across the country under existing infrastructure programs



Canada is a highly developed and efficient economy that boasts excellent, world-class infrastructure in most mediums.

Country profile

Capital City	Ottawa
Area	9,984,670 sq. km
Population	34 million
Language	English, French
Currency	Canadian Dollar (CAD)
International dialling code	+1
National Holidays 2015	1 January – New Year's Day 3 April – Good Friday* 18 May – Victoria Day 1 July – Canada Day 7 September – Labour Day 12 October – Thanksgiving* 11 November – Remembrance Day* 25 December – Christmas Day * Not applicable in certain provinces
Business and Banking hours	09:00 to 17:00
Stock exchanges	Toronto Stock Exchange (TSX) The Montreal Exchange/Bourse de Montreal (MX) TSX Venture Exchange CNQ NASDAQ Canada NGX (Natural Gas Exchange) ICE Futures Canada
Political structure	Federal Parliamentary Democracy and Constitutional Monarchy
Doing Business rank 2015	16

Ease of Doing Business

Topics	2015 rank	2014 rank	Change in rank
Starting a business	2	2	No change
Licenses and Permits	118	115	-3
Getting Electricity	150	147	-3
Registering property	55	56	1
Financing	7	5	-2
Protecting Investors	7	7	No change
Paying Taxes	9	8	-1
Trading Across Borders	23	22	-1
Enforcing Contracts	65	66	1
Resolving Insolvency	6	6	No change

Source: World Bank Group (Doing Business)