CANADA

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0- SYNOPTIC TABLE: TAXATION OR RESIDENTS AND NON-RESIDENTS

	RESIDENTS	NON-RESIDENTS
CORPORATE INCOME TAX	Basic rate 38%; Provincial rebate 10% general reduction 13% Final rate: 15% Small companies: 9% on the first Can$ 500,000	Taxed as residents but only on Canada source income
TAXES ON CAPITAL GAINS	Included in taxable income and taxed at the ordinary rate of corporate income tax	
WITHHOLDING TAXES		
Dividends	25%	25% (reducible)
Interests	25%	25% (reducible)
Royalties	25%	25% (reducible)
PERSONAL INCOME TAX	Progressive rates (15%-33%) according to the province. Non-residents are taxed only on Canada source income + provincial tax	
OTHER TAXES		
Land transfer tax	Applied on transfers only in part of the provinces at the average rate of 1%	
Payroll tax	Different according to the province	
Municipality property tax	Applied by each single province at different rates	
VAT	(GST) 5%, 0%	
LOSSES		
Forward	20 years (10 for losses previous to 2006)	
Back	3 years	
DEPRECIATION		
Fixed assets	Buildings: 4% Machinery and equipment: 20%	
Intangible assets	7%	

1- AN OUTLINE OF COMPANY LAW

BUSINESS ENTITY	MAIN TRAITS	FORMATION	GOVERNANCE
Corporations	It is a distinct legal entity and is free to operate outside the provincial or national territory of its constitution. It can be public (the shares are listed on the stock exchange), private or Canadian controlled private corporations (CCPC). Share capital: there is no requirement for a minimum share capital. Liability: limited to contributions.	It can be incorporated under federal or provincial jurisdiction. The signature of the deed of incorporation by the founding members is essential to incorporate the company. The deed must then be sent to the Ministry of Consumer Corporate Affairs.	
Unlimited liability companies	It is a type of company existing in Nova Scotia, Alberta and British Columbia. For tax purposes it is considered a normal corporation in Canada.		
General partnerships	It is regulated by the provincial jurisdiction. Shareholders can be natural or legal persons or other general partnerships. Liability: unlimited and joint of each partner.		
Limited partnerships	It is regulated by the provincial jurisdiction and can operate within the limits of the province's territory. Liability: limited to the provision made.		Registration must take place in the judicial district of the province.
Branches	Branches are not granted the tax benefits enjoyed by Canadian companies. Income from a subsidiary is taxed in Canada. Also for tax-related reasons, most foreign companies opt for a subsidiary.		The procedure is the same as for Canadian companies, but they can be registered under a provincial license as a branch (non-resident company operating in Canada).
Joint ventures	It is similar to a general partnership but is formed only for a specific project. It is not recognized for tax purposes. Profits and losses are calculated separately by each of the participants.		
Trusts	It is created by act. It is a fiscally valid system for making investments.		
Sole proprietorships	It is regulated by the provincial jurisdiction and is particularly suitable for small businesses. It is an unregistered company owned by one person who has unlimited liability.		Registration must take place in the judicial district of the province.

2- WHEN CANADIAN COMPANIES CAN BE CONSIDERED RESIDENT OR NON-RESIDENT?

A company is considered resident if it is managed and administered in Canada. Companies incorporated in Canada after April 26, 1965 are considered resident. Those established before that date are considered resident if they reside in Canada or carry out business activities there since April 26, 1965.

3- BUSINESS AND NON-BUSINESS ACTIVITIES (ADMINISTRATIVE OFFICES, LIAISON OFFICES, PURCHASING OFFICES, ETC.)

Canada is seldom used as a location for international administration or liaison offices because of an economic disadvantage arising from high income tax rates.

Non-resident companies that establish administration or liaison offices in Canada normally do not incur Canadian tax unless they are treated as Canadian residents.

Canada is rarely used for international transactions; therefore it is not very common to set up administrative offices or liaisons. Foreign companies that set up these offices for market research, advertising, or the delivery of goods do not incur Canadian taxation.

A non-resident is subject to tax on income from business activities conducted in Canada. This normally occurs when sales contracts are concluded.

However, Canadian tax legislation contains a broader definition of business activity, also referring to the production, processing or creation of products and services by non-residents.

4- WHICH FOREIGN LOCAL UNITS CAN BE OPENED IN CANADA: SECONDARY ESTABLISHMENTS, BRANCHES, SUBSIDIARIES OR PERMANENT ESTABLISHMENTS?

In Canada, a permanent establishment is any fixed place of business, such as an office, a branch, a mine, an oil well, a farm, timber land, a factory, a workshop or a warehouse. The permanent establishment of a corporation that does not have any fixed place of business is the principal place in which its business is conducted. A corporation is deemed to have a permanent establishment in a place if it carries on business in that place through an employee or an agent who has general authority to bind the corporation to contracts, or has a stock of merchandise in a place from which its employee or agent regularly fills orders. A foreign corporation may use an unincorporated branch to conduct business in Canada. Income of a branch is subject to tax in Canada and may be subject to tax in the home country of the foreign corporation. Canada imposes a branch tax on assets repatriated to the foreign corporation's home country.

5- CALCULATING TAXABLE INCOME

A corporation calculates its taxable income by reducing its annual profit by net losses from other tax years, charitable contributions (which may offset up to 75% of annual profit), and dividends received from other taxable Canadian corporations and certain foreign affiliates.

Most corporations determine annual profit using the accrual method of accounting. A number of statutory provisions prohibit deduction of certain items for tax purposes or may allow deduction of these items in computing net income. The deductibility of expenses in the determination of taxable income is governed by the following rules:

1. expenses incurred to produce income not subject to Canadian taxation are non-deductible;
2. only justified expenses are deductible;
3. the transactions between the parties are presumed to have occurred on the basis of the market price;
4. reserves are deductible only if this is provided for by tax legislation (eg provisions for non-performing loans);

5. certain expenses are deductible only at the time of payment and include interest, contributions to certain pension funds and costs related to utility services;
6. expenses (other than salaries or wages) incurred but not paid to non-arm's length subjects are added to the income of the reference year and are deducted if such amounts have not been paid or are not shown paid by the end of the second year of taxation subsequent to that in which the expense was incurred;
7. unpaid wages and other similar remuneration are not deductible in the calculation of a company's income, unless they have been paid before the 180th day after the end of that year;
8. limits on deductibility are envisaged in cases of expenses not relating to business activity.

6- TREATMENT OF LOSSES

Non-capital losses may be carried back 3 years and carried forward 20 years.
There is no limit on the amount of the carry-back or carry-forward, other than the amount of taxable income available for offset in a given year.
Allowable capital losses may be carried back 3 years and carried forward indefinitely to offset taxable capital gains in those carry over years.
The use of amounts carried forward by a corporation as non-capital losses are restricted after a change of control in the corporation. Such losses may be utilised only if the business that gave rise to the losses is carried on with a reasonable expectation of profit. Such losses can be deducted only against income earned from the corporation's original business and any similar businesses.

7- IS INTEREST DEDUCTIBLE?

Interest on money borrowed and used to gain or produce income from business or property is generally deductible. Such interest may be deducted only in the year in which it became payable or was paid pursuant to a legal obligation
Interest on funds borrowed to purchase shares or interests in the partnership is also deductible, albeit to a limited extent in the case of funds for investments in land or to construct, renovate or modify a building.
The deduction of interest may be limited if the Canadian subsidiary is "undercapitalized".

8- IS DEPRECIATION DEDUCTIBILITY ACKNOWLEDGED?

Depreciation is based on the classification of depreciable property into pools of property within defined asset classes. Where a corporation is engaged in more than one business, depreciable assets of the same class must be segregated for each business.
Depreciation rate is usually determined on a declining balance basis. When a tax year is less than 12 months, the depreciation must be pro-rated on a daily basis.
The capital or acquisition cost of a depreciable asset is added to its designated class pool at the earlier of the following two dates:
• commencement of the second taxation year (24-month rule) following the year of acquisition, or
• the tax year in which the asset becomes available for use.
An asset generally is considered available for use on the first day it is actually used to earn income. Special rules apply in specified situations. Depreciation may not be claimed with respect to the following items: land, property where its cost is otherwise deductible in calculating income, inventory, property not acquired to produce income, the cost of property deducted as research and development expenses, even though the property would otherwise be eligible for depreciation.

The table below contains the maximum depreciation rates for the most commonly used assets:

Asset	*Normal rate* (*) %
Automobiles (up to Can$ 30,000 of capital cost)	30
Buildings (including elevators, heating equipment, lighting, plumbing, etc)	4
Tangible capital assets not specifically listed	20
Computer hardware and software (if acquired between 27 January 2009 and 31 January 2011)	100
Computer hardware and software	55
Dies, jigs, moulds	100
Furniture and fixtures	20
Tools under Can$500	100
Manufacturing and processing equipment	50
Movable power generating equipment	30
Patents with a limited life	straight line over asset's useful life

Note:
* In year of acquisition one half of the normal rate applies for most categories

A capital cost allowance applies to goodwill, eligible capital property and certain intangible property acquired on or after 1 January 2017. These are subject to a 5% annual deprecation rate on the total cost of the asset.

Before 1 January 2017, 75% of the cost of certain intangible property (ie eligible capital property) could be amortised at an annual rate of 7% on a declining balance basis. The amounts amortised could be recaptured and included in income when such property was disposed of.

9- WHAT TAX TREATMENT IS APPLIED TO RESIDENT COMPANIES?

The basic federal corporate income tax rate is 38%, and has remained at this rate since 2005. A federal tax abatement of 10% applies on taxable income earned in a province.

A general tax reduction also applies. For 2023 this general tax reduction has been 13% on taxable income. (The same reduction rate has applied since 2012.) The general tax reduction does not apply to income eligible for the small business deduction or to investment income.

The general federal rate of income tax for 2023 - unchanged since 2012 - is: basic rate 38%; provincial reduction 10%; general reduction 13%. Final rate: 15%.

From 1 January 2023, the general federal corporate income tax rate for banking and life insurance groups is 15% on taxable income up to Can$100 million and 16.5% on taxable income exceeding Can$100 million. Before 1 January 2023, the standard 15% rate applied.

A small business deduction reduces the effective Canadian corporate tax rate in 2023 to 9% (no change from 2022) for Canadian-controlled private corporations (CCPC). This rate reduction applies to the first Can$500,000 of taxable income derived in a tax year from an active business carried on in Canada.

Investment income earned by private corporations controlled by a non-resident is subject to tax at full federal and provincial rates (ie approximately 43%).

One-half of total capital gains (ie taxable capital gains) are included in the taxpayer's income at ordinary rates.

Canada does not impose withholding taxes on interest, dividends, royalties or other passive income earned by Canadian resident corporations.

Both resident and non-resident corporations are subject to local income taxes in all Canadian provinces and territories where they have a permanent establishment (PE).

Provincial and territorial taxes are collected by the federal government, except for Quebec and Alberta.

The basic tax rates in effect for the year ending 31 December 2023 are as follows:

Province or territory	*Small business rate %*	*General rate %*
Alberta	2	8
British Columbia	2	12
Manitoba	0	12
New Brunswick	2.5	14
Newfoundland and Labrador	3	15
Northwest Territories	4	11.5
Nova Scotia	2.5 (1)	14
Nunavut	3	12
Ontario	3.2	11.5
Prince Edward Island	1	16
Quebec	4	11,5
Saskatchewan	0	12 (2)
Yukon	0	12 (3)

Note:

1. New small businesses in Nova Scotia may apply for exemption from corporate tax for the first 3 taxation years after incorporation.
2. A 10% rate applies for corporations engaged in manufacturing and processing.
3. A 2.5% rate applies for corporations engaged in manufacturing and processing.

10- ARE GROUP COMPANIES CONSIDERED SINGLE COMPANIES FOR FISCAL PURPOSES?

Canadian tax law does not permit the use of consolidated returns. There is no method of setting off losses of one corporation against profits of another corporation within a group of controlled companies. An amalgamation or a liquidation of a subsidiary into a parent company generally allows the surviving entity to utilise net loss carry overs of the other entity against the survivor's future income.

11- WHAT TAX TREATMENT IS APPLIED TO FOREIGN LOCAL UNITS AND NON-RESIDENT COMPANIES?

A non-resident is subject to Canadian tax on profits from trading conducted in Canada.

A foreign corporation's taxable income attributable to a Canadian branch is determined under the same rules that apply to Canadian resident corporations.

The Canadian tax liability of a non-resident corporation operating in Canada through a branch is limited to Canadian corporate tax on the trading profits of the branch. A non-resident corporation carrying on a business in Canada through a branch is also subject to a 25% branch tax on net Canadian business profit, less income taxes and net increases in Canadian assets.

Canadian source non-trading income (ie interest, royalties or rents) of a non-resident is subject to a 25% withholding tax, which may be reduced by treaty.

Generally, interest paid to non-residents is subject to a 25% withholding tax, but some types are exempt.

Dividends paid by Canadian companies to non-resident shareholders are subject to a withholding tax of 25%, which can reduced if provided in an applicable tax treaty.

Royalties on films, trademarks, franchises and know-how and payments for equipment rental are subject to a withholding tax of 25%, which can be reduced if provided in an applicable tax treaty.

12- ARE CAPITAL GAINS TAXED?

A corporation's taxable capital gains are included in income and taxed at regular corporate rates.

Non-residents are taxable on capital gains that arise from the disposition of taxable Canadian property, which includes Canadian real property, property used in a Canadian business, shares of Canadian private corporations, shares of Canadian public companies, partnership interests, where more than 50% of the fair market value of partnership property is either taxable Canadian property or a Canadian resource property, a capital interest in a Canadian trust.

Treaty provisions may reduce the income inclusion of some of the items above.

A Canadian corporation can defer capital gains tax in a number of circumstances.

13- WHAT TAX TREATMENT IS APPLIED IN CASE OF COMPANY LIQUIDATION?

Distributions paid to resident or non-resident shareholders following liquidation are considered dividends and therefore subject to withholding tax, up to the amount distributed which exceeds the paid-up capital of the company in liquidation.

14- TRANSFER OR REPURCHASE OF SHARES: HOW ARE THEY TAXED?

A reduction of share capital generally is treated as a return of capital from the company because it reduces a shareholder's tax cost base in the company's shares for the purposes of determining capital gains.

The amounts paid on the redemption of issued shares are a return of capital. Any amount paid in excess of paid-up capital is deemed to be a dividend.

15- WHAT OTHER TAXES ARE APPLIED IN CANADA?

Taxes on capital

Capital tax is applied at different rates only by some provinces of Canada and, in some cases, only to financial institutions.

Federal import duties and tariffs

Excise taxes and duties are imposed at various rates on non-exempt imports based on duty paid values.

Dumping duty

Canada's anti-dumping provisions impose a dumping duty when the price of imports could impair a business that produces similar goods in Canada.

VAT/GST

GST (Goods and Services Tax) is a form of VAT and is applied to the production and exchange of certain products. From 1 January 2008 the ordinary rate is 5%, but some items are exempt (housing fees, old buildings, health and education services, domestic and child care services, legal assistance services, charitable interventions, public bodies, some financial services and transport tariffs) or at 0 rate (medicines, medical equipment, basic food, agricultural and seafood products, exports, transport services, international organizations, financial services).

All Canadian provinces, with the exception of Alberta, apply the PST (Provincial Sales Tax) on tangible personal property and certain types of services, at rates between 6% and 10%. In 1997 the provinces of New Brunswick, Nova Scotia, Newfoundland and Labrador have harmonized the PST (Provincial Sales Tax) with the GST by creating the HST (Harmonized Sales Tax), whose overall rate ranges from 13% to 15%. In 2010 Ontario and British Columbia adopted HST. In 2013 British Columbia abolished it, restoring the PST and GST and Prince Edward Island introduced the HST.

Quebec applies the QST (Quebec Sales Tax) and the GST at the rate of 14.975%.

Provincial sales tax
All Canadian provinces (except Alberta and the territories) impose a provincial retail sales tax of between 6% and 10% on tangible personal property and selected services.
Municipality property taxes
Municipalities may impose property taxes on the value of real property within a municipality's boundaries. Provinces may impose property taxes on land within their borders but outside the boundaries of a municipality.
Gift and death taxes
Canada does not impose gift or death taxes. Some provinces charge probate fees based on the value of an estate.
Land transfer taxes
About one-half of the provinces impose taxes on the transfer of land. Land transfer tax rates are usually a fraction of 1% of the value of the property.
Workers Compensation
Protection of employees at the place of employment is governed by provincial legislation. Generally, employers pay premiums. Rates vary significantly based on jurisdiction and industry.
Motor vehicles tax
All vehicles are subject to the motor vehicles tax which is derived from the Excise Tax Act (ETA).
Payroll tax
The federal and provincial payroll tax rates for 2023 are as follows.

Federal	***Canada pension plan***	***Employment insurance***
Contribution rate - employee	5.95%	1.58%
Contribution rate - employer	5.95%	2.21%
Yearly maximum pensionable earnings	Can$ 66,600	-
Yearly maximum insurable earnings	-	Can$ 61,500
Yearly exemption	Can$ 3,500	-
Yearly maximum contributory earnings	Can$ 63,100	-
Yearly maximum employee contribution /premium	Can$ 3,754.45	Can$ 1,002.45
Yearly maximum employer contribution /premium	Can$ 3,754.45	Can$ 1,403.43

16- DIVIDENDS, INTERESTS AND ROYALTIES: HOW ARE THEY CONSIDERED AND TAXED?
Dividends
Dividends received by one taxable Canadian corporation from another taxable Canadian corporation generally are deductible in the calculation of taxable income. However, such dividends may give rise to a refundable tax liability of one-third of the gross amount of the distributions received.
Dividend distributions to non-resident shareholders are subject to a 25% withholding tax, which may be reduced by an applicable tax treaty.
Interests
Canada does not impose withholding taxes on interest, dividends, royalties or other passive income earned by Canadian resident corporations.

Generally interest paid to non-residents is subject to 25% withholding tax. Treaty provisions may reduce this rate. Certain interest payments are not subject to withholding tax, including the following:
• payments of interest by a non-resident owned (NRO) investment corporation
• payments of interest on certain government or government guaranteed obligations
• payments of interest denominated in a foreign currency by a bank
• payments of interest by a Canadian resident corporation to an arm's length lender, where the debt was issued after 23 June 1975. The terms of the debt issue cannot require repayment of more than 25% of debt principal within five years of issue, except in cases of default
• payments of interest on debt for real property outside Canada. These payments are subject to withholding tax if they are deductible in calculating the payer's income from a business carried on in Canada, or against income from property other than real estate situated outside Canada.

Royalties

Payments for royalties on Canadian films, trademarks, franchises and know-how are subject to the 25% withholding tax, or a lower rate if provided in an applicable tax treaty.
Copyright royalties paid on the production or reproduction of literary, dramatic, musical, or artistic works are not subject to withholding tax.

17- HOW ARE CALCULATED STOCKS OR INVENTORIES?

Inventory is usually valued at the lower of cost or fair market value. Inventory values may be based on either the first-in first-out (FIFO) or average cost method. Use of the last-in first-out (LIFO) method for inventory valuation is not acceptable.
The value of inventory at the beginning of any tax year must be determined on the same basis as the closing value of inventory at the preceding year-end.

18 – HOW ARE RESIDENT INDIVIDUALS TAXED?

Tax liability criteria

An individual who "sojourned in Canada in the year for a period of, or periods the aggregate of which is, 183 days or more" is deemed to be a resident of Canada throughout the tax year.

Tax rates

The 2023 personal federal tax rates, which apply to taxpayers in all provinces (aside from Quebec) and in all 3 territories, are as follows:

Taxable income Can$	***Tax on lower limit Can$***	***Marginal rate***
0 – 53,359	-	15%
53,360 – 106,717	8,004	20.5%
106,718 – 165,430	18,942	26%
165,431 – 235,675	34,207	29%
Over 235,675	54,578	33

All provinces and territories calculate tax based on a "tax on income" system. However, except for Quebec, they use the federal definition of taxable income. The applicable rate of tax is generally based on the province or territory of residence on 31 December of each year.

Main deductions and reliefs

Every individual who has an income tax liability must file a return. A joint return filed by a husband and wife is not permitted.
The maximum deductions for child care (per child) are as follows for 2022 and 2023:

Child aged less than 7 years	Can$ 8,000
Child aged 7 to 16 years	Can$ 5,000
Disabled child	Can$ 11,000

The maximum federal amount eligible for a non-refundable tax credit in 2023 is Can$13,521.

An eligible person can obtain a maximum caregiver tax credit of Can$7,999 in 2023 in respect of expenses for care of dependent relatives with infirmities (including persons with disabilities); this includes parents, siblings, adult children and other specific relatives.

Inheritance and gift tax

No estate or gift taxes are imposed in Canada. However, a capital gains liability arises upon death, but a capital gains liability arises on the death of an individual, except upon the transfers of assets to a spouse resident in Canada immediately following the taxpayer's death, transfers to a trust set up exclusively for a spouse, or the bequest of actively farmed land where certain conditions are met.

Pension, social security and national health policy

It is the policy of the Canadian federal government to encourage individuals to save for their retirement through the use of different tax-assisted pension plans, paid from both employers and employees.

All Canadians are covered for health care under a programme known as Medicare. Most medical procedures and services are covered by this plan at no cost to the patient. Medicare taxes are paid by an employer on all remuneration paid or out of general tax revenue in all areas of Canada except in the provinces of British Columbia and Ontario, where all residents pay a specific health tax.

19- HOW ARE FOREIGN INDIVIDUALS TAXED? WHEN ARE THEY CONSIDERED RESIDENT?

Tax liability criteria

An individual who “sojourned in Canada in the year for a period of, or periods the aggregate of which is, 183 days or more” is deemed to be a resident of Canada throughout the tax year.

Tax rates

Non-residents are taxed at the same federal rate as resident taxpayers (aside from Quebec). However, non-residents are also subject to an additional federal tax for income considered to have been earned in Canada, but not earned in a province. This “non-resident tax” is equal to 48% of the basic federal taxes. For 2023, non-resident tax rates were:

Taxable income Can$	***Tax on lower limit Can$***
0 – 50,197	7.20
50,198 – 106,717	9.84
106,718 – 165,430	12.48
165,431 – 235,675	13.92
Over 235,675	15.84

In cases where the income of a non-resident is attributable to employment in a province, the provincial rate of that province will be applied instead of the non-resident tax.

Main deductions and reliefs

Every individual who has an income tax liability must file a return. A joint return filed by a husband and wife is not permitted.

Inheritance and gift tax

No estate or gift taxes are imposed in Canada. However, a capital gains liability arises upon death, but a capital gains liability arises on the death of an individual, except upon the transfers of assets to a spouse resident in Canada immediately following the taxpayer's death, transfers to a trust set up exclusively for a spouse, or the bequest of actively farmed land where certain conditions are met.

Pension, social security and national health policy
It is the policy of the Canadian federal government to encourage individuals to save for their retirement through the use of different tax-assisted pension plans, paid from both employers and employees.
Non-residents are generally not insured or eligible for coverage under Medicare. However, landed immigrants and others in Canada under approved work permits should contact the appropriate provincial and territorial government health department to determine the extent of their coverage. Non-residents should obtain the necessary health insurance coverage either in their home country or through Canadian insurers who offer such programmes to visitors.

20- TERMS FOR TAX PAYMENT: THE FISCAL YEAR IN CANADA
A corporation must file its income tax return within 6 months after its tax year-end. A corporation may use electronic filing if it is a resident of Canada, does not claim scientific research and experimental development tax credits, and is not an insurance company.
Payment is made in monthly installments and the balance must be paid by the end of the second month following the end of the company's fiscal year. For the CCPC, the balance must be paid by the end of the third month.
In case of failure to submit the return by the due date, a fixed penalty of 5% on the tax due is applied, plus an additional penalty of 1% on the tax due, plus any additional penalties accrued.
Annual penalties of up to 17% of the tax due for delays in the delivery of the tax return are applied.
In addition, interest on arrears is applied to late payments and installments. Neither the pecuniary sanctions nor the default interest are deductible for tax purposes.

21- WHAT TAX INSPECTIONS ARE MADE?
The books, records and supporting documents of all resident and non-resident Canadian taxpayers must be retained for a period of six years and kept in paper format.
All such records are subject to examination by Canadian tax authorities.
Reassessments may be made within three to four years of the mailing date of the original notice of assessment.

22- CAN TAXPAYERS AGREE IN ADVANCE THEIR TAX TREATMENT?
It is possible to ask the Canada Revenue Agency for the tax regime that will apply to a transaction. This request is not mandatory but still recommended in certain circumstances and must be submitted to the CRA located in Ottawa prior to completion of the transaction.

23- WHAT EXCHANGE CONTROLS ARE CARRIED OUT?
Canada does not impose any exchange controls. Financial institutions are required to report single cash transfers and electronic funds transfers into or out of Canada in excess of Can$10,000 to the Financial Transactions and Reports Analysis Center of Canada (FINTRAC). FINTRAC was established to help counter money laundering and the financing of terrorist activities.

24- WHAT TAX RELIEFS AND INCENTIVES ARE GRANTED BY THE CANADIAN GOVERNMENT?
Small business incentives
A small business deduction reduces the effective Canadian corporate tax rate in 2023 to 9% (no change from 2022) for Canadian-controlled private corporations (CCPC). This rate reduction applies to the first Can$500,000 of taxable income derived in a tax year from an active business carried on in Canada.

The benefits of the small business deduction are phased out once the taxable capital employed in Canada by an associated group of companies exceeds Can$10 million, and are eliminated if the taxable capital employed in Canada reaches Can$15 million.
From 2019, the small business deduction is further limited for associated groups of companies that have passive investment income exceeding Can$50,000. The amount of eligible taxable income for deduction is reduced by Can$5 for every Can$1 of passive investment income over the threshold. As a result, no deduction is available when passive investment income exceeds Can$150,000.

Manufacturers and processors

A tax rate reduction of 13% is available to corporations not eligible for the small business deduction on manufacturing and processing profits earned in Canada.

Investment tax credit

An investment tax credit is allowed in certain designated areas of Canada for the cost of new machinery, equipment and buildings acquired for use in manufacturing, processing or other specified activities, and for expenditures for scientific research and development.
The investment tax credit may be claimed against federal income tax otherwise payable, and is normally calculated at 15% or 35% of the cost of eligible expenditures, depending upon where in Canada the asset is to be used or where the expenditure is incurred.
Unused credits generally may be carried back 3 years and forward 20 years, limited only by the amount of tax payable at the end of the year. The current unused investment tax credits of a CCPC may be fully or partially refundable if they do not have income in excess of the small business limit.

Scientific research (R&D)

Taxpayers carrying on business in Canada may deduct current scientific research expenditure made in or outside Canada. The deduction applies only for revenue costs, not capital costs.
Deductions for R&D expenditure not claimed in the current tax year may be carried forward to future years.
Many provinces offer similar incentives for R&D. Depending on the province, the corporation and the type of expenditure, the corporation's tax benefit could approach 75% of its eligible R&D expenditure.
A corporation has 18 months from the end of the tax year in which it incurred the R&D expenditures to claim the investment tax credits.

Industrial incentive programmes

There are numerous federal and provincial industrial incentive programmes, which take the form of cash grants, loans, non-repayable loans, technical assistance and equity participations. Incentives generally are available to domestic and foreign entities operating in Canada.

Film or video production

There is a refundable tax credit of 16% on qualified Canadian labour expenditures incurred for film and videos produced in Canada.

Large investments (Quebec) (applications closed)

Corporations investing at least Can$100 million in the following industries in Quebec are entitled to a reduction in tax equivalent to 15% of the investment for up to 15 years:

• manufacturing
• data processing and storage, and
• wholesale trade or warehousing.

The tax reduction applies to investments made after 20 November 2012. Applications were accepted until 31 December 2020.

Employee training grant

To encourage labour force participation and employee training, the Canada Job Grant scheme is available in all provinces and territories, subject to application caps, except for Quebec, which has its own scheme.

Under the Canada Job Grant scheme, corporations are entitled to a government contribution of two-thirds of training costs up to Can$10,000 per employee. The employer must contribute at least one-third of training costs. The maximum possible grant is therefore Can$15,000. Any small business with no more than 50 employees is permitted to provide up to 15% of its contribution as benefits-in-kind.

25- HAS CANADA SIGNED BILATERAL TAX AGREEMENTS WITH OTHER COUNTRIES? TABLE OF WITHHOLDING TAXES

The following table illustrates the withholding tax rates applied on dividend, interest and royalty payments to non-residents entities with which Canada has signed an AFB.

	Dividends %	*Interests* %	*Royalties* %
Non-treaty countries	25	25	25
Treaty countries			
Algeria	15	15	15
Argentina	10/15	12.5	3/5/10/15
Armenia	5/15	10	10
Australia	5/15	10	10
Austria	5/15	10	10
Azerbaijan	10/15	10	5/10
Bangladesh	15	15	10
Barbados	15	15	10
Belgium	5/15	10	10
Brazil	15/25	10/15	15/25
Bulgaria	10/15	10	10
Cameroon	15	15	15
Chile	10/15	15	15
China	10/15	10	10
Colombia	5/15	10	10
Croatia	5/15	10	10
Cyprus	15	15	10
Czech Republic	5/15	10	10
Denmark	5/10/15	10	10
Dominican Republic	18	18	18
Ecuador	5/15	15	10/15
Egypt	15	15	15
Estonia	5/15	10	10
Finland	5/15	10	10
France	5/10/15	10	10
Gabon	15	10	10
Germany	5/15	10	10
Greece	5/15	10	10
Guyana	15	15	10
Hong Kong	5/15	10	10
Hungary	5/10/15	10	10
Iceland	5/15	10	10
India	15/25	15	10/15
Indonesia	10/15	10	10
Ireland	5/15	10	10
Israel	0/5/15	0/5/15	0/10
Italy	5/15	10	0/5/10

Ivory Coast	15	15	10
Jamaica	15	15	10
Jappone	5/15	10	10
Jordania	10/15	10	10
Kazakhstan	5/15	10	10
Kenya	15/25	15	15
Korea	5/15	10	10
Kuwait	5/15	10	10
Kyrghyzstan	15	15	10
Latvia	5/15	10	10
Lithuania	5/15	10	10
Luxembourg	5/10/15	10	10
Madagascar	5/15	0/10	5/10
Malaysia	15	15	15/25
Malta	15	15	10
Mexico	5/15	10	10
Moldova	5/15	10	10
Mongolia	5/15	10	5/10
Morocco	15	15	5/10
Netherlands	5/10/15	10	10
New Zealand	0/5/15	0/10	5/10
Nigeria	12.5/15	12.5	12.5
Norway	5/15	10	10
Oman	5/15	10	10
Pakistan	15	15	15
Papua New Guinea	15	10	10
Peru	10/15	15	15
Philippines	15	15	10
Poland	5/15	0/10	0/10
Portugal	10/15	10	10
Romania	5/15	10	5/10
Russia	10/15	10	10
Senegal	15	15	15
Serbia	5/15	10	10
Singapore	15	15	15
Slovak Republic	5/15	10	10
Slovenia	5/15	10	10
Southafrica	5/15	10	6/10
Spain	0/5/15	0/10	10
Sri Lanka	15	15	10
Sweden	5/10/15	10	10
Switzerland	0/5/15	10	10
Taiwan	10/15	0/10	10
Tanzania	20/25	15	20
Thailand	15	15	15
Trinidad & Tobago	5/15	10	10
Tunisia	15	15	15/20
Turkey	15/20	15	10
Ukraine	5/15	10	10
United Arab Emirates	5/10/15	10	10
United Kingdom	0/5/15	0/10	10
United States	5/15	0	10

Uzbekistan	5/15	10	5/10
Venezuela	10/15	10	5/10
Vietnam	5/10/15	10	7.5/10
Zambia	15	15	15
Zimbabwe	10/15	15	10

Canada has signed TIEAs - based on the OECD model convention - with over 20 countries.