

# STARTING A BUSINESS IN THE TORONTO REGION

This document is intended to provide a review of options and processes for starting a business in the Toronto Region.

**Toronto Global**, with its partners, can work with you to understand these steps in greater detail. Since the type of business structure you choose for your business has several implications (tax and otherwise), Toronto Global recommends that you seek legal advice before formulating a strategy.

# 1

## CORPORATE STRUCTURING OPTIONS

Toronto Global can connect you with corporate law firms from across the region that can provide further advice and guidance.

How you choose to structure your company will have an effect on taxes, insurance, the ability to access certain government incentives and many other aspects important to your long-term business plans.

In Canada, there are two primary structuring options:

### 1. Create a New Corporation or Subsidiary

Whether you are creating a new corporation or a subsidiary, the process is the same – you must incorporate the company.

The primary advantage of incorporation is that any debts and/or obligations incurred in Canada are limited to Canada and will not affect the foreign or parent corporation. It is also important to consider that losses are not available for deduction from the parent corporation. Companies that are incorporated pay taxes in Canada on revenue the Canadian corporation/subsidiary incurs internationally (reimbursement for taxes paid in foreign jurisdictions may apply).

In Canada, you have two options:

- + **Incorporate Federally** - provides increased name protection, you will have the ability to carry on business anywhere in Canada.
- + **Incorporate Provincially** - allows you to do business in that province. To do business in another province, you need to incorporate in that province.

#### Tax considerations:

- + A Canadian subsidiary is subject to income tax under Part I of the Income Tax Act (ITA) on its worldwide income.
- + At a rate of 25 percent, subsidiaries are subject to withholding taxes on payments (i.e. dividends) to non-residents, including foreign shareholders (tax treaties may offset these amounts).

#### Canadian Director Requirement:

- + If you incorporate provincially in **Ontario**, you are not required to have a Canadian director.
- + If you incorporate federally, you are required to have a Canadian director.

## 2. Create a Branch

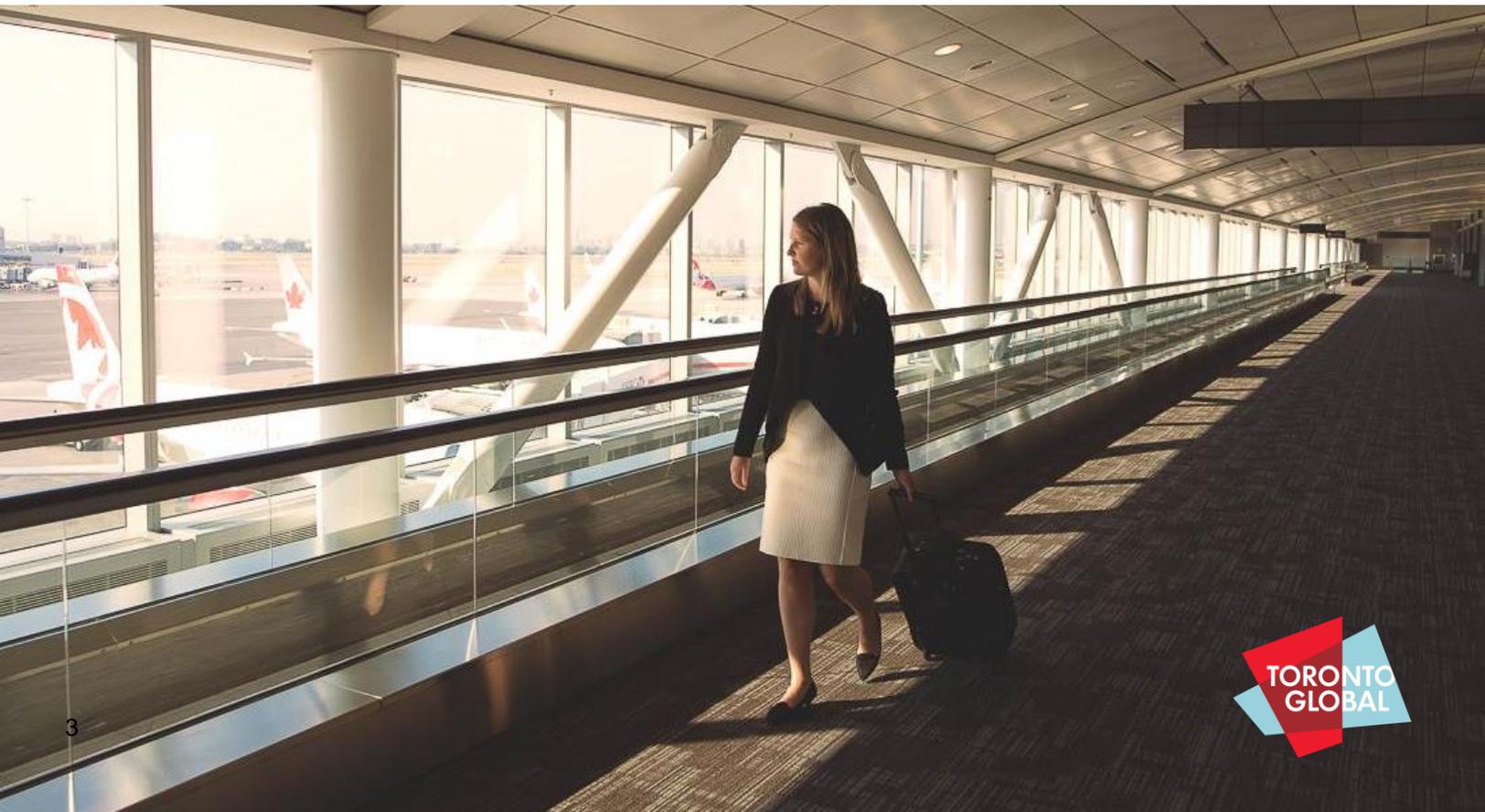
A branch operation is not considered legally distinct from its foreign parent corporation; therefore it remains liable for any debts, liabilities and obligations of the Canadian branch. Additional other important considerations include:

- + Losses may be applied against the income of the parent corporation and may be subject to the laws of the parent corporation jurisdiction.
- + The Canada Revenue Agency (CRA) may request the financial documents from the foreign parent company.
- + Once profitable, the advantage of a branch carrying losses to parent is lost.
- + The Canadian Director Requirement is waived for branch operations.

### **Tax considerations:**

- + A branch is only taxed on income generated from business in Canada.
- + At a rate of 25 percent, a statutory branch tax is imposed on the foreign corporation's after-tax source income where income has not been reinvested in Canada (tax treaties may reduce this to 5 percent).

**For a branch operation, any funds that are repatriated back to the parent company will be subject to Canadian taxes.**



## 2 BUSINESS REGISTRATION

**A corporation must be set up and the directors assigned before a business can conduct operations and register with Revenue Canada.**

Regardless of how you choose to structure the business; you also need to register in the province(s) where you will have a business address. Therefore, if your company plans to have offices in multiple provinces, it must complete registration in each province.

If the company was incorporated federally, extra-provincial registration can be completed online at the time of incorporation.

Once registered, a business must apply for a Business Number (BN). The BN is required to deal with the Canada Revenue Agency (CRA) for activities such as:

- + Paying sales tax, if revenues exceed \$30,000;
- + Filing income tax; and
- + Payroll contributions such as Employment Insurance (EI) and the Canadian Pension Plan (CPP) which are compulsory employer/employee contributions.

If a business employs construction staff or staff working in a high-risk environment, registration with the Workplace Safety Insurance Board (WSIB) is required within 10 days of hiring.

## 3 BANK ACCOUNT

After incorporation, a company can apply to open bank accounts. A company is required to provide a copy of its articles of incorporation and two pieces of identification. Furthermore, Toronto Global can provide the necessary introductions to a commercial banking partner to facilitate this process.

## 4 PERMITS & LICENSES

Business permits and licenses are issued at the city-level. Permits and licenses are based on the type of business you operate and the municipality you choose to locate your business. If a permit or license may be applicable for your business, Toronto Global can work with you to help identify what permits and licenses may be required and introduce you to our colleagues in the municipal government where you are locating in the Toronto Region.

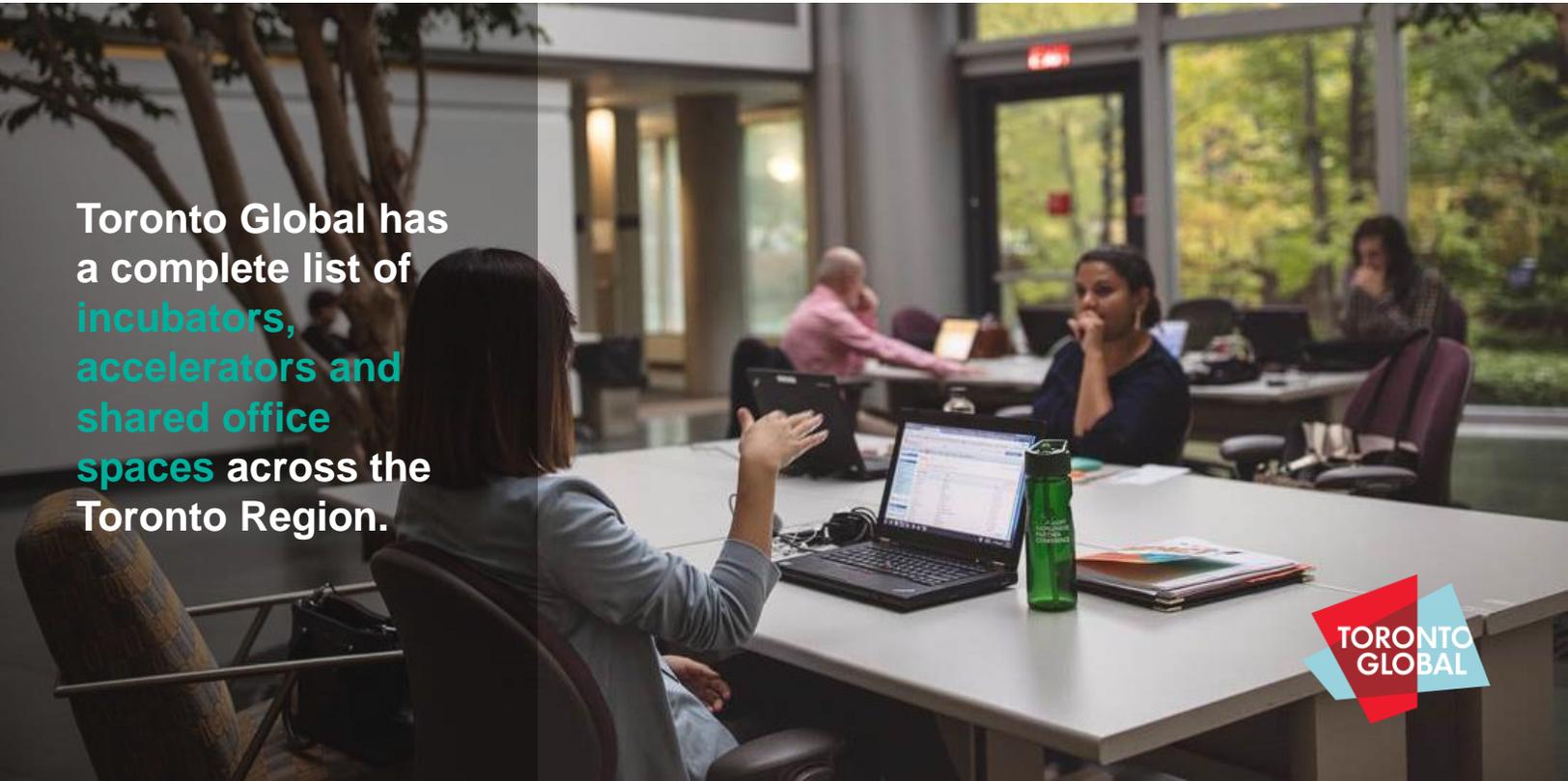
# 5 FINDING A LOCATION

Finding the right location for your business is an important factor for long-term success. The Toronto Region is a dynamic metro centre that was the only Canadian city chosen for the Amazon HQ2 shortlist. Our reach extends from Burlington to Clarington and includes the cities of Toronto, Mississauga and Brampton. We are home to one of the most educated and diverse populations in the world. The Toronto Global team can work with you to help identify an ideal home for your business based on the location factors that matter most to your company.

Common location factors include:

- + Proximity to existing and target customers
- + Proximity to suppliers
- + Access to required talent pool
- + Facility/office specifications
- + Convenient access to transportation (air, rail, highway, transit, bike lanes, etc.)
- + Proximity to similar or like-minded companies
- + Required support services

**Toronto Global can work with you to identify locations in the Toronto Region that are ideal for your business. We can also connect you with our network of real estate professionals who can facilitate property selection across the region.**



Toronto Global has a complete list of **incubators, accelerators and shared office spaces** across the Toronto Region.



## 6 IMMIGRATION

The Government of Canada offers a variety of immigration programs to entrepreneurs and professionals around the world.

Toronto Global can connect you with resources and expertise that can provide tailored advice on immigration options. From our experience, companies expanding into Canada for the first time utilize the following two programs to help bring experienced members of their team here to establish their new operation:

### + **Intra-Company Transfer**

The Intra-Company Transferee is a qualified employee sent to work for the same company in a different country. They are required to have worked with the company at least one year in the last three years, with a specialized or senior level, and require a work permit.

### + **Start-Up Visa**

The Start-Up Visa program targets entrepreneurs with innovative businesses and the potential to create jobs for Canadians and to compete globally. To apply, entrepreneurs are required to gain support from a designated organization, including: venture capital funds; angel investor groups; and, business incubators.

As a Designated Referral Partner under the federal Global Talent Stream, Toronto Global helps companies obtain faster work permit processing for highly skilled foreign talent. This can reduce processing times for work visas to 10 days.

**[Settlement.org](https://www.settlement.org) is an excellent reference guide for newcomers to Ontario and includes information related to health care, family settlement (i.e. housing, schools and insurance), and more.**

# REFERENCES & RESOURCES

## Federal & Provincial Incorporation

- + The Government of Ontario's Guide to [Incorporating a Business Corporation](#)
- + Government of Canada's [Guide to Federal Incorporation](#)
- + [NUANS name search](#) to ensure that the business name you have chosen for the Canadian entity is unique.
- + [Corporations Canada – Provincial Registrars](#)
- + [Frequently Asked Questions on Federal Incorporation](#)

## Business Registration

- + Provincial registration through the [Ontario Government](#)
- + Government of Ontario's Guide to [Registering your Business Name](#)
- + Apply for a BN here: [Canada Revenue Agency](#)
- + Register with the Workplace Safety Insurance Board (WSIB) [here](#)

## Finding a Location

- + Online listings of commercial and industrial properties: [realtor.ca](#) | [spacelist.ca](#)

## Immigration

- + [Intra-Company Transfer Program](#)
- + [Start-up Visa Program](#)
- + [Settlement.org](#)
- + [Applicant Guide to Global Talent Stream](#)

