UHY

# DOING BUSINESS

IN CANADA

The network for doing business

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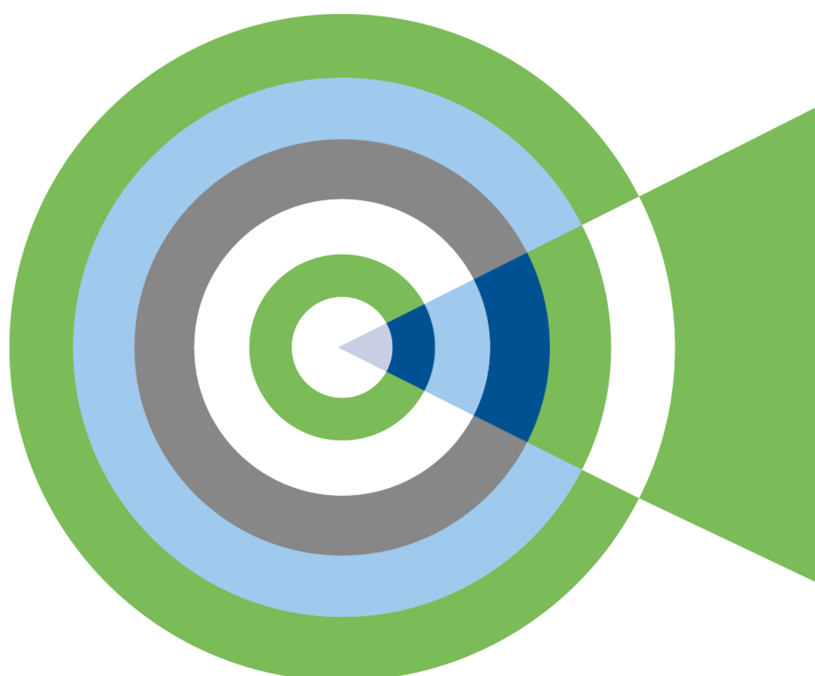

# 1 – INTRODUCTION

UHY is an international organisation providing accountancy, business management and consultancy services through financial business centres in around 90 countries throughout the world.

Business partners work together through the network to conduct transnational operations for clients as well as offering specialist knowledge and experience within their own national borders. Global specialists in various industry and market sectors are also available for consultation.

This detailed report providing key issues and information for investors considering business operations in Canada has been provided by the office of UHY representatives:

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A detailed firm profile for UHY's representation in Canada can be found in section 8.

Information in the following pages has been updated so that they are effective at the date shown, but inevitably they are both general and subject to change and should be used for guidance only. For specific matters, investors are strongly advised to obtain further information and take professional advice before making any decisions. This publication is current at July 2015.

We look forward to helping you do business in Canada.

# 2 – BUSINESS ENVIRONMENT

Canada is a large and diverse nation offering many opportunities for foreign investors.

Geographically, Canada is the second largest country in the world, with a total area of approximately ten million square kilometres. Canada's boundaries are defined by three oceans (the Atlantic, the Arctic and the Pacific) and by the United States to the south. The border which divides Canada and the United States spans nearly 6,500 kilometres and is the longest unprotected border in the world.

Both the land and climate in Canada are remarkably diverse; consequently, each region offers different resources and opportunities to investors. Canada is rich in natural wealth such as oil, minerals, timber and water, which are among the many resources readily available.

## POPULATION

As of 1 July 2014, the total population in Canada was estimated at 35.5 million people.

Approximately 90% of Canada's population lives within 200 kilometres of the Canadian/US border and trade between the two countries along the shared border is quite active.

Over 80% of Canada's residents live in urban areas, with almost 60% of those residing in the six largest centres of Toronto, Montréal, Vancouver, Ottawa-Gatineau, Calgary and Edmonton.

Canada, a bilingual country, has two official languages, English and French. The vast majority of the nation's population speak at least one of the two languages, depending on the region where they live, and many are conversant in both languages.

## POLITICAL SYSTEM

Canada is a federal democratic state with a modern parliamentary system.

Canada's governmental structure operates at both federal and provincial levels, and includes:

- Two federal legislatures – the House of Commons and the Senate
- Ten provincial assemblies – Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario, Prince Edward Island, Quebec and Saskatchewan
- Three territorial assemblies – Northwest Territories, Nunavut and Yukon.

A map of the ten provinces and three territories is shown on the next page.

Canada is a member of the Commonwealth of Nations. It is also a constitutional monarchy, with the British monarch represented *in absentia* by the governor general, who is based in Ottawa. This representative generally holds a ceremonial function in Canadian politics.

MAP OF CANADA

## ECONOMY

Canada has a successful market-oriented economy which provides high living standards for the population as a whole.

Since World War II, Canada has transformed itself from being a largely agricultural-based society to an industrialised one. With impressive growth in the manufacturing, mining and service sectors, the country has a gross domestic product (GDP) of around USD 1.6 trillion (2014), the 11th largest GDP worldwide.

As in other highly developed nations, Canada's economy is dominated by the services sector. However mining and the petroleum/energy sector also remain important; Canada now ranks third in the world for the size of its proved oil reserves.

TABLE 1
*Gross domestic product by sector, 2014 estimate*

| SECTORS | |
|---|---|
| Agriculture | 2% |
| Industry | 28% |
| Services | 70% |

The USA is Canada's principal trading partner, accounting for around three-quarters of Canadian exports annually and supplying just over half of its imports. The 1989 US-Canada Free Trade Agreement and 1994 North American Free Trade Agreement ensure close economic ties between the two nations.

Canada is working to reduce its reliance on the USA, to help protect the economy when its neighbour experiences an economic downturn. To this end, Canada has reached an agreement in principle with the European Union on a free-trade deal and signed another with South Korea. Canada has also been admitted to the group of 12 countries negotiating the Trans-Pacific Partnership. To diversify its trade in energy–almost all Canada's oil exports currently end up in the USA –the country is also looking into building a pipeline which would take crude oil from Alberta to Asia.

### CURRENCY

The country's unit of currency is the Canadian dollar (CAD).

In June 2015, CAD 1 = USD 0.809 (average exchange rate for the month).

# 3 – FOREIGN INVESTMENT

According to the World Bank's 'Ease of Doing Business', in 2014 Canada was ranked as the second-best place in the world for starting up a business.

The World Bank's high scoring reflects how readily new entrants are accepted by Canada's domestic market which has a large middle class and high levels of household consumption and GDP per capita.

Other key advantages offered by Canada for companies considering investing in the country are:

- A strong record of economic growth and financial stability
- Easy access to markets, with preferential trade access to NAFTA and the EU
- A highly-educated workforce
- Low tax rates
- A competitive research and development (R&D) environment
  - Public R&D centres and partnerships between universities and private sector companies can be found across Canada
- A high standard of living.

## INCENTIVES FOR INVESTORS

Foreign Affairs, Trade and Development Canada, along with other Canadian government departments, crown corporations and agencies, offer a number of funding programmes and incentives for investors.

Five key incentive schemes are listed below. Companies should check with provincial/territorial authorities how these may be applied in detail.

### SCIENTIFIC RESEARCH AND EXPERIMENTAL DEVELOPMENT (SR&ED)

The SR&ED programme provides benefits in the form of a refundable investment tax credit (ITC) or a reduction of taxes payable – generally a reduced 15% tax rate– or both, for expenditures on eligible R&D work performed in Canada. Cash refunds and/or tax credits for expenditures on eligible R&D work are available. Depending on the province where SR&ED activities take place, there are additional provincial tax credits available ranging from 5 to 30%.

### ADVANCED MANUFACTURING FUND (AMF)

The AMF promotes the growth of Ontario's advanced manufacturing sector by supporting efforts to develop cutting-edge technologies and large-scale activities that will improve processes and increase productivity, establish clusters or global supply chains and foster collaborations with the private sector, as well as with research and education institutions.

### INDUSTRIAL RESEARCH ASSISTANCE PROGRAMME (IRAP)

The IRAP program assists firms to develop, adopt and adapt technologies and incorporate them into competitive products and services which are to be commercialised in the global marketplace. IRAP also provides advisory services and funding to help small/medium enterprises (SMEs) undertake innovation projects.

### EXPORT DEVELOPMENT CANADA (EDC)

The EDC provides flexible inbound foreign direct investment financing programs to support green and brown field investments in Canada. In addition to providing financing support for an investor's initial investment in Canada, EDC also offers support to foreign direct investors once they are operating and exporting from Canada through loans, guarantees and lines of credit.

### BUSINESS DEVELOPMENT BANK OF CANADA (SR&ED)

The BDC offers specifically tailored financing solutions for foreign direct investors to protect cash flow and promote growth. The BDC provides financing terms between four and 30 years to support investments in land and buildings, equipment or working capital. The BDC is also a leader in subordinate financing to help finance fast-growing companies.

Additional information can be found on the following Canadian government website – Invest in Canada.

## OTHER TAX CREDITS

### MANUFACTURING, PROCESSING AND OTHER CREDITS

Certain provinces/territories offer their own manufacturing and processing incentives.

Provincial/territorial tax credits may also be offered as incentives for specific sector activities, such as:

- Film and video production
- Digital media
- Rental housing construction
- Other (check with provincial tax authorities).

### ATLANTIC INVESTMENT TAX CREDIT

The Atlantic Investment Tax Credit is based on specified percentages available for certain investments in new buildings, machinery and equipment used in the Atlantic Canada and Atlantic region.

As of 29 March 2012, this credit supports investments in qualified property for use in the following sectors – farming, fishing, logging, manufacturing and processing, storing grain, harvesting peat, prescribed energy and conservation property, and the production or processing of electrical energy or steam in certain areas.

Currently, this credit also supports some investments in qualified resource property for use in oil, gas, and mining activities in the Atlantic region:

- The credit is to be phased out for the oil, gas and mining sectors; the 10% rate will apply for assets acquired before 2014 and a 5% rate will apply for assets acquired in 2014 and 2015. After 2015, the credit will not generally be available for these sectors.

# 4 – SETTING UP A BUSINESS

There are several different organisational structures available to investors who wish to establish a business in Canada.

The principal options are listed below, with brief descriptions highlighting the advantages and disadvantages of each.

## SOLE PROPRIETORSHIP

This is the simplest form of business organisation in Canada.

It is a business wholly owned by one person. Business is carried out either under the owner's name or under a different operating name (which may need to be registered in certain provinces eg Ontario). Other than obtaining the necessary local permits and maintaining proper records, there are few formal requirements for registration, filing and reporting (in most jurisdictions).

There are disadvantages to owning and running a sole proprietorship. An individually owned business is not a distinct legal entity from its owner; therefore, the owner is subject to unlimited personal liability for claims against the business. Furthermore, any income earned is taxable in the owner's hands.

## PARTNERSHIP

A partnership is an entity formed for the purpose of conducting a specific business endeavour by two or more parties, generally between individuals and/or corporations.

There are two common forms of partnership enterprises in Canada – general and limited.

### GENERAL PARTNERSHIP

In a general partnership, each partner contributes both capital and effort, and each then shares in the partnership's profits. Every partner in a general partnership has joint and several unlimited liability for the debts incurred by the business.

### LIMITED PARTNERSHIP

In a limited partnership, the contributions of effort and capital are divided. While one or more of the partners manage the enterprise ('the general partners'), other partners contribute the capital needed to establish the business, but do not participate in its management ('the limited partners'). Usually, the general partners have unlimited liability, whereas the limited partners' liability extends only to the amount of the capital which they have invested.

For either type of partnership, a partnership agreement is strongly recommended, even in jurisdictions where it is not required by law. A partnership may be established by registering with the proper authorities following the partnership's formation.

### LIMITED LIABILITY PARTNERSHIP (LLP)

Under this form of partnership, members are personally liable for most types of partnership debt. However, members of an LLP are not personally liable for obligations arising from wrongful or negligent acts of other partners or employees, agents or representatives conducting partnership business.

LLPs are usually only available as a form of business to groups of professionals, such as lawyers, accountants and doctors. However, legislation governing LLPs varies by jurisdiction. For example, in Ontario only lawyers, chartered accountants and certified general accountants are permitted to form such partnerships. In contrast, Alberta extends the legislation to include others, such as certified management accountants and medical professionals (doctors, chiropractors, dentists and optometrists). British Columbia allows anyone to form a limited liability partnership.

There is currently no legislation allowing for this type of company in Nanavut, Prince Edward Island and Yukon.

## CORPORATIONS

Unlike sole proprietorships and partnerships, a corporation is a separate legal entity which is distinct from its owners.

It is relatively simple and inexpensive to register a corporation. In Canada, a business may be federally or provincially incorporated, according to the location and type of business activity. No special status is attached to a federal corporation, therefore every business formed under the federal statute must comply with provincial laws. Also, federal corporations may operate under certain requirements which are not necessarily imposed upon provincially incorporated companies.

There are two basic classifications of corporations – public and private. A private corporation cannot trade its shares publicly and is limited to a certain number of shareholders. Public corporations, on the other hand, are subject to extensive reporting and disclosure requirements and must file a prospectus with the relevant provincial securities commission before offering their shares for public sale.

A corporation helps protect its investors from legal liability and offers them easier access to capital and financing opportunities than unincorporated ventures. However, there is a cost to set up and maintain a corporation, as well as increased levels of government regulation and reporting requirements.

A non-publicly traded federal corporation must have at least one director and a public federal corporation must have at least three, where all directors are older than 18 years and at least 25% of them (or one director where there are three) are Canadian residents. (Certain provinces do not require that any directors be resident Canadians for provincially incorporated businesses.)

## UNLIMITED LIABILITY CORPORATIONS

Three provinces (Alberta, British Columbia and Nova Scotia) permit the formation of unlimited liability corporations (ULCs).

These are treated as normal corporations for Canadian tax purposes, but may be eligible for flow-through treatment in some foreign jurisdictions (ie the United States).

The shareholders of a ULC do not have limited liability, though in Nova Scotia and British Columbia, there is no direct liability to creditors and liability arises only when a company is wound up or liquidated.

Once popular with US investors, the ULC has fallen out of favour due to changes in the US-Canada Tax Treaty.

## JOINT VENTURE

A joint venture is an arrangement made between two or more business entities (corporations, partnerships, proprietorships, or some combination of these) to carry out a specific business undertaking.

All parties contribute capital, labour or other resources, as determined in their agreement, and share the profits accordingly. A joint venture is normally a temporary structure, which dissolves when a project is completed.

Although it is similar to a partnership, a joint venture has no distinct legal status in Canada and is not a recognised entity for tax purposes, with income and losses computed separately for each participant.

## OTHER FORMS OF BUSINESS ORGANISATION

There are several other forms of business organisation recognised under Canadian law, which may prove useful in specific circumstances or to certain types of business.

Other forms of organisation include unincorporated foreign companies ('branches') and trusts.

A trust sets up a relationship where property or commercial enterprises may be managed by trustees for the benefit of another (ie the beneficiaries). A trust is set up by creating a trust deed. In recent years, the attraction of publicly traded trusts has decreased as the taxation of such entities is now similar to that of a corporation. However, private trusts are still frequently used for a variety of purposes.

Because Canadian provinces have differing registration, licensing and reporting requirements for businesses, foreign investors should obtain professional advice about the relevant province or territory before deciding on which type of business organisation will best suit their objectives.

## REGISTRATION

There are a number of steps involved in setting up a business in Canada, as outlined below:

1) Select preferred business structure
   - This should be done with the assistance of a Canadian professional advisor in the province or territory where business activities are expected to take place
2) Approval of business name
   - Before a sole proprietorship or a corporation can be registered, a business name must be chosen and submitted to the appropriate government agency for approval
     - A federally incorporated business can use its chosen corporate name in any province, whereas a provincially incorporated business must register a name in each province where the company wishes to do business
3) Registration of business
   - Once a business name has been approved, it is reserved for a limited period of time. During this time a declaration form (for a sole proprietorship or partnership) or incorporation papers (for a corporation) must be submitted and filed. Registration can then be done online, in person or via mail
4) Apply for a business number
   - Once registration is complete, a federal business number must be applied for. This number will serve as the business' identification number for a number of purposes including employee payroll deductions, corporate income tax, goods and services tax (GST) and import/export
   - In certain provinces, the incorporation process automatically assigns a business number for corporate income tax. A request to add on registrations for GST, payroll or import/export can be made after incorporation.

# 5 – LABOUR

The Canadian labour force is well-educated and highly skilled.

Employers are able to draw from a diverse labour pool (especially in the the main urban areas), which includes workers, tradesmen, managers and professionals.

## LABOUR FORCE

The total labour force in 2013 was 19.08 million, of which 9.03 million (47%) were women.

TABLE 2

*Labour force, March 2013 (million), Source: Statistics Canada*

| TOTAL LABOUR FORCE | 19.079 | % OF LABOUR FORCE |
|---|---|---|
| **Employed** | **17.731** | **92.9%** |
| Full-time | 14.380 | 75.3% |
| Part-time | 3.351 | 17.6% |
| **Unemployed** | **1.348** | **7.1%** |

TABLE 3

*Employment by industry type, 2013 (000s), Source: Statistics Canada*

| INDUSTRIES | MALE | FEMALE | TOTAL | TOTAL % |
|---|---|---|---|---|
| **Goods-producing** | **3,060.0** | **823.5** | **3,883.4** | **22%** |
| Agriculture | 222.7 | 92.0 | 314.6 | 2% |
| Construction | 1,168.2 | 155.5 | 1,323.7 | 7% |
| Manufacturing | 1,259.5 | 474.7 | 1,734.2 | 10% |
| Other | 409.6 | 101.3 | 510.9 | 3% |
| **Service-producing** | **6,235.7** | **7,612.0** | **13,847.7** | **78%** |
| Trade | 1,386.4 | 1,318.8 | 2,705.2 | 15% |
| Other | 4,849.3 | 6,293.2 | 11,142.5 | 63% |
| **Total** | **9,295.7** | **8,435.4** | **17,731.2** | **100%** |

## UNIONS

Every province in Canada has legislation which guarantees workers the right to organise and participate in collective bargaining.

They also have legislation which prohibits employers from engaging in discriminatory or retaliatory tactics against any employee for his or her union activities. Labour relation agencies throughout Canada are responsible for certifying unions. The mediation of labour disputes and mandatory conciliation is often presided over by the government.

## WORK PERMIT

Unless an individual is a Canadian citizen or permanent resident, they must hold a valid employment authorisation (EA) in order to work in Canada.

The EA approval process involves both consideration of the job offer and consideration of the applicant.

In many cases, companies employing foreign workers will need to satisfy the Canadian authorities that it is not possible to hire Canadian citizens who fulfil the job requirements. However, in certain economic sectors, it is recognised that there are shortages of skilled workers and therefore companies are not required to show that they have attempted to find qualified Canadian citizens.

## EMPLOYMENT STANDARDS

As with union legislation, each province in Canada has legislation which outlines rights and entitlements every worker may expect from his/her work environment.

Similar standards are also provided for employees under federal law by the Canada labour Code.

### HOURS OF WORK AND OVERTIME PAY

Generally, the number of hours worked in a day is between seven and eight hours, or 35–40 hours per week. The usual working week for hourly paid industrial workers is 40 hours, while office and clerical staff generally work from 35–37.5 hours per week.

Employees who work more than the established maximum number of hours per week are entitled to compensation of at least 150% of their regular work wages for their overtime work.

### MINIMUM WAGE

The minimum wage rates, set to ensure an adequate standard of living, are determined by provincial or territorial jurisdiction. They vary from CAD 10.50–11.25 per hour, depending upon region and type of employment.

### EQUAL PAY

It is illegal in all provinces of Canada to pay a woman less for doing the same job as a man.

### VACATIONS AND STATUTORY HOLIDAYS

New employees are entitled to two weeks paid vacation per year in all provinces except Saskatchewan, which requires three weeks per year. Several provinces also require that employees with a certain number of years of uninterrupted service with one employer receive additional weeks of paid holiday.

In addition to vacations, most Canadian workers are entitled to be paid for seven national statutory holidays (or for nine days if federally regulated), as well as any extra statutory holidays in certain provinces or territories (such as Remembrance Day and Boxing Day). Certain categories of essential workers are excluded. Individually owned and operated businesses may institute additional days off for their employees.

The seven holiday days listed below are statutory holidays in all parts of Canada each year:

- New Year's Day – 1 January*
- Good Friday – the Friday before Easter
- Victoria Day – the Monday on or before 24 May
- Canada Day –1 July*
- Labour Day – the first Monday in September
- Thanksgiving – the second Monday in October
- Christmas – 25 December*

*Where these dates fall on a Saturday/Sunday not normally worked, employees are entitled to another paid day's leave immediately before or after the holiday. If one of the other national holidays falls on a weekend, employers must add a holiday with pay to the annual vacation or give a paid day off at a mutually convenient time.

### TERMINATION

Each province has legislation governing the procedure which all employers must follow when terminating an employee. The legislation also sets the minimum compensation payments which must be made when terminating an employee.

### STATUTORY DEDUCTIONS

Businesses are required to register for payroll deductions with the Canada Revenue Agency if the business has any employees.

Employers are required to deduct income tax, pension plan deductions and employment insurance premiums from their employees' wages, and to remit these amounts, along with employers' contributions, to the appropriate government department.

### OTHER CONCERNS

Issues such as maternity leave, pay equity, employee benefits, health and safety regulations and human rights regulations, are subject to regulations set by either the federal or provincial governments, or both. Any potential employer should be clear on the relevant rules and regulations prior to hiring employees in Canada.

# 6 – TAXATION

Legislation at the federal, provincial and municipal levels grants governing authorities the right to tax its citizens and residents.

Taxes are levied on income, capital gains, goods and services and property. There are also excise taxes, duty fees, tariffs, land transfer payments and probate taxes imposed on businesses and individuals who work and live in or who visit Canada.

Taxation rights on income are granted by federal and provincial laws including:

- The Income Tax Act
- Income Tax Application Rules (ITAR), 1971
- Income tax regulations
- Income tax conventions, The Interpretations Act and international tax treaties with other countries regarding taxation
- Provincial tax acts and related regulations
- Case law.

In principle, any tax treaty between Canada and another country will override any inconsistency which may arise between the treaty and the provisions of the Income Tax Act, the ITARs or regulations. This minimises the likelihood of situations where an individual or business entity may be subject to double taxation.

Federally, the Department of Finance is responsible for drafting Canada's tax laws. Its recommendations are sent to the House of Commons and, if accepted there, to the Senate for approval. The Canada Revenue Agency (CRA) is the federal agency which administers tax law and collects taxes.

## GENERAL TAX ADMINISTRATION

Whilst property taxes are generally levied by municipalities, taxes on both corporate and personal income are levied at the federal and provincial level.

Residents of Canada and any corporation residing or incorporated in Canada are generally taxed on their worldwide income. Non-residents of Canada are taxed only on their income from Canadian enterprises or Canadian investments (subject to the provisions of any applicable international tax treaty).

Taxes are collected both federally and provincially. In the provinces of Alberta and Quebec, corporations are required to file separate income tax returns at the provincial level, while corporations in other provinces and territories have their income taxes collected federally.

All corporations must file income tax returns for each fiscal year, even when they have no tax liability. The corporate return is due within six months of the fiscal year-end. Taxes payable are due, generally, two months after the year end. Businesses choose their fiscal year-end during the first year of operation; however, the first year end may not exceed 53 weeks in its duration. After a fiscal year end is established, it may not be changed without government approval.

Partnerships, comprised of individuals and corporations, are required to have a 31 December year end and must file a Partnership Information Return, on or before 31 March, following the calendar year in which the partnership's fiscal year ended; or the day that is five months after the end of the partnership's fiscal period. If all of the partnership members are individuals, the due date is 31 March, whereas if all of the partnership members are corporations, then the due date is five months after the end of the partnership's fiscal period. Partnerships are not liable to Canadian taxation; rather, the partners are subject to tax in respect of their allocated share of the partnership's income.

Trustees of a trust must file a trust tax return within 90 days of the calendar or fiscal year-end of that trust.

## CORPORATE INCOME TAX

The federal corporate income tax is assessed on national corporate taxable income; provincial/territorial corporate income tax is applied to a corporation's taxable income allocated to the province/territory.

The federal corporate income tax rate is 15%.

The rate of provincial/territorial corporate tax is normally between 11–16% (see Table 4 below), depending on the corporation's place of residence.

### SMALL BUSINESS CREDIT

For Canadian controlled private corporations (CCPCs), a lower rate of tax is applied for income less than CAD 500,000 through a small business deduction/credit. (CCPCs are corporations other than those which are controlled directly or indirectly by one or more non-residents, by one or more public corporations, or by any combination thereof.)

At the federal level, the lower rate of tax is 11%.

If the taxable capital of a CCPC exceeds CAD 10 million, the tax rate reduction is reduced and is completely eliminated once taxable capital exceeds CAD 15 million. Similar restrictions apply to any CCPC that is a member of an associated group that has, in total, more than CAD 10 million of taxable capital employed in Canada.

At the provincial, territorial level, the lower rate of tax normally varies between 2–4.5%, though in Manitoba it has been abolished. Some provinces or territories choose to use the federal business limit of CAD 500,000 (taxable income), while others establish their own business limit (in Manitoba, for example, it is CAD 425,000 from 1 January 2014).

TABLE 4

*Corporate tax rates, 1 July 2015 – provinces and territories*

| PROVINCE/TERRITORY | LOWER TAX RATE | HIGHER TAX RATE |
|---|---|---|
| Alberta | 3% | 12% |
| British Columbia | 2.5% | 11% |
| Manitoba | - | 12% |
| New Brunswick | 4.5% | 12% |
| Newfoundland & Labrador | 3% | 14% |

| | | |
|---|---|---|
| Northwest Territories | 4% | 11.5% |
| Nova Scotia | 3% | 16% |
| Nunavut | 4% | 12% |
| Ontario | 4.5% | 11.5% |
| Prince Edward Island | 4.5% | 16% |
| Quebec | 8% | 11.9% |
| Saskatchewan | 2% | 12% |
| Yukon | 3% | 15% |

## PAYMENT OF TAXES

After receiving an income tax return, the government (either federal or provincial) will make a preliminary review of the file. This process involves a review of all of the basic information provided and verification of all of the calculations included in the return. The taxpayer is then sent a Notice of Assessment, which details the tax liability and informs the taxpayer of the balance due or balance to be refunded.

Corporations pay their taxes in monthly instalments based upon the anticipated income for the current year or upon an estimate based on the prior year's income, whichever amount is less. At its fiscal year-end, a company generally has two months to pay any tax balance owing. Late instalment payments are subject to interest charges and other penalties.

Small employers who report a difference between their tax payable and their deductions at source greater than CAD 3,000 (CAD 1,800 in Quebec), for both the current year and either of the two preceding years, are required to make quarterly instalment payments to the government.

Individuals who are members of a partnership or who run a sole proprietorship do not make tax payments on their business' reported income when they file the information return to the government. Instead, that income is reported in their personal income tax returns and they make quarterly payments, if required, as individual taxpayers.

Any interest earned from an income tax refund is included in the total income earned in the year in which it is received. However, interest charged and paid on late instalment payments is not deductible. The rate of interest charged for late payments and under-remittance of tax is revised quarterly and is set at a rate 4% higher than the average interest rate on 90-day treasury bills in the preceding calendar quarter. An offset of taxable interest income and non-deductible interest expenses may be permitted in certain situations.

## CORPORATIONS' INCOME TAX

A corporation's taxable income for the year is calculated by adjusting the net income reported in its financial statement for that year using items such as capital gains, dividends, charitable donations and loss carryovers, thus calculating the total taxable income to be used in the income tax return.

Each company's income is calculated separately; consolidation of the income of related corporate entities is not permitted. The following sources of income would comprise part of a corporation's taxable income:

- Business income
- Dividends received from non-Canadian corporations (where special rules apply if the dividend is from a 'foreign affiliate')
- Capital gains
- Gains from the sale of intangibles
- Interest and other investment income
- Foreign accrual property income (FAPI) from shares owned of a controlled foreign affiliate, whether or not there has been an actual payment or distribution of all or any part of such FAPI
- Canadian dividends paid to non-residents, which create a withholding tax liability.

FAPI is defined to include income of an investment nature, such as interest, dividends, royalties and certain rents, as well as income from a business, other than an active business. Taxable capital gains are also included, except where such gains arise from dispositions of property used principally by the affiliate in connection with an active business.

### INVENTORY

Inventory is valued, for income tax purposes, at the lower of either cost or net realisable value. Value may be determined by the 'first-in, first-out' method, or by most other established costing methods. However, once a method is chosen it must be consistently applied each year. The method of valuation may be changed only if permission is granted by the tax authorities. Reserves for future obsolescence are a contingent reserve and therefore would not be tax deductible.

### CAPITAL GAINS AND LOSSES

Capital gains or losses are taxable or deductible at a rate of 50% of the gain or loss realised from the disposal of capital assets. The capital gain or loss is calculated as the proceeds of disposition in excess of the adjusted cost base and the expenses related to the disposition of the property. Capital losses are deductible only against capital gains, and may be carried back for three years and forward indefinitely.

### DEPRECIATION AND CAPITAL COST ALLOWANCE

The Income Tax Act, and more particularly the Income Tax Regulations, specify the maximum rate of depreciation which may be deducted when calculating taxable income for a business. This rate is referred to as the capital cost allowance (CCA).

Provided that the rates do not exceed the maximum allowed by law, the CCA is generally calculated using the declining balance method. The asset class and classification determine the rates, which range from 4–100%. Fixed assets are reported in separate classes, depending upon the nature of the asset, which are summarised and reconciled on the annual tax return. CCA is a discretionary claim; hence, a taxpayer has the option to claim less than the maximum CCA permitted in the year. If this is the case, the un-depreciated balance in the specific asset class is preserved and carried over to the subsequent year, although the taxpayer does not have the right to claim additional CCA in a taxation year equal to the forgone CCA claim of a prior year.

Except for those few asset classes where the straight-line method for calculating depreciation is prescribed, CCA rates are applied to the net balance of the asset class at the end of the taxation year. In the year of acquisition of an asset, taxpayers are generally allowed to apply only 50% of the maximum rate normally allowed; this is called the half-year rule.

Depreciable assets purchased in one tax year, but which are not delivered or used until the next taxation year, are eligible for CCA only in the tax year in which they become 'available for use'. Notwithstanding the foregoing rule, the depreciable property is deemed to be available for use on the first day of the second taxation year, following the taxation year in which the depreciable property was acquired. In this case, the half-year rule is not applicable.

Land is not a depreciable asset. Depending upon the facts and circumstances, land is either characterised as inventory, which is fully taxable as business income (or loss) when sold, or as capital property, resulting in a capital gain (or loss) when sold.

Should the last depreciable asset of its class be sold for proceeds which are less than the remaining un-depreciated capital cost (UCC) of the class, the residual balance in the class may be deducted as a 'terminal loss'. Should a depreciable asset be sold for more than the UCC balance of its class, a recapture of depreciation equal to the difference between the capital cost and the UCC of the class will be fully taxable. Any amount of proceeds exceeding the asset's adjusted cost base is taxed as a capital gain.

### INTANGIBLES

Those intangible expenditures with an unspecified expiration period, such as goodwill, customer lists and certain legal fees, generally qualify for a special tax treatment. These and other types of acquisition costs may qualify as an eligible capital expenditure (ECE). 75% of the ECE is added to the cumulative eligible capital account and may be deducted at a rate of 7% per annum, computed on a declining balance basis. Generally, the cost of an intangible asset with a limited life, such as a trademark, is subject to the CCA rules, and is deductible over the life of the asset.

### DIVIDENDS

Dividends received by a Canadian corporation from another Canadian corporation are generally deductible from income where the two corporations are connected for tax purposes. Two corporations are considered to be connected where the recipient controls the payer, or where the recipient holds shares representing more than 10% of the votes and value of the payer corporation.

When the corporations are not connected, dividends received are subject to a 33.3% tax under Part IV of the Income Tax Act. If the recipient is a private corporation, the Part IV tax is added to the refundable dividend tax on hand (RDTOH) account of the corporation. Taxable dividends, paid by a private corporation, entitle the payer to a dividend refund equal to CAD 1 for every CAD 3 paid, or the balance in the RDTOH account, whichever is less.

Eligible dividends are dividends paid after 2005 by publicly traded companies (and certain private companies as outlined below). Typically, corporations paying eligible dividends have paid income taxes at combined federal/provincial tax rates in excess of 30%.

The federal gross up on eligible dividends received is 38%. The federal dividend tax credit is equal to 6/11 of the dividend gross up.

Some types of CCPC income (typically income in excess of the small business rates) provide a basis for determining eligible dividends. This account is referred to as the General Rate Income Pool (GRIP) which allows a CCPC to declare dividends which can be designated as eligible dividends.

Dividends received from a connected corporation, which are otherwise tax-free, are nevertheless subject to the Part IV tax to the extent that the payer corporation received a dividend refund upon payment of the dividend.

### LOSS CARRYOVERS

Operating losses for any taxation year may be carried back as a deduction in the calculation of taxable income of the previous three taxation years and forward for the next 20 years. Taxpayers may choose the portion of the loss to deduct within this carryover period; all or part of a non-capital loss may be claimed to reduce taxable income.

Capital losses for a taxation year may be carried back three years and forward indefinitely. Capital losses carried over may be applied only against capital gains of other years.

### TRANSFER PRICING

Current regulations in Canada require companies to have transfer pricing agreements in place that follow the OECD transfer pricing guidelines. These agreements must provide economic support of arm's length terms and must provide complete and accurate descriptions of the transactions

### THIN CAPITALISATION

Canadian tax laws limit the deductibility of interest on cross border loans in certain scenarios. The Canadian thin capitalisation rules now limit deductible interest on loans from certain non-residents to the extent of a 1.5 debt to equity ratio.

### ACQUISITION OF CONTROL

If control of a corporation is acquired during a taxation year, a non-capital loss carryover becomes restricted. Acquired losses can only be carried forward provided the business which gave rise to the losses continues with a reasonable expectation of profit.

A capital loss carryover is extinguished subsequent to an acquisition of control.

A corporation will be subject to a deemed year end immediately prior to an acquisition of control. This will result in several consequences, including the requirement to file corporate income tax returns, a pro-rating of certain claims such as CCA and the small business deduction, and the aging of loss carryovers.

In addition, an anti-avoidance provision is often triggered, which has the affect of deeming assets with unrealised losses disposed of for fair market value. These deemed losses are added to the existing losses, and are subject to the loss restrictions mentioned above. In order to allow relief in such situations, special rules allow for an election to trigger deemed dispositions on certain assets with unrealised gains.

### NON-RESIDENT CORPORATIONS DOING BUSINESS IN CANADA

A Canadian branch of a non-resident corporation is subject to the same rates of tax as Canadian corporations on its taxable income earned in Canada, based upon the amount of income earned in Canada, and subject to possible treaty protection. A Canadian branch is also subject to a 25% branch tax on repatriated after-tax profits, unless reduced by treaty.

Branch tax seeks to impose a tax comparable to the dividend withholding tax that would be remitted if the Canadian operations of the foreign company were conducted through subsidiary corporations, repatriating profits as dividends to its non-resident parent (see section entitled 'Non-resident withholding taxes').

## CAPITAL TAX

The federal government imposes a capital tax on financial institutions at a rate of 1.25% of their 'taxable capital employed in Canada' in excess of CAD 1 billion.

Certain provinces – Saskatchewan and Manitoba – also levy corporate 'capital' taxes on the taxable capital employed in their province by corporations with permanent establishments therein. Capital tax rates are assessable by province and are levied on a corporations' taxable capital.

## PERSONAL TAX

### RESIDENTS

Individuals immigrating to Canada are generally considered part-year residents as of the day they enter the country. A part-year resident is subject to tax in Canada on worldwide income for their period of residency.

In addition to ordinary residents, the Act treats non-residents who sojourn in Canada for 183 days or more during a calendar year as if they were resident of Canada for the entire year, and imposes taxes on their worldwide income.

When, under the respective domestic laws, an individual is a resident of both Canada and a foreign country which has a treaty with Canada, the so-called 'tie breaker rules' of the treaty will ultimately determine the country in which the individual is resident for tax purposes.

Non-residents who earn Canadian employment or self-employment income, or who disposed of taxable Canadian property, are required to file an income tax return and pay taxes on that income to the Canadian government, unless there are overriding considerations in an existing tax treaty between Canada and the individual's country of residence.

### TAX YEAR

Individuals are taxed on a calendar year basis and are required to file an income tax return by 30 April of the following year (or by 15 June if they are self-employed, although income taxes are due 30 April). Each person must file a return; joint returns for married couples are not allowed. Individuals who have a capital gain (or loss) must file a return even if no tax is due for the year.

## PERSONAL INCOME

The rate of tax levied on an individual is determined by the individual's taxable income. As income increases, the marginal rate of tax increases.

A number of tax credits are allowed, which reduces the amount of tax due by the taxpayer. The tax credits available are varied and include, but are not limited to:

- Personal and spousal credit
- Medical expenses tax credit
- Child tax credit
- Education tax credit (depending on status and nature of education)
- Foreign income tax credit
- Investment tax credit
- Charitable donations tax credit
- Federal and provincial political party donation tax credit
- Overseas employment tax credit
- Pension credit
- Disability credit
- Dividend tax credit.

These and other tax credits are applied in calculating the individual's tax liability. Capital gains are included in taxable income at the rate of 50%.

## PROVINCIAL INCOME TAX RATES

The federal government (with the exception of Quebec which requires the filing of a separate Quebec personal tax return) collects provincial income tax. Examples of personal tax rates are given below.

TABLE 6

*Personal tax rates for 2015 – British Columbia*

| INCOME (CAD) | COMBINED FEDERAL AND PROVINCIAL TAX RATE |
|---|---|
| Up to 37,869 | 20.06% |
| Over 37,869 – 44,701 | 22.70% |
| Over 44,701 – 75,740 | 29.70% |
| Over 75,740 – 86,958 | 32.50% |
| Over 86,958 – 89,401 | 34.29% |
| Over 89,401 – 105,592 | 38.29% |
| Over 105,592 – 138,586 | 40.70% |
| Over 138,586 – 151,050 | 43.70% |
| Over 151,050 | 45.80% |

TABLE 7
*Personal tax rates for 2015 – Ontario*

| INCOME (CAD) | COMBINED FEDERAL AND PROVINCIAL TAX RATE |
|---|---|
| Up to 40,922 | 20.05% |
| Over 40,922 – 44,701 | 24.15% |
| Over 44,701 – 72,064 | 31.15% |
| Over 72,064 – 81,847 | 32.98% |
| Over 81,847 – 84,902 | 35.39% |
| Over 84,902 – 89,401 | 39.41% |
| Over 89,401 – 138,586 | 43.41% |
| Over 138,586 – 150000 | 46.41% |
| Over 150,000 – 220,000 | 47.97% |
| Over 220,000 | 49.53% |

TABLE 8
*Personal tax rates for 2015 – Quebec*

| INCOME (CAD) | COMBINED FEDERAL AND PROVINCIAL TAX RATE |
|---|---|
| Up to 41,935 | 28.53% |
| Over 41,935 – 44,701 | 32.53% |
| Over 44,701 – 83,865 | 38.37% |
| Over 83,865 – 89,401 | 42.37% |
| Over 89,401 – 102,040 | 45.71% |
| Over 102,040 – 138,586 | 47.46% |
| Over 138,586 | 49.97% |

## OTHER TAXES

### FEDERAL CUSTOMS DUTIES

A schedule of goods (classified by their 'essential nature'), which is characteristic of the goods in the Canadian Customs Tariff, provides the rate of duty applied to a variety of imported items. Among the major tariffs imposed by the Canada Revenue Agency are a:

- General tariff
- Most favoured nation tariff
- General preferential tariff
- Least developed countries tariff
- Commonwealth Caribbean countries tariff
- The North American Free Trade Agreement (NAFTA).

Generally, the countries of origin or export, and any bilateral or multilateral trade agreements which exist between the exporting nation and Canada, determine the tax treatment which will be applied to imported items. The rate of tariff imposed on an item is usually determined *ad valorem*, according to the value of the item.

NAFTA reduces the tariffs imposed on goods entering Canada, Mexico or the United States from either of the other two nations. Eventually, tariffs will be removed entirely for any trade between these nations. Free trade is available only on those goods which originate from any of the three countries, as defined in the existing rules of origin agreements. Other free trade agreements are in place with Panama, Jordan, Colombia, Peru, the European Free Trade Association, Costa Rica, Chile and Israel.

### EXCISE TAXES

Excise taxes are levied on several goods by the federal government and some provincial governments. Taxes are imposed on jewellery, automobiles, automobile air conditioners, watches and clocks, gas and other sources of fuel, cigarettes, tobacco and alcohol products. The various governments also levy excise taxes on the production of cigarettes, tobacco products and alcoholic beverages. The rate of tax levied is based on duty-paid values and varies depending upon the item.

### SALES TAXES

In Canada, sales taxes are applied in three different ways – at the federal level through the goods and services tax (GST), at the provincial level through a provincial sales tax (PST), sometimes called the retail sales tax, or through the harmonised sales tax (HST), a single tax combining the GST and PST.

The rates vary by province and territory, as do the goods and services on which tax is applied and the way the tax is applied.

### GOODS AND SERVICES TAX (GST)

Any business with gross revenues in excess of CAD 30,000 (for public service bodies, CAD 50,000) in a single calendar quarter or in four consecutive calendar quarters must register for GST. The GST is a value added tax (VAT) and, as such, the business entity must collect and remit GST on their Canadian sales. The business can then claim a refund on GST through its expenses and a system of input tax credits (ITCs).

In this system, the tax is paid by the final consumer or purchaser; hence, the ultimate consumer is not permitted a tax credit on the GST paid out.

### PROVINCIAL SALES TAX (PST)

Certain provinces impose a retail sales tax on goods and selected services.

### HARMONISED SALES TAX (HST)

The provinces of New Brunswick, Newfoundland & Labrador, Nova Scotia, Ontario and Prince Edward Island have implemented a harmonised sales tax system with the GST.

### QUEBEC SALES TAX (QST)

Quebec employs a sales tax which is similar but not identical to the GST. The rate of Quebec sales tax (9.975% as of 1 January 2013) is applied to the price of goods and services supplied in Quebec, in addition to the applicable GST.

TABLE 9
*Sales tax summary, by province/territory* – 2015

| PROVINCES/TERRITORIES | GST/HST | PST | QST |
|---|---|---|---|
| Alberta | 5% | | |
| British Columbia | 5% | 7% | |
| Manitoba | 5% | 8% | |
| New Brunswick | 13% | | |
| Newfoundland & Labrador | 13% | | |
| Northwest Territories | 5% | | |
| Nova Scotia | 15% | | |
| Nunavut | 5% | | |
| Ontario | 13% | | |
| Prince Edward Island | 14% | | |
| Quebec | 5% | | 9.975% |
| Saskatchewan | 5% | 5% | |
| Yukon | 5% | | |

## PAYROLL TAXES

With respect to employees who work in Canada, employers are generally obligated to withhold and remit income tax and/or other social security taxes (employment insurance and Canada Pension Plan). In certain circumstances, it may be possible to apply for a reduced obligation to withhold and remit such taxes.

## MUNICIPAL TAXES

Most municipalities in Canada collect their revenue by levying a tax on the value of property in their jurisdictions. This tax liability is levied on the owner of the property at a rate which is set annually, based on the assessed market value of the property. Occupants of business premises must pay a business tax. School boards may also levy a tax based on property value.

## LAND TRANSFER TAXES

About half of the provinces impose land transfer taxes. Rates vary, but are often 1% or 1.5% of the value of the property. (City rates may also apply on top – for example, the City of Toronto imposes a tax on the transfer of real property at a rate of up to 1.5%, which is in addition to the Ontario land transfer tax of 1.5%.) Furthermore, non-resident purchasers may be liable for additional land transfer taxes, depending upon the type of land and province.

## DEATH AND GIFT TAXES

Canada does not impose inheritance taxes. However, every individual is deemed to have disposed of all of his/her property immediately prior to the date of death, for proceeds equal to their fair market value at that time. Capital gains and income arising from these deemed dispositions are taxed at the normal marginal income tax rates for individuals. In order to avoid double taxation upon a future disposition, the estate is deemed to acquire the property at a cost equal to the deemed proceeds to the deceased. Property, which is transferred to a spouse or to a qualifying spousal trust, is not subject to these deemed disposition rules.

Some provinces, such as Ontario, impose a probate tax based on the value of the estate. Canada does not impose gift taxes. However, every individual is deemed to have disposed of gifted property for proceeds equal to fair market value at that time. Capital gains and income arising from these deemed dispositions are taxed at the normal marginal income tax rates for individuals. In order to avoid double taxation upon a future sale, the recipient is deemed to acquire the property at a cost equal to the deemed proceeds to the deceased. Property, which is transferred to a spouse, or to a qualifying spouse trust, is not subject to these deemed disposition rules.

## TRUSTS

A trust is taxed in a similar manner to an individual, without any personal tax credits. However, inter vivos trusts are taxed at the highest personal marginal tax rate.

Canadian residents who receive income from a trust are generally taxed on that income. Non-resident beneficiaries of a Canadian trust are subject to a 25% withholding tax (36% or higher for inter vivos trusts in respect of certain designated income) imposed on that income and deducted at source.

## NON-RESIDENT WITHHOLDING TAXES

A 25% withholding tax is normally levied on payments made to a non-resident from a Canadian source; this includes income received from dividends, interest, rental income, royalties on certain items and/or management fees. The flat rate is deducted at the source before the non-resident receives the income. Most tax treaty agreements between Canada and the non-resident’s country reduce the amount of withholding. Canada currently has treaties with most countries which have a system of income taxation.

## DISPOSITION OF TAXABLE CANADIAN PROPERTY

A non-resident vendor of real estate located in Canada must inform the governments of the sale of real estate within ten days of the sale and is also entitled to obtain a certificate from the CRA (commonly referred to as a ‘section 116 certificate’) where no Canadian tax is owing. The purchaser is required to withhold non-resident taxes from the gross proceeds of sale of 25% at the federal level (or with a 116 certificate, 25% of the amount, if any, by which the purchase price exceeds the limit indicated) and an additional 12.875% if the property is situated in Quebec.

To reduce the withholding of non-resident taxes, the non-resident owner can file forms within ten days of the sale with the governments, together with evidence regarding the sale proceeds and the adjusted cost base of the property. If approved, the governments will issue a Certificate of Compliance, enabling the non-resident taxes withheld to be limited to an amount close to the tax on the actual gain realised on the sale.

This process applies only to withholding taxes. The actual income tax liability is determined by filing tax returns by 30 April of the following year.

### INTEREST AND RENT

Effective from 2 January 2008, withholding tax was eliminated on interest paid to all arm's-length non-resident lenders. Withholding tax on interest payments made after 2009 between related parties was eliminated.

As with interest income, income paid to a non-resident from rental fees for a Canadian property, or from royalties on the sale of timber, is subject to a withholding tax, which is deducted at the source.

However, the non-resident may choose to file a Canadian income tax return on that income only and be able to deduct expenses such as mortgage interest, property taxes, insurance and maintenance from the income earned. This return would be filed as if it were the non-resident's only source of Canadian income. Should a loss be realised, it may be used to offset other sources of Canadian income subject to tax, or it may be carried back or forward.

### MANAGEMENT FEES

Management fees paid to non-residents by a Canadian company or individual are subject to a withholding tax on that fee. The withholding taxes are remitted at the source of payment (before the non-resident receives it).

If a reasonable amount is paid as a reimbursement of a specific expense incurred by a non-resident on behalf of the Canadian taxpayer, the amount paid would not be subject to withholding tax. Furthermore, a service performed by an arm's-length non-resident in the ordinary course of the non-resident's business, which includes the performance of such a service for a fee, would not be subject to Canadian withholding tax.

### SERVICES PERFORMED IN CANADA

Every person paying to a non-resident person or entity a fee, commission or other amount in respect of services rendered in Canada is required to withhold and remit 15% of such a payment. In addition to the federal withholding tax, Quebec has a 9% withholding tax on services rendered in Quebec by non-residents of Canada.

These amounts must be withheld by the Canadian payer even if the non-resident providing the services has no permanent establishment in Canada.

These withholding taxes can be recouped. The non-resident entity must file a Canadian tax return at the end of the non-resident's fiscal year and claim a refund to the extent permitted on those tax returns. (Penalties are imposed for not withholding.)

### TAX TREATIES

Canada has tax treaties in place with 92 countries (as at 1 May 2014). The most up-to-date list of these countries can be found on the following Canadian government website:
Department of Finance Canada

# 7 – ACCOUNTING & REPORTING

All businesses operating in Canada must maintain adequate books and records for every year in which they operate.

The Canada Revenue Agency (CRA) requires that a company includes a summary of the operating results and balance sheet prepared in accordance with generally accepted accounting principles (GAAP). Individuals who receive income from a partnership or those who operate a sole proprietorship must include details with their personal income tax returns. There may also be provincial or territorial filing requirements for companies which reside in their jurisdictions.

## CORPORATE RECORD KEEPING

Taxpayers are required to keep adequate documents in Canada for at least six years from the date of assessment for each taxation year.

In addition, certain documents should be kept indefinitely, which include:
- Documents of incorporation
- Articles and by-laws of corporation
- All minutes of shareholders' meetings and directors' meetings
- A registry of shareholders, directors, and officers
- Prescribed accounting records
- Employment records.

Corporations with annual revenues exceeding CAD 200 million or with capital assets in excess of CAD 600 million or foreign debt and equity of more than CAD 1 million are required to file annual statistical information returns with the federal government under new regulations pertaining to the Corporations Returns Act, including the following information:
- Changes in capital
- Information on directors, shareholders and non-resident shareholders
- Details of payments to non-resident shareholders
- Other statistical data generated in the course of business operations or as requested due to the type of business.

In addition to the above filing requirements, corporations with transactions with foreign related parties must make additional disclosure.

Public corporations whose stock is traded on a stock exchange must comply with required reporting and disclosure requirements, as detailed in the Canada Business Corporations Act, and with any relevant provincial securities commissions or stock exchange requirements.

Continuous and regular reports required are:
- Quarterly financial statements
- Annual financial reports
- Material change reports
- Any other documents relating to business operations.

### AUDIT REQUIREMENTS

Corporations are required to appoint an auditor each year at the annual shareholders' meeting.

On 17 October 2011, the Canada Not-for-profit Corporations Act (NFP Act) came into force. This requires certain federally incorporated not-for-profit corporations, depending on their status and gross annual revenues (above CAD 1 million for non-soliciting corporations and above CAD 250,000 for soliciting corporations) to be audited.

## ACCOUNTING STANDARDS

The Canadian Institute of Chartered Accountants (CICA) develops and establishes auditing standards and accounting principles and requirements to be used by accountants throughout Canada.

These standards generally exceed requirements outlined by most Canadian institutions; hence, most institutions usually require that financial statements be prepared in accordance with the standards and principles outlined in the CICA Handbook. There are, however, certain industries (i.e., banking, oil, and gas) that have specialised reporting requirements imposed on them by federal or provincial statute.

Canada converged with International Financial Reporting Standards (IFRS) as of 14 December 2010. Publicly accountable companies with a fiscal year ending on or after 14 December 2010 were required to adopt IFRS. Private enterprises have the option to adopt IFRS or the Private Enterprise GAAP.

The basic financial information, which must be included in a set of financial statements with comparative information, is:

- A balance sheet
- A statement of income
- A statement of retained earnings
- A statement of cash flows
- Any notes which accompany the financial statements.

CICA is a member of the International Accounting Standards Committee (IASC). Any audit carried out according to CICA standards is accepted internationally and generally satisfies the accounting standards and principles of other countries.

### FINANCIAL TRANSACTIONS AND REPORTS ANALYSIS

Certain industries in Canada are required to report 'suspicious' financial transactions which may be typical of a money laundering or terrorist financing nature.

# 8 – UHY REPRESENTATION IN CANADA

# UHY VICTOR LLP
# CANADA

## CONTACT DETAILS

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## CONTACTS

| | |
|---|---|
| Liaison contact: | Ken Shemie |
| Position: | Partner |
| Email: | kshemie@uhyvictor.com |

| | |
|---|---|
| Year established: | 1932 |
| Number of partners: | 6 |
| Total staff: | 21 |

## BRIEF DESCRIPTION OF FIRM

UHY Victor LLP is an established firm of Chartered Professional Accountants based in Montreal, Canada that provides a comprehensive range of auditing, accounting, tax, and business advisory services.

The firm has extensive expertise in international tax and cross-border planning. Areas include: International Tax, Taxation of Non-Residents in Canada, GST/HST for Non-Residents (Sales Tax); Regulation 105 (withholdings on payments to non-residents for services rendered in Canada); Regulation 102 (Cdn payroll for non-residents); Personal Income Tax, Structuring Inbound and Outbound Businesses, Trusts and Estates, Audit and Accounting.

## SERVICE AREAS

Audit and Accounting
Management Advisory Services
International Tax
Taxation
US Taxation
Forensic Accounting
Litigation Support
Estates and Trusts
Personal Income Tax

## SPECIALIST SERVICE AREAS

Research and Development
Transfer Pricing
Corporate Expansion into Canada
Regulation 105
Regulation 102
GST and HST

## PRINCIPAL OPERATING SECTORS

Construction
Distributors

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# UHY VICTOR LLP
# CANADA

UHY

Engineering
Health Care
Information Technology (IT) & services
Management companies & services
Real Estate and Rental and Leasing
Retail
Textiles & Apparel
Trading Companies

## LANGUAGES
French, English, Mandarin, Cantonese, Russian.

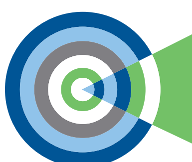
## CURRENT PRINCIPAL CLIENTS
Confidentiality precludes disclosure in this document.

## OTHER COUNTRIES IN UHY CURRENTLY WORKING WITH, OR HAVE WORKED WITH IN THE PAST
US, UK, Hong Kong, France, Sweden, Barbados, Israel, Holland.

## BRIEF HISTORY OF FIRM
UHY Victor LLP was founded in Montréal in 1932, and is a respected firm of Chartered Accountants committed to providing a comprehensive range of accounting, tax, and business advisory services.

Our firm is rich in experience, and our partners maintain close client involvement in addition to being active participants in the Ordre des comptables professionnels agréés du Québec (Quebec CPA Order), as well as numerous social and community organisations.

UHY Victor joined UHY in 1989.



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# MCGOVERN, HURLEY, CUNNINGHAM, LLP CANADA

## CONTACT DETAILS

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| | |
|---|---|
| Year established: | 1980 |
| PCAOB registered?: | Yes |
| Number of partners: | 7 |
| Total staff: | 44 |

## CONTACTS

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Liaison contact: Glen McFarland
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## BRIEF DESCRIPTION OF FIRM

McGovern, Hurley, Cunningham, LLP ("MHC") is a medium-sized firm with seven partners and staff of approximately 50. We have been servicing the needs of businesses for over 30 years. Audit, taxation, accounting and business advisory services to both public and private companies are the cornerstones of our practice. MHC is registered with the Investment Industry Regulatory Organization of Canada (IIROC), the Canadian Public Accountability Board (CPAB), and the U.S. Public Company Accounting Oversight Board (PCAOB). This gives us the right to audit securities dealers and Canadian and U.S. public companies.

## SERVICE AREAS

The firms largest client group consists of junior (small and medium sized) public companies. The balance of the practice is comprised of small and medium sized private companies, non profit organizations, partnerships and individuals. Our most important client industry classifications include junior resource and mining, securities dealers, media and entertainment, franchises, manufacturing and service.

## SPECIALIST SERVICE AREAS

CPAB registered - ability to audit Canadian publicly listed entities
IIROC registered - ability to audit Canadian securities dealers
PCAOB registered - ability to audit U.S. publicly listed entities

## PRINCIPAL OPERATING SECTORS

Construction

## LANGUAGES

English, French, Cantonese, Greek, Russian, Mandarin, Portuguese, Spanish.

## CURRENT PRINCIPAL CLIENTS

Confidentiality precludes disclosure in this document, however, a listing of our Canadian publicly listed audit clients can be found at www.cpab-ccrc.ca.

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# MCGOVERN, HURLEY, CUNNINGHAM, LLP CANADA

## OTHER COUNTRIES IN UHY CURRENTLY WORKING WITH, OR HAVE WORKED WITH IN THE PAST

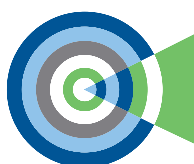
To date, we have worked with UHY offices in Albania, Argentina, Australia, Brazil, Hong Kong, Korea, Mexico, Russia, Singapore, the UK, and the United States.

## BRIEF HISTORY OF FIRM

In 1980, Ross McGovern and Jack Hurley merged their CA practices together to form McGovern, Hurley. They had each operated as sole practitioners up to that time. In 1984, they were joined by Bill Cunningham and Dave Sanderson. The firm name was then changed to McGovern, Hurley, Cunningham (MHC).

In 1983, Ross McGovern retired and Martin Cairns, who had articled with MHC, became a partner. Jeff Hauley, CGA, became an associate. In 2000 Bill Cunningham retired. In 2003, Koko Yamamoto became a partner, followed by Glen McFarland in 2004, Chris Milios in 2008 and Jessica Glendinning in 2009. Koko, Glen, Chris and Jessica all articled with MHC. Jack Hurley retired from the firm in 2010, Dave Sanderson retired in 2012 and Jeff Hauley resigned in 2013.

The firm now has a total of seven partners, one tax director and approximately 45 staff and occupies one location comprising approximately 12,000 square feet in Toronto, Ontario, Canada. MHC is one of the top 20 leading accountancy and assurance practices in Canada.



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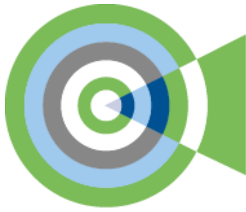

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