CANADIAN ADVANTAGE

A Research Study on Canadian Business Opportunities

The Institute of Chartered Accountants of India
(Set up by an Act of Parliament)

CANADIAN ADVANTAGE

A Research Study on Canadian Business Opportunities

The basic draft of this study has been prepared by

CA. Sunil Kumar, CA. Shankar Roy and CA. Rekha Paranjape

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
(*Set up by an Act of Parliament*)

Month and Year of Publication: February 2008

Price	:	Rs. 250/- (With CD)
ISBN	:	978-81-8441-019-8
Email	:	ctlwto@icai.org
Website	:	www.icai.org
Published by	:	The Publication Department on behalf of Shri Rakesh Sehgal, Secretary of Committee on Trade Laws and WTO, The Institute of Chartered Accountants of India, ICAI Bhawan, Post Box No. 7100, Indraprastha Marg, New Delhi-110 002.
Printed by	:	Sahitya Bhawan Publications, Hospital Road, Agra 282 003. February/2008/1000 Copies

FOREWORD

It is a matter of great pleasure that Committee on Trade Laws and WTO has decided to undertake country specific research studies for various countries and is issuing publications on them starting with Canada.

The basic objective of these research studies is to provide guidance to the Chartered Accountants and others concerned on the trade laws/rules applicable in major trading partners for (a) setting-up businesses in such countries; and (b) operating as professional accountants in such countries.

The dawn of new economy has provided new areas to work upon and chartered accountancy profession being a key player in every sector of the economy accordingly needs to be conversant with the latest developments so that the stakeholders are able to reap the benefits of valuable professional services provided by professionals like Chartered Accountants.

I am sure that this publication will serve as a useful tool of information for Chartered Accountants. I would like to put on record the contribution of CA. Sunil Kumar, CA. Shankar Roy and CA. Rekha Paranjape who have prepared the basic draft of this publication. I appreciate the initiative taken by CA. Mahesh P. Sarda, Chairman, Committee on Trade Laws and WTO, all the Members of the Committee, Shri Rakesh Sehgal, Joint Secretary & Secretary to the Committee and CA. Mohit Baijal, Assistant Director in bringing out this publication.

New Delhi. **CA. Sunil H. Talati**
February 4, 2008 **President**

PREFACE

The Committee on Trade Laws and WTO has undertaken country specific research studies for major trading partners of India in order to provide guidance to the Chartered Accountants and others concerned on the trade laws/rules applicable in major trading partners for (a) setting-up businesses in such countries; and (b) operating as professional accountants in such countries.

The present publication is on doing business in Canada. Canada is one of the most technologically advanced countries and high tech exports are leading its export activities. Canada also enjoys a good trade relationship with the European Union. Canada is one of the leading exporters of Chemicals, machinery, transports equipment, computer electronic products, and mining industry. Canada enjoys special access to Asia-Pacific market due to its immigration link and active involvement in APEC. In technological infrastructure, Canada ranked ahead of Japan and far out in front of the Germany, UK, and France.

As there are lots of issues involved with the setting-up businesses in Canada, the professionals like Chartered Accountants can provide consultancy in these respects. To help Chartered Accountants wishing to develop an expertise in these matters, there is a need to explain the basic concepts, legal provisions and procedural aspects. The present publication is an attempt to provide guidance to Chartered Accountants in practice and in service and others concerned to have an insight in respect of Canadian business opportunities. The publication tries to develop a lucid understanding and provides comprehensive explanation of facts on Canadian economic reality, geography, weather, Government structure, fiscal policies, setting-up business and entry requirements for business in Canada, facts for selecting major businesses/industries, information on immigrating to Canada and links to important websites.

I sincerely hope that readers would find it useful. I am extremely thankful to Members in Canada viz., CA. Sunil Kumar, CA. Shankar Roy and CA. Rekha Paranjape who have painstakingly authored the basic draft of the publication. I would like to place on record my sincere thanks to all the members of the Committee on Trade Laws and WTO for the year 2007-08 namely, CA. Sunil Talati, President, CA. Ved Kumar Jain, Vice-President, CA. S. Gopalakrishnan, Vice-Chairman, CA. Rajkumar S. Adukia, CA. Manoj Fadnis, CA. Amarjit Chopra, CA. Bhavna G. Doshi, CA. K. Raghu, CA. K. P. Khandelwal, CA. Vijay Kumar Gupta, Shri Jitesh Khosla, Dr. Pritam Singh, CA. Harish S. Waghela, CA. Vyomesh I. Desai, CA. Himanshu V. Kishnadwala, CA. Parimal R. Shah, Shri Rakesh Sehgal, Joint Secretary & Secretary to the Committee and CA. Mohit Baijal, Assistant Director for rendering their support in bringing out this publication and all the initiatives taken by the Committee during the year.

New Delhi.
February 4, 2008

CA. Mahesh P. Sarda
Chairman, Committee on Trade Laws and WTO

Table of Contents

1. Canadian Facts

Canada officially became a country in 1867. Canada is a constitutional monarchy with a democratic parliament. The capital city is Ottawa (city of parliament), which is comprised of the House of Commons (Lower House) and the senate (The upper house – appointed members). Members of parliament are elected every 4 years. However, the general elections may be called early or the term can be as long as five years. The Prime Minister appoints senators. They hold their position until they are 75 years of age. Canada is a non-permanent member in UN Security Council and member of G8, NATO, OSCE, OAS, and APEC. It was “made in Canada” idea to have UN peacekeeping force to maintain harmony among the nations. Today as we, all know that UN peace keeping is one of the crucial missions of UN council.

Canada is world’s second largest country with land a mass of 9 970610 km^2. Canada has 10 provinces and 3 territories. Canada has six time zones. In Newfoundland, the time zone is 3.30 hours past GMT and other time zones are full hours behind GMT. Canada has four major seasons – spring (April to June), summer (July to September), fall (October to November), and winter (December to March)

Canadian dollar is divided into 100 cents, same as US dollar. Canada is considered one of the best countries in the world to live and raise family. Leading industries are auto, steel, mining, forestry, aerospace, electronics, and agriculture.

1.1 GEOGRAPHY:

Canada is the second largest country in the world, but not many people think of water, when they think of Canada.

Water covers much of the Canada's area. The national motto "from sea to sea" describes a land that stretches from Atlantic to Pacific and north to the Artic Ocean. Canada has literally millions and millions of fresh water lakes that are connected to one another by rivers and streams. Half of the world's fresh water can be found in Canada.Thousands of years ago most of Canada was covered by huge rivers of ice called glaciers. When glaciers melted, they left behind hills, valleys and ridges.

The St. Lawrence and the Great lakes are still used for shipping and the swift flowing rivers provide electricity for homes and industries.

Although Canada has 10 provinces and three territories, it is easier to describe the land by its six geographical regions:

1.1.1 The Atlantic Region:

The provinces of New Brunswick, Nova Scotia, Prince Edward Island and the island part of the province of Newfoundland belong to this region. These provinces are also called Maritimes meaning "on or near the sea".

1.1.2 The Canadian Shield:

This is a rocky landmass, which nearly covers half of Canada. It is one of the oldest landforms on the earth. If you visit the Canadian Shield and pick up one of its pinkish stones you may be holding 600 million year old mineral in your hand.

1.1.3 The Lowlands:

This is located between the Canadian Shield and the North Shores of Lake Ontario, Lake Erie, and the banks of St Lawrence River. This is home to the two thirds of the country's population and produces three quarters of the country's manufactured goods. This is often referred to "Canada's heartland".

1.1.4 The Interior Plains:

The plains stretch over to the provinces of Manitoba, Saskatchewan and Alberta. This region is famous for grain farming and cattle ranching. It also has a wealth of natural resources such as minerals, oil and natural gas.

1.1.5 The Cordillera:

In the further west, Yukon, Western Alberta and British Columbia form the region called Cordillera. This area is famous for coastal forests with thousand year old gigantic trees and southern valleys that are ideal for growing fruit.

1.1.6 The Arctic:

The best way to describe this place is "the sun shines at midnight and millions of tiny windflowers bloom next to sparkling ponds".

1.2 CANADA'S GOVERNMENT:

Canada as a nation was born in 1867.In the same year, the British Parliament at the request of four colonies in North America passed the British North America Act. (Known as BNA) The Act created a largely independent confederation of four provinces, Quebec Ontario, Nova Scotia and New Brunswick. Over the year, six additional provinces and three territories have joined the original forum to form today's Canada.

Canada maintains close ties with Great Britain as a member of the Commonwealth nations, and it still recognizes Queen Elizabeth II as its formal head of State. Canada's style of Government is modeled largely on the British Parliamentary system.

The BNA now known as the Constitution Act of 1867 provided for a separation of federal and provincial or territorial powers. The federal

Government is in control of such areas like defense, customs and currency-in general areas, which involve international affairs, or the interests of the whole country. The provinces have the control over education, natural resources municipal government and other matters of local interest. The two levels of the Government share joint power in certain areas like agriculture, immigration and taxation.

There are two houses of Parliament- the House of Commons and Senate. At the federal as well as provincial level, two main branches of the Government are executive and legislative. The third branch of the Government, the judiciary is an appointed body and is not tied to the election of a particular party.

Members of House of Commons are elected by vote in a general election. A person who is a Canadian citizen and 18 years or older can vote in national elections. The Government's executive branch is composed of the British Monarch, the Prime Minister and the cabinet. The monarch's representative in Canada is the Governor General. The Queen on the advice of the Canadian Government formally appoints him/her. The present Governor General is Jean Michaelle. She is an immigrant from Haiti and it is commendable that Canada has an immigrant as the formal Head of State. The Governor General has no formal powers as such. The Governor-General has powers similar to the President of India.

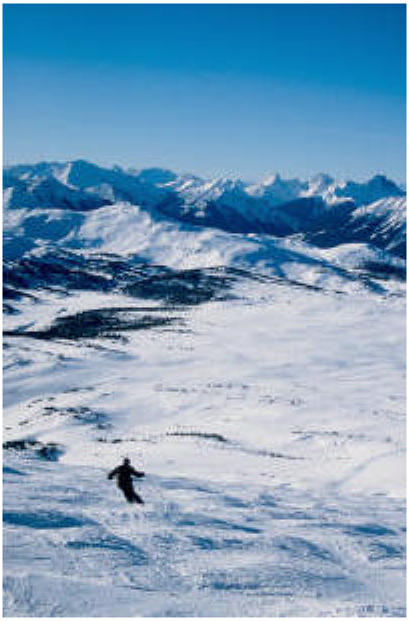
The Prime Minister is the leader of the party that has majority of seats in the House of Commons. The House of Commons is the main body of the legislature. The Prime Minister chooses his own Cabinet however at least one of the members has to be from the Senate.

To get the laws passed, the cabinet presents the proposals to both the houses of parliament. The House of Commons consisting of 308 members must approve all legislation before it can be enacted. The Senate has 104 members. The senate can reject or amend a bill.

1.3 WEATHER:

Canada has four spectacular seasons; from the playfulness of spring to the endless options of summer.

WINTER



January is usually the coldest month, when Toronto's average temperature is below freezing and Calgary's is -13°C (8.5°F). In Vancouver, winters are mild, with snow rarely falling in the downtown area. In the interior, severe cold weather is often accompanied by sunshine; the cold is a dry cold, unlike the damp cold experienced in coastal regions. Cold temperatures and snow can continue until mid-March.

SPRING

March 21st is the first day of the spring. Daylight exceeds nighttime, and the coldest days of winter become a distant memory. Although spring officially continues to late June, snow often falls in May, many mountain lakes may remain frozen until early June, and snow cover on higher mountain hiking trails may remains until late. Late snowfalls, although not welcomed by golfers, provide important moisture for crops.

SUMMER

Summer is officially 21 June-21 September, the dates of the summer and fall solstice, respectively. Air temperatures lag behind solar intensity as the sun melts snow, heats land surfaces, and warms the water of lakes and rivers. July is the hottest month and providing the most uniform temperatures throughout the country. On hot days, the temperature hits 30°C (86°F)—usually every other summer day in southern regions—and occasionally climbs above 40°C (104°F). In the western interior, because of the dry air, these high temperatures are more bearable than in coastal regions experiencing the same temperatures.

FALL

The frost-free growing season is over by late September, when the air develops a distinct chill. October brings the highest temperature variations of the year, with the thermometer hitting 30°C (86°F) but also dipping as low as -20°C (-4°F) in the north. Mild weather can continue until early December, but the first snow generally falls in October, and by mid-November winter has set in.

1.4 ECONOMIC REALITY:

- GDP $1.178 trillion (2006 est.)
- Inflation rate 2.2% (February 2006)
- GDP growth rate 1.7%
- GDP per capita $42,414 (2005)
- Major exports include motor vehicles & parts, natural gas, crude oil, softwood lumber, newsprint and wood pulp

For almost a decade (up to the year 2001), Canada was ranked number one among 175 countries in the United Nation's quality of life survey. Vancouver ranked third overall in the 2005 annual "Quality of life Survey." Still Canada is one of the best three countries in the world to live in. Therefore it is really is ideal place to invest and grow.

1.5 CANADA – A COST ADVANTAGE:

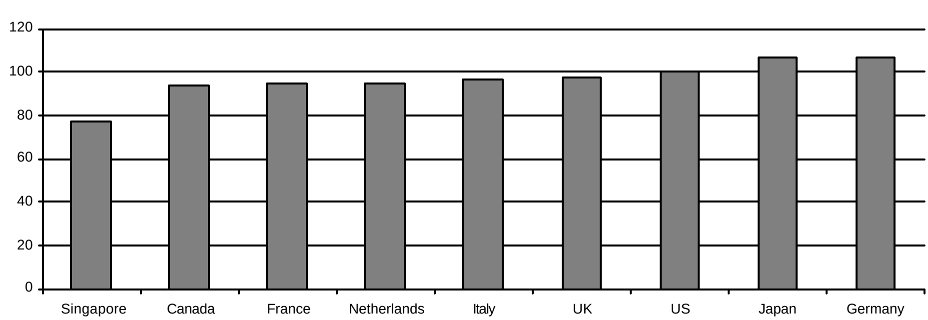
As per KPMG study, Canada ranked first among the G7 countries for low business cost. Canada has a cost advantage of 5.5% over US. Salary and wages costs are lowest in Canada among highly industrialized nations. Canada is a source of cheapest energy cost among the developed world.

Here's 2006 cost competitiveness ranking by KPMG study

Country	Cost index	Rank
Singapore	77.7	1
Canada	94.5	2
France	95.6	3
Netherlands	95.6	4
Italy	97.5	5
UK	98.1	6
US	100	7
Japan	106.9	8
Germany	107.4	9

Source: KPMG's 2006 Competitive Alternatives Study

Cost index



Canada has a very important role in global economy. Canadians are well recognized all over the world for its industrial innovations and cutting edge technology. As we, all know about Canadian's significant contribution towards international space station. In fact, the "Canada Arm" is a crucial part of international space station. Canada spends significant amount in R&D among developed world. Canadian companies are leaders from fiber optic to aerospace. Canada has compelling advantages to potential foreign investors due to highly skilled work force and high standard of living. Canadian universities are top in producing finest skilled work force. Canadian MBA programs are one of the best programs in North America.

Canadian payroll taxes are lowest among G7, which means lower overall effective corporate tax rate. Recently Federal Government has introduced some proactive measures to provide Canada 5.1% tax advantage over US by 2010. Canada had approximately 11% cost advantage over the US industries, which perform research and development *(source: KPMG's 2006 Competitive Alternatives*). Canada has lowest cost of living among G7 countries with lowest overall labour costs in G7.

Following factors also contribute significantly towards cost advantages:

- Account surplus
- Low cost of borrowing
- Low inflation
- Sound trade policy
- Innovations

1.6 LEADING ECONOMY:

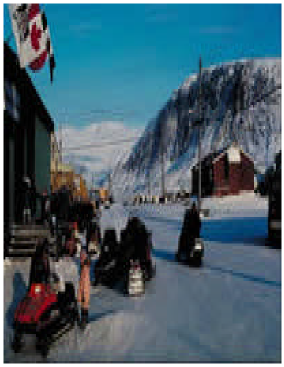
As you probably know, that Canada is a magnet for the best and brightest. Canada is also known for natural beauty and resources. Canada is most technological advanced country and high tech exports are leading its export activities. The label "Made in Canada" is well respected around the world. Some of the major automakers (e.g. GM, Chrysler, Toyota, Ford, and Honda) continue to manufacture cars and enjoy growing export with US, Europe Asia, and other parts of the world.

Canada also enjoys a good trade relationship with the European Union. Canada is one of the leading exporters of Chemicals, machinery, transports equipment, computer electronic products, and mining industry. Canada enjoys special access to Asia-Pacific market due to its immigration link and active involvement in APEC. In technological infrastructure, Canada ranked ahead of Japan and far out in front of the Germany, UK, and France *(source: World competitive yearbook 2006)*

US recognize Canadian dominance in fiber optics and biotechnology.

1.7 RELIABLE INFRASTRUCTURE :

Canadian excellent productivity, top of the line competitiveness and high quality of life is visible tangible benefits of investing in Canada's infrastructure.

“Infrastructure Canada” coordinates federal governments’ efforts across Canada

Canada has set up $4 billion for Strategic Infrastructure fund and 2006 budget added an additional $2 billion in new funding which brings this fund to $6 billion. Major benefit for this program will be:

- Fast and safe movement of goods on major highways and railways
- Increase effectiveness of urban development
- Use of innovative technologies

As you know, Canada is largest trading partner with US. Therefore, it makes sense to have smooth and hassle free border crossing. Canadian Government is committed in this area and has set up Border Infrastructure Fund for $600 million. The goal for this program is:

- More efficient facilities for handling greater capacities of imports/exports
- Helping trucks to travel across the busiest Canada-US border points more quickly

- Better movement of goods resulting increased trade and production.

Canada's industrial fabric is made of small and medium size industries. These industries are major employer in Canada. Municipal Rural Infrastructure program ($3.2 billion) will provide support to smaller scale municipal infrastructure

Canada is ranked third in the Economic intelligence Unit's global business ranking for the forecast period 2006-2010. Canada is top ranked country among G7 countries in number of procedures (second) and duration of completion (third) in case of establishing an industrial or economic business according to World Bank Group study released in 2005.

As you know, setting up a new business is big chore in some countries. Even in case of developed world, it is not a very easy task. However, in Canada it requires two simple steps to start up. One day to incorporate company in Canada and two days to register for the goods and services tax.

Canada is the highest user of internet with the highest speed research network in the world. Canada's advanced internet development organization (CANARIE) built and operates CA*Net4, the longest and most advanced fiber-optic research and education network in the world. Canadian technological infrastructure is second only to US.

1.8 SOUND FISCAL POLICIES :

Canada is the only G7 nation running with budget surplus in recent years. Canadian banks rank first among the G7 in terms of their intrinsic credit worthiness. Overall, Canadian inflation rate is averaged 2.3%. Canada's Export Development Corporation (EDC) provides trade finance and risk management services to Canadian exporters and foreign investors. Canada has well regulated financial institution, banks, insurance, and trust companies. Canadian banks are known for their efficient and reliable services around the world. Following are five major Canadian banks:

- Royal Bank of Canada (www.royalbank.ca)
- Bank of Montréal (www.bmo.ca)
- Scotia Bank (www.scotiabank.ca)
- TD Canada Trust (www.tdcanadatrust.ca)
- Canadian Imperial Bank of Commerce (www.cibc.ca)

Canadian fiscal policies are consistent and growth oriented which offers new business to grow without worrying about sudden changes. Excellent economic polices always helped the great country to outperform US economy. It is important to compare with US as it is the biggest economy in the world and comparing with US is advantageous in order to compete with rest of developed world. Here is another fact of Canadian success story

- Canada is the only G7 nation with budget surplus in year 2003, 2004, 2005 and 2006.
- As per The Organization for Economic Co-operation and Development (OECD) forecast, once again Canada will record surplus in year 2006 and 2007.

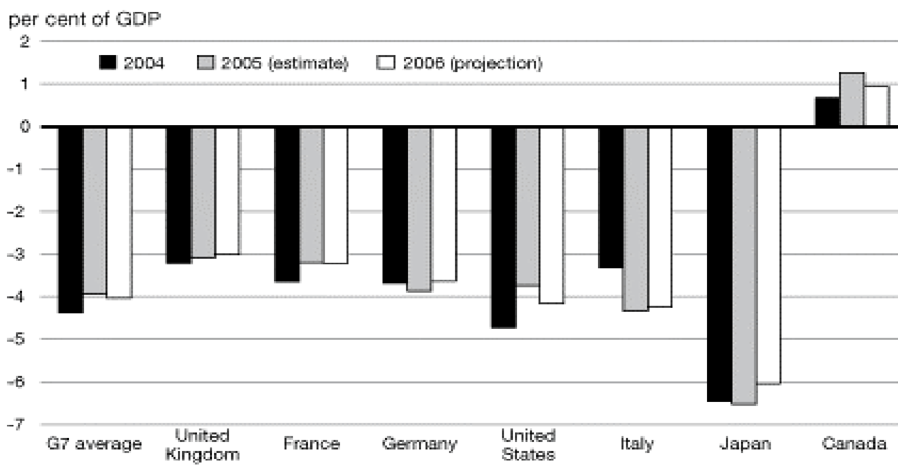
Lets' compare fiscal position with the big brother i.e. US

- In the year 2004-05, Canada posted a surplus of C$1.5 billion (equal to 1% of GDP) while US ended up a deficit of US$494 billion (equal to 4% of GDP).

- In the year 2005-2006, Canada is forecasting a surplus of C$8 billion (equal to 6% of GDP) while US administration is projecting “on budget” deficit of US$602 billion (equal to 4.6 of GDP).

Following chart shows the total government financial balances as compared to other highly industrialized nations :

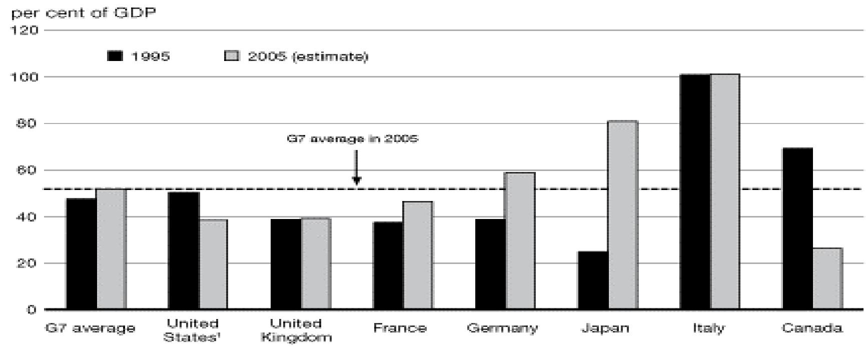
Chart A1.1
Total Government Financial Balances
(National Accounts Basis)



Source: *OECD Economic Outlook*, No. 78 (December 2005).

The chart below shows total government net financial liabilities of highly industrialized nations.

Chart A1.2
Total Government Net Financial Liabilities
(National Accounts Basis)

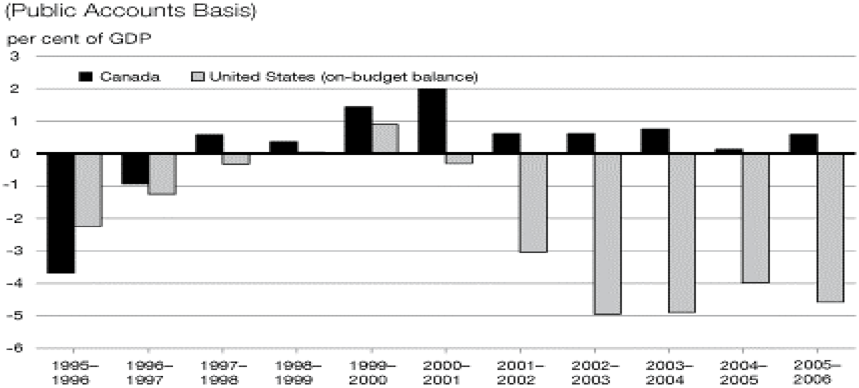


¹Adjusted to exclude certain government employee pension liabilities to enhance comparability with other countries' debt measures.
Sources: *OECD Economic Outlook*, No. 78 (December 2005); Federal Reserve, *Flow of Funds Accounts of the United States* (December 2005); Department of Finance Canada calculations.

Budgetary surplus is not a new for Canadian economy. Canada is known for prudent fiscal policy. In simple term "surplus" means exports exceed imports.

Following chart will show the performance against economic superpower.

Chart A1.3
Federal Budgetary Balances
(Public Accounts Basis)



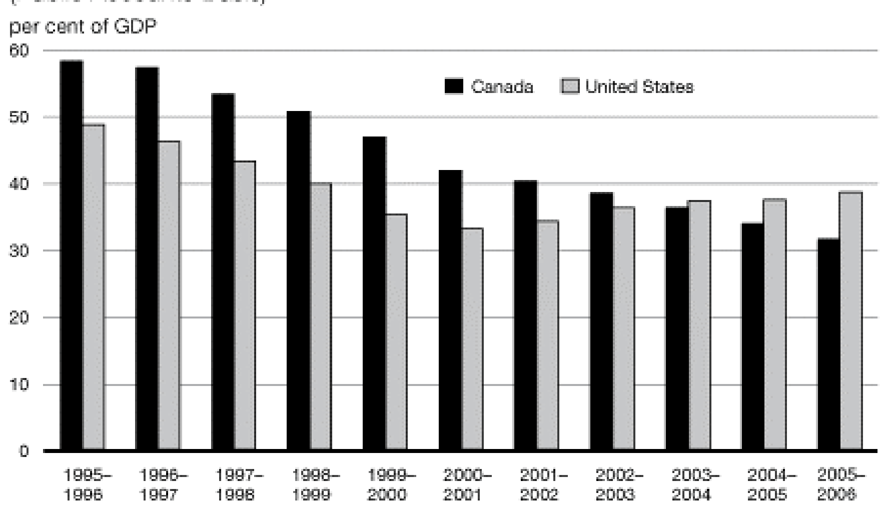
Note: This chart shows the budgetary balance for Canada and the on-budget balance for the U.S. for fiscal years ending March 31 and September 30 respectively.
Sources: Canada—Department of Finance Canada. U.S.—Budget of the United States Government, fiscal year 2007.

Canadian has lowest debt burden as compared to G7 nations. This puts Canadian business in a great position. Due to lower debt load, the government is able to spend more money on social and promotional program. This is an investment by Canada in its people, which make the entire society safe and give everyone an opportunity to grow. It is well known that happy people make great nations and every great nation is supported by sound fiscal balance. Canadian success is result of successful business. Businesses grow many folds with safe society and satisfied citizen.

It is difficult to believe, that any foreign investment will not be able to grow here. Whatever you need to get an upper hand in the success of business is easily available here in Canada. “Made in Canada” is a gateway to international success.

As mentioned earlier that Canadian government is constantly trying to reduce market debt. Imagine if a government has no or little interest payouts!

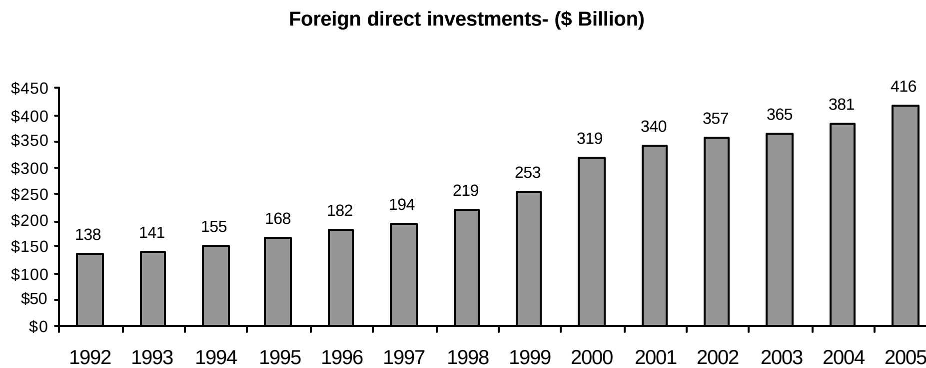
Chart A1.4
Federal Market Debt
(Public Accounts Basis)



Note: This chart shows market debt for Canada and debt held by the public for the U.S. for fiscal years ending March 31 and September 30 respectively. These two measures are the most comparable measures of the federal debt burden of the two countries.
Sources: Canada—Department of Finance Canada. U.S.—Budget of the United States Government, fiscal year 2007.

1.9 FOREIGN INVESTMENT IN CANADA

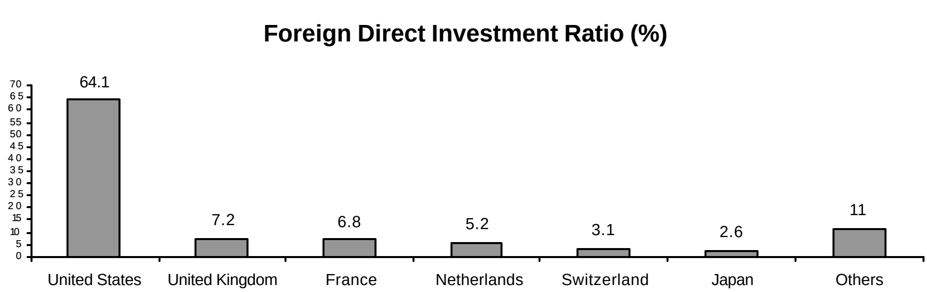
In past 20 years, Canada has enjoyed substantial growth in foreign direct investment (FDI). Canada's FDI stock reached $416 billion in 2005, which shows a 6400% increase from $65 billion in year 1980.



Source: Statistics Canada, May 2006

Canada is always magnet of foreign investments. All developed nations see Canada as potential of high performance. In the economic world Canada is known as "Northern Tiger"

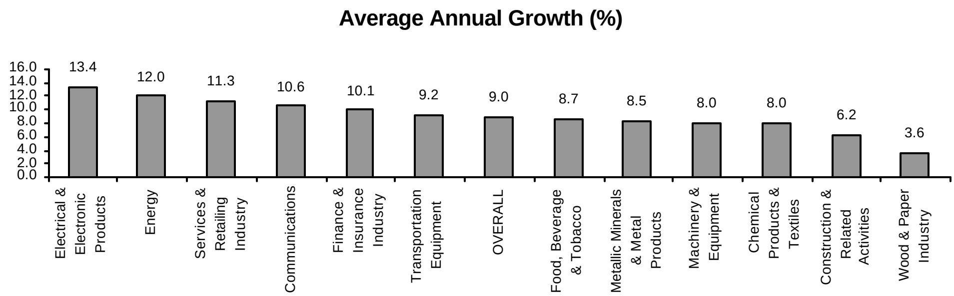
Canada's largest source of investment is US. In the year 2005 the share of foreign direct investment in as below:



Source: Statistics Canada, May 2006

Due to excellent overall infrastructure, foreign investors are keen in knowledge base industries, which include high-tech manufacturing such as electronics, communications, and energy.

Following chart will show average annual growth rates of Foreign Direct Investment by industry in last five years (1990-2005)



Source: Statistics Canada, May 2006

1.10 TALENTED WORKFORCE:

Canada is made of its hard working citizens. Canadians are welcoming and appreciate talents around the world. Canadian spending on educations is far more than any other country in the world. Canada has also implemented policies to invite skilled people around the world to choose Canada their home.

More than half of Canadian between the ages of 25 to 35 has post-secondary education, at university, college, or technical school. Canada ranks third in the world and first in North America for secondary school enrolment. Canada outperformed the US in education system, language skills, economic literacy, quality of engineers and educational sector. *(Source: IMD World Competitiveness yearbook, 2006)*

Two Canadian universities are in the top 25 business schools of the financial times MBA ranking 2006. York University in Toronto and

University of Western Ontario are ranked among the best MBA schools in the world.

Canada is made of diversified society. Every year so many talented and highly skilled people immigrate to Canada. High standard of living attracts best talent in the world, which also helps Canadian industries. In fact, immigration has helped in establishing business ties with so many countries around the world.

1.11 MARKETING ADVANTAGES:

Canada shares long border with USA, which make it as prime location for foreign investors. As we know these days, everyone is trying to get access the huge American consumer market. It is very advantageous to manufacture in Canada and sell to US markets. The North American Free Trade Agreement (NAFTA) among Canada, US and Mexico has turned Canada into best place to invest to serve North American markets. There is significant increase in foreign investment since NAFATA and due to highly educated workforce at reasonable cost, fine health care system, and generous tax advantage for R&D activities.

Canada is America's largest trading partner. US do more business with Canada than all the countries of European Union combined. NAFTA allows access to more than 435 million consumers and overall GDP of approx US $13.4 trillion. Nearly $1.3 million trade per minute happened between Canada and US (year 2005)

Most of the major Canadian industrial cities are within an hour and half drive and many are much closer. There is absolutely no disruption in border crossing. Fast and efficient trucking and railway, ocean shipping and air services are available between two countries. No Visa is required for Canadian citizen and US citizen to move around and do business between two nations. On an average, on has to wait for 10 minutes at the border. This could be one of the most efficient systems in the world. For an exporters it sounds like too good to be true!

Imagine your products hitting vast US market within hours with lowest transportation cost. FAST lanes for pre-approved low risk commercial traffic are available to many Canadian cities.

Many Canadian cities production facilities are in fact closer to US markets than American production facilities. Production location in Quebec and southern Ontario are very close to vast American markets around New York, Boston, and Chicago. Some of excellent American production sites such as Atlanta, GA and N.C. are far away from real American market such as New York and this put Canadian manufacturer in a very advantageous position.

Canadian local market is also quite diversified. Canadian loves to spend when it comes to small or big-ticket items. Being one of the high per capita incomes in the developed world, Canadians are quite free in consumer spending. Canadian also prefers “made in Canada” products.

No one can steal anybody’s hard work in Canada!

1.12 PATENTS:

One always worries what happened if he sets up business with a brand new idea and someone copies the idea. Some big boys will take the fruit of his hard work away. One do not have to worry about losing his invention because Canada has strict working patent regulations, which prevent companies those want to take advantage of other people’s innovative ideas/invention.

Canada has excellent patent regulation, which excludes other from making, using or selling an invention for up to 20 years after the date of filling. Patents cover new inventions, processes, machine, manufacturers, and composition of matter.

There are three basic criteria for qualify as patents:

- The invention must be novel- should be first invention of its kind
- The invention must have utility- it must work, and have useful function
- The invention should not be obvious to someone who is skilled in the area.

1.13 TRADE-MARKS:

Trademark is core asset behind the brand value of a product, services, or process. Your trademark distinguishes you from rest of the crowd. In Canada, a trademark is valid for 15 years and can be renewed indefinitely.

There are six basic criteria for Trademarks:

- Can’t be name or surname
- Can’t register as an adjective
- Can’t indicate a place of origin
- Should not be similar to other trade mark
- Should not be misdescriptive.
- Should not prohibit marks e.g. the Canadian flag

1.14 COPYRIGHTS:

A copyright provides exclusive right to the creator, owner of literacy, dramatic, and musical, and artistic work.

1.15 INDUSTRIAL DESIGN:

An industrial design refers to the protection of original physical features of a product, configuration, pattern, or ornament for a period of five years

1.16 TAXES :

There are two tier tax systems in Canada. A business will pay federal tax and provincial tax. Provincial taxes vary from province to province. You will find detail discussion about taxes in later part of the study.

In year, 2000 Canadian government had introduced a five year Tax Reduction Plan, therefore recent changes has reduced the average Canadian business tax rate by five percentage points below that of US.

High tech companies in Canada can benefit from generous tax advantages which is not available in other nations. For example, lifetime capital gains exemption of $750,000 from capital gains

Research and Development expenditures qualify for a 20% credit, at the same time smaller Canadian corporation can benefit up to 35% as refundable tax credit. Corporate tax rate in Canada and the US are almost similar on income up to $75,000 but they are significantly lower in Canada if small business income exceeds $75,000.

2. Selecting A Business

2.1 AEROSPACE

Canada is one of the largest aerospace producers in the world and recognized internationally for excellent quality. Canadian's share of world production has tripled over past 25 years. Canadian manufacturer are innovative and fastest growing among the world. Canada spent a significant amount of money for R&D in this sector.

Canada is one of the largest aerospace producers in the world!

Canada has won international recognition for producing excellent products and services.

Sophisticated research capacity, a well-educated workforce, and strong business and economic fundamentals make Canada the first choice for trade and investments in the aerospace sector. Canada is one of the largest Aerospace and Defense Producers in the world. There are more than 400 firms and over 75,000 skilled employees. The Canadian aerospace and defense industry is the fastest growing among leading aerospace nations.

Key facts about Canada's aerospace industry:

- Tripled share of world production over the past 25 years
- Sales have doubled in less than a decade

- 7.1 per cent lower production costs than in the United States
- Unrivalled commitment to R&D in the world
- Canadian firms are innovative, competitive, and among the fastest growing in the world

«Pratt & Whitney Canada is the number one R&D investor in the Canadian aerospace sector. Our company ranks Canada first internationally for access to well-educated workers. We get great people - graduates from first-rate engineering courses offered by Canadian universities.»

Alain M. Bellemare, President Pratt & Whitney Canada

Canada's Aerospace Advantages

- **Industry**: A rapidly growing industry
- **Product Segments**: A presence in all major product segments
- **Space Technology**: Cutting-edge space companies
- **Market Leader**: Proven leadership in global aerospace markets
- **Cost Advantage**: Proven leadership in global aerospace markets
- **Investment Opportunities**: Canadian firms offer many unique investment opportunities
- **R&D**: A strong R&D infrastructure across Canada
- **Government Support**: Benefits from major government programs
- **Workforce**: Educated, loyal, and skilled workforce
- **Markets**: NAFTA and worldwide export markets

Key Advantages are
Size

- Gross sales were $21.3 billion in 2003.
- Canada is a leading advanced technology exporter. More than 77 % of the total output was exported.

Seamless access to the United States

- More than 85% of exports or $14.1 billion (2003) was sold into the large aerospace market in the U.S.

R&D

- Approximately $1 billion (in 2003) was invested in Research and Development.

Source: Aerospace Industries Association of Canada

Table 1: Aerospace Industry

Year	Export Sales ($ billion)	Employment ('000)	Total Sales ($ billion)
2000	15.6	91.5	20.3
2001	17.8	83.6	23.2
2002	16.6	78.8	21.5
2003	16.2	75.0	21.3
Source: Aerospace Industries Association of Canada			

Key Web Resources

- Industry Canada

  Overview of Canada's Aerospace and Defense Industry

Product Segments

Canada has proven expertise in all major segments (Table 1).

Aircrafts and Parts: World leader in the design and production of regional aircraft, landing gears, small engines, and simulators for aircraft and naval applications.

Civil Helicopters: Enjoys similar success in the production of civil helicopters, airframes, and environmental control systems.

Security: Widely recognized for its expertise in light armored vehicles, ship control systems, and the increasingly important security products industry.

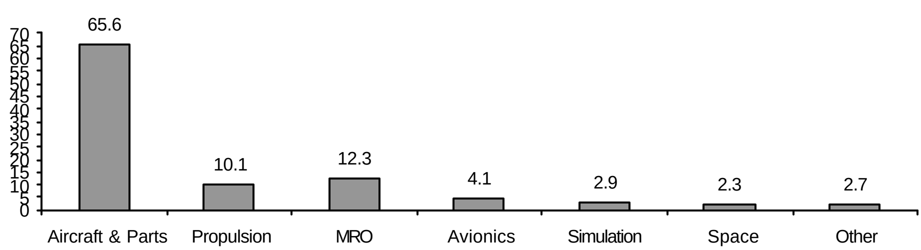
MRO: Exceptional capabilities in maintenance, repair, and overhaul, with more than 1,000 Aircraft Maintenance Organizations (AMOs).

Space: A global leader in space robotics, high-speed interactive satellite communications, and remote sensing technologies.

Encourages entrepreneurial innovation: A growing number of small- and medium-sized businesses that have unique capabilities in composites, coatings, and component system design.

Industry Segment (%)

Source: Aerospace Industries Association of Canada



Space Technology

Canada's space technology is internationally competitive and at the forefront of research and innovation.

- **The world's second-largest supplier**: Canada is the world's second largest supplier of global navigation satellite systems equipment, after the United States.
- **Global leadership in space robotics:** The ***Canadarm 2*** is critical to the construction and use of the International Space Station.

- **Leads the world in earth observation systems:** Having built more than 70 per cent of the world's civilian multi-satellite earth observation ground stations.

Canadian space companies have achieved world-leading capabilities in areas such as space robotics, satellite-based communication services, earth observation and remote sensing, space microwave subsystems, and synthetic aperture radar. Some key data about our space industry:

- More than 6,000 highly skilled workers
- Nearly 2,000 are scientists and engineers,
- $2 billion space sector revenues in 2003

Source: Aerospace Industries Association of Canada

Canadian space firms benefit from strategic international partnerships:

- Close cooperation with the United States (NASA) for over 30 years, from Alouette to RADARSAT
- Special relationship with the European Space Agency for more than 20 years
- Extensive bilateral collaboration with other European and Asian countries, such as Russia, Japan, Sweden, etc.

Leading companies in the Canadian space sector include:

- ABB Bomen
- Bristol
- CMC Electronics Inc.
- COM DEV
- CRESTech and Dynacon Inc
- EMS Technologies Canada, Ltd.
- Guigné International Ltd.
- Macdonald Dettwiler and Associates (MDA)
- MD Robotics
- Neptec
- NovAtel
- Satlantic Inc.
- SED Systems Inc.
- Telesat

Canadian firms have proven leadership in global aerospace markets

Consider these facts about Canada (Table 1):

- Canada **tripled** its share of world production over the past 25 years
- It **doubled** its aerospace sales over the last 10 years
- It has **achieved international dominance** in several key product areas

Table 1: Canada's Dominance in International Aerospace Markets	
Product Category	World Market Share
Commercial flight simulators	80%
Visual simulation sector	70%
New large aircraft landing gear	60%
Transport aircraft environmental control systems	60%
20-90 seat regional aircraft	47%
Small gas turbine engines	34%
Landing gear	31%
Civil helicopters	14%*
Source: Aerospace Industries Associations of Canada ** TEAL*	

Cost Advantage

Business Cost Advantages

CANADA aerospace scores twice for being a leader in the world because of:

- Business environment
- Cost competitiveness

Canada is the most cost-competitive country for aerospace (Table 1):

Comparing Canada's business cost to the United States:

- 7.1 per cent cost advantage in production costs
- 21 per cent for R&D (Canada has very unique tax advantages for R&D spending)
- 6 per cent cost advantage for manufacturing operations

Also Canada has cost advantages in:

- **Labour and Benefits:** Salary levels up to 24 per cent less and Canada's labour costs are significantly lower than those of the United States.
- **Electricity:** Canada offers the lowest costs of electricity
- **Facility and Transportation:** Lowest costs for industrial land and construction, office leasing, and telecommunications
- **Corporate income tax rates:** Canada has the best corporate income tax rates for research and development operations and one of the lowest corporate income tax rates for manufacturing operations.

(Source: 2004 KPMG world business cost study)

Canada's business environment – Best amongst the world.

Canada understands the importance of its business community and has created an environment that encourages success. Canada's strong conditions for growth include:

- Account surplus for seventeen straight quarters
- Most favourable tax treatment for R&D among the G-7
- Low inflation
- Low interest rates
- Trade policy and unique access to the North American market
- Innovation policy is a federal priority

Canada ranks No. 1 for best business environment: According to the Economic Intelligence Unit's global business rankings for the forecast period 2004-2008.

Table 1: Business Costs Advantage by Type of Operation (Index: U.S. = 100.0)

Operation	Canada	U.S.
Manufacturing	94.0	100
Aerospace	92.9	100
R&D	79.0	100

Source: KPMG, The Competitive Alternatives G-7 Edition (2004)
** Index based on after-tax cost of start-up and operation over 10 years.*

Investment Opportunities

Canada's unique investment opportunities.

Canada has an exceptional concentration of leading aerospace companies that offer investors unique business opportunities.

Partner with Canadian-based multinationals, including:

- **Bombardier Aerospace** – The world's third-largest aircraft manufacturer, controlling 47 per cent of world market share in 20-90 seat turboprop and regional jets
- **Pratt & Whitney Canada** – Accounts for 34 per cent of world market share in small gas-turbine engines and dominates the global turboprop market
- **CAE** – The world's largest supplier of commercial flight simulators, with more than 80 per cent of the global market share
- **Bell Helicopter Canada** – One of the world's leading commercial helicopter manufacturer, accounting for 14 per cent of the world market

Source: Aerospace Industries Association of Canada and TEAL Group

Work with companies that supply the original equipment manufacturers (OEMs), for example:

- **Avcorp** – Gold Award winner for entrepreneurial achievement at the Canadian Productivity Awards.
- **Haley Industries** – One of the worlds' most technologically advanced foundries.
- **NMF Canada** – A world leader in processing large, machined wing panels.
- **Magellan** – Leading global supplier of technologically advanced aerospace systems and components.
- **Standard Aero** – The world's largest independent small gas-turbine engine, and accessory repair and overhaul facility.
- **Spar Aviation Services** – One of the 11 Lockheed-approved C-130 maintenance and modification centers.
- **Composites Atlantic** – Known for advanced composite components for commercial aircraft, space structures, rocket motor cases, etc.

R&D

A strong, competitive R&D infrastructure drives innovation

The Canadian aerospace and defense industry is committed to R&D and leading edge dual-use technologies in competitive niche product segments.

- **Over US$750 million in research and development in 2003**

  The Canadian aerospace and defense industry is committed to achieving the goal of US$1 billion by 2010.

- **Canada has strong aerospace R&D capability**

  A large pool of scientific and engineering personnel and an extensive infrastructure of laboratories, university centers, and government support programs.

- **Canada offers the most favourable R&D tax treatment among the G-7** (Table 1):
  - Provides a system of tax credits and accelerated tax deductions for wide range of R&D expenditures.
  - Eligible costs include salaries, overhead, capital equipment, and materials.
  - These federal and provincial tax-based incentives permit firms to significantly reduce R&D costs through direct investments or by subcontracting in Canada.

Table 1: Relative Generosity of R&D Tax Incentives*

Country	Relative Generosity
Canada	100
U.S.A.	85
Japan	84
U.K.	80
France	77
Germany	71
Italy	71

Relative generosity is determined by dividing the after tax cost of performing $1.00 of R&D by 1 less the corporate tax rate. Results are indexed to the relative generosity of Canada's system of tax-based support for R&D. The higher the ratio the more competitive the tax system. Source: Warda, Jacek, and Rating Canada's R&D Tax Treatment: A 2003 Update, October 2003, forthcoming for Industry Canada.
*Does not include Ontario's new Corporate Income Tax Rates

- A large and growing number of programs and institutions supporting innovation**,** such as the Institute for Aerospace Research and several defense research establishments.

Canadian policies and programs support guarantee Canada's reputation as one of the most innovative country in the world.

Government Support

Canada's aerospace industry benefits from a list of major government programs.

Technology Partnerships Canada (TPC) - Provides funding support for strategic research and development of key technologies, such as Environmental and Aerospace and Defense Technologies. The program is geared towards pre-competitive projects.

Industrial and Regional Benefits (IRB) - Leverages federal procurement to educate international companies and to promote Canadian industry. IRB creates business opportunities for Canadian knowledge-based industries, such as aerospace and defense.

National Research Council (NRC)

- **Institute for Aerospace Research (IAR)**: Canada has national laboratory for aerospace R&D, with an annual budget of $35 million. IAR offers access to technical expertise, national test facilities and databases, opportunity to stretch R&D dollars, and training of highly skilled personnel. It also engages in cost-shared programs with Canadian and foreign aerospace firms.
- **Aerospace Manufacturing Technology Centre (AMTC)**: Facilitates next generation manufacturing, particularly among small and medium enterprises (SMEs).
- **Industrial Research Assistance Program**: Support for small and medium enterprises (SMEs).

Canadian Space Agency (CSA) : Supports the Canadian space industry with various programs and provides research and business opportunities for Canadian companies.

Scientific Research and Experimental Development Program : A federal tax incentive program to encourage firms to do R&D that will lead to new, improved, or technologically advanced products, services, or processes.

Defense Industrial Research Program : Provides financial and scientific support for industry-initiated research.

Export Development Canada (EDC) : Provides export financing and insurance services.

Canadian Commercial Corporation (CCC) : Guarantees contract performance for Canadian exporters, especially for sales to government.

Canadian Foundation for Innovation (CFI) : The mandate of CFI is to strengthen the capacity of Canadian universities, colleges, research hospitals, and non-profit research institutions to carry out excellent research.

Natural Sciences and Engineering Research Council of Canada (NSERC) : Funds university professors and students. It also encourages Canadian companies to invest in university research.

Workforce

A highly educated, skilled, and loyal workforce

Canada's skilled workforce plays a crucial role in the quality and productivity of its aerospace industry. The government, industry, and the education system are committed to ensure that the overall skill level of the Canadian workforce ranks high among competing countries:

- **Nearly 80,000 skilled workers** in the aerospace industry.
- **About 3,000 new aerospace graduates** streaming out of Canadian universities and colleges every year.
- **Canada has the highest percentage of individuals with at least a college or university** education among OECD member countries (Table 1).
- **Highest percentage of GDP spent on public education** among G-7 countries

Canada has a low labour costs and labor turnover rate

- **Lowest overall labour costs** among major industrialized countries across the world, with salary levels up to 24 per cent less relative to the United States. (Table 2)
- **Wage costs for knowledge workers are considerably lower than in the United States.**
- **Employee turnover is much lower than in the United States**, which means reduced training, hiring, and separation costs.

Table 1: Higher Education Achievement	
Country	%
Canada	41
U.S.A.	37
Ireland	36
Japan	34
Finland	32
Sweden	32
Australia	29
New Zealand	29
Norway	29
Belgium	27
Source: 2001 Census, Statistics Canada and The Globe and Mail, March 12, 2003	

Table 2: Occupational Wages — Knowledge Workers, 2003

Full-time, full-year wages* ($ U.S. PPP)**

Employment Position	Canada	U.S.
Aerospace Engineers	$55,283	$76,530
Mechanical and Electrical Engineers	$52,258	$68,792
Computer Scientist	$44,453	$68,186
Mechanical Technicians	$38,230	$47,025
Machinist	$33,973	$38,563
Source: Aerospace Industries Associations of Canada * TEAL		

Markets

NAFTA and worldwide Exports

Seamless access to the aerospace and defense market in the United States

Canada is conveniently located right next to the world's biggest aerospace market. American and European companies who have set up in Canada enjoy easy access to the United States through the North American Free Trade Agreement (NAFTA).

- **For U.S. military purchases**, Canada is part of the North American Defense Industrial Base.
- **Special trade agreements facilitate Canada's access to U.S. military projects**:
    - Defense Production Sharing Agreement
    - Defense Development Sharing Agreement
    - Specific exemptions under U.S. International Traffic in Arms Regulations (ITARs)

Canada's aerospace and defense industry is export oriented

- 77 % (or US$12 billion) of Canada's aerospace and defense products are exported to markets around the world
- 85 % (or US$14.1 billion) Canadian aerospace and defense exports went to the United States in 2003.
- Boeing alone purchased aerospace products over $800 million from Canadian companies.
- US subsidiaries operating in Canada contribute an important share. They have established a high level of cross-border integration providing easier access to global markets.

Canada offers investment opportunities to the best of the "best." Four major world players in this sector are right here in Canada. Each of these companies has a significant market share in the world.

Industry	**Market share**	
Bombardier Aerospace	47%	20-90 seat turboprop aircraft
Pratt & Whitney Canada	34%	Small gas-turbine engines
CAE	80%	Commercial flights simulators
Bell Helicopter Canada	14%	Commercial helicopter

Source: Aerospace Industries Association of Canada and TEAL Group

Publications

- **Aerospace. A soaring opportunity.**

A two-page fact sheet that highlights Canada's positive sector-based results in the KPMG 2006 study. This also highlights Canada's non-cost location advantages.

- **Think Aerospace, Think Canada: February 2006**

A 23-page presentation that describes Canada's aerospace industry.

Contact an Investment Specialist from the Aerospace Sector

Telephone: (613) 954-3114

2.2 Agri-Food

Grow, process, research and profit in Canada!

Canada is the world's fourth-largest exporter of agricultural products.

In fact, the agri-food processing sector is among the most competitive in the world. Canada's agriculture and food industry is high-tech, knowledge-based and extremely cost competitive.

To build on this success, Canada has implemented a comprehensive Agricultural Policy Framework. The aim is to make Canada the world leader in food safety, innovation, and environmentally responsible production.

Discover how many foreign investors have profited from the unique advantages of Canada's Agri-Food Industry:

- **Quality:** Safe, High-Quality Food
- **Cost Advantage:** Low Business Costs
- **R&D:** Leading Edge Science and Innovation
- **Environment:** Environmentally Responsible Production
- **Markets:** A Gateway to the North American Market

Key Web Resources

- **Agriculture and Agri-Food Canada**

  The Investment Secretariat at AAFC is a small core group of professionals that acts as the focal point for the department's investment function.

- **Agriculture and Agri-Food Canada**

  Canada 's comprehensive Agricultural Policy Framework

- **Agriculture and Agri-Food Canada**

  Why foreign Agri-Food companies invest in Canada

Publications & Fact Sheets

- **Agrifood. A Growing Opportunity.**

A two-page fact sheet that highlights Canada's positive sector-based results in the KPMG 2006 study .It also highlights Canada's non-cost location advantages.

Agri-Food Investment - Winning in North America

The North American Free Trade Agreement has created a single market that is home to more than 435 million Canadians, Americans, and Mexicans. Our continental market is full of lucrative opportunities for companies offering both traditional and innovative food and beverage products.

Helping Create New Opportunities in Byproducts

Agriculture and Agri-Food Canada (AAFC) fosters the development of investment opportunities within the byproducts industry. Learn more.

Contact

Assistant Director, Agri-Food Investment

Investment Specialist from the Agriculture and Agri-Food Sector

Phone: (613) 759-7625
Fax: (613) 759-1667

LOW COST HOT SPOTS

1. Sherbrooke
2. Edmonton
3. Waterloo Region

4. Calgary
5. Quebec City
6. Ottawa

Markets

A Global Exporter

Canada is the fourth largest agri-food exporter and exports more than US$20.3 billion worth of food products every year to more than 175 countries. Our exports represent half of all the products our farmers grow and harvest as commodities or indirectly as processed goods.

- Japan, the European Union, China, Hong Kong, and Mexico are other major export markets.
- Offshore Asian markets can be reached in half the time it takes from Western European ports
- Duty-free access to the NAFTA region
- More than 61 percent shipped to the U.S.

Seamless Access to the North American Market

Canadian agriculture and agri-food companies enjoy open access to the North American market. Most global agri-food companies have operations in Canada and often supply the U.S. market on a product-mandate basis.

NAFTA provides streamlined procedures for:
Border facilitation
Movement of personnel
Production certification and
Investment and intellectual property protection.

Easy to reach

Highly integrated transportation infrastructure make it easy for companies in Canada to serve key markets in the U.S. Interstate highways lead directly to major Canadian processing sites.

Almost half of the U.S. population lives within a 10-hour drive of Toronto

Over 60 percent of the US population lives within a two-hour flight.

Access to one of the largest Markets:

Consumer base of 400 million people with a combined GDP of more than US$11.4 trillion

Total consumer sales in excess of US$1.1 trillion.

2.3 AUTOMOTIVE

Innovative Thinking and Smart Production Fuels the Canadian Automotive Industry

Canada is an ideal investment location for automakers and parts manufacturers who want to serve the North American market. Canada has a low cost advantage and a knowledge based economy that is unrivalled in North America. Canada offers opportunities to expand existing production capacities, in-vehicle assembly and auto parts manufacturing, as well as chances to conduct research and development.

“It’s no secret that automotive manufacturers are constantly on the lookout for value-added suppliers. They often find them in Canada, because Canada offers the kind of cost effective infrastructure that helps innovative technology-based companies maximize their potential.”

Mike van Gendt, President

Omron Dualtec Automotive Electronics Inc.

Canada is world's third largest exporter of automobiles (after Japan & US). More than 80% of our production is exported. Canada is home for almost all big players in the industry (Toyota, GM, Ford, Honda, and Suzuki). Auto industry employ's more than 170,000 people. Auto manufactures have access to more than 800 auto parts manufacturing plants.

According to <u>Automotive production cost study</u> by KPMG, Canada ranked first in North America for setting up and operating an auto part manufacturing business.

Almost all North America Vehicle manufacturers outsource their parts production to ancillary industries.

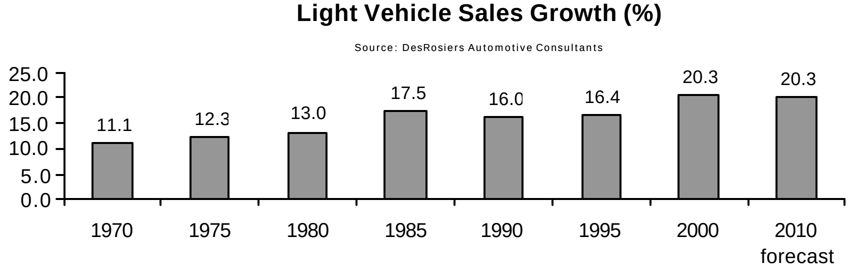
It is expected that North American automotive industry will grow by 10% in the next decade. With the continuous growth, there are plenty of investment opportunities in this sector. Canada is best place for system integration in the auto sector.

Each year all auto manufacturers introduces a new model in its product line, which open the door of opportunities for auto parts makers. On a five-year average, more than 35 new models are launched every year.

Auto part manufacturer contribute in tool, die, mould, plastics, light metals and engineering,

Since 1965, every year there is 2-digit growth in North American light vehicle sales.

Light Vehicle Sales Growth (%)



Canada also has unique location advantage because it shares a long trade free border with US. US being one of the largest auto manufacturer in the world, there is a huge appetite for "made in Canada" auto parts

Canada- A vital part of automakers North American strategy:

Industry: Highly developed and integrated automotive environment

Cost Advantage: Excellent business climate with globally competitive costs

Productivity: Outstanding productivity and quality

R&D: Exceptional research and development support

Investment Opportunities: NAFTA creates new business opportunities

Markets: Well developed infrastructure with access to huge markets

Key Internet Web Link Resources

- Canada's Automotive Industry

  An overview of Canada's Automotive Industry established by Industry Canada

- Automotive Associations and Organizations

  Contact information to many North American Automotive and Parts Associations

- Automobile Company Directories

  Database look-ups on the Canadian Automotive Industry, such as Exporters, Assembly Plants and OEM Parts Suppliers

- Regulations and Standards

  Overview on Canadian Standards, such as Emission, Fuel Economy and Safety

Publications

- **Automotive. An economic engine.**

  A two-page fact sheet that highlights Canada's positive sector-based results in the KPMG 2006 study. It also highlights Canada's non-cost location advantages.

- **Cars on the brain – The Canadian automotive sector**

  This 30-page presentation profiles the Canadian auto industry.

For more information, contact investment specialist

Investment Specialist, Automotive Sector

Telephone: (613) 954-3445

Fax: (613) 952-8088

The Canadian Automotive Industry

The Canadian automotive industry produces light duty vehicles - cars, vans, pickup trucks; heavy-duty vehicles - trucks, transit buses, school buses, military vehicles; and a wide range of parts, components, and systems used in vehicles of this nature. To complement it's manufacturing activities; the industry boasts a well-developed vehicle dealer network, plus an aftermarket organization, which has grown into an excellent distribution system and service provider.

The Canadian automotive industry is:

- Integrated into NAFTA (i.e. Canada, U.S., Mexico)
- Globally competitive
- The 8th largest in the world with positive trade balance

- A major contributor to the Canadian economy, employing over half a million people

Associations and Organizations

- Association of International Automobile Manufacturers of Canada
- Automotive Industries Association of Canada
- Automotive Parts Manufacturers' Association
- Canadian Association of Petroleum Producers
- Canadian Automobile Dealers Association
- Canadian Gas Association
- Canadian Manufacturers and Exporters
- Canadian Plastics Industry Association
- Canadian Transportation Equipment Association
- Canadian Vehicle Manufacturers Association
- Japan Automobile Manufacturers Association of Canada
- North American Automobile Trade Association
- Propane Gas Association of Canada
- Rubber Association of Canada
- Transportation Equipment and Special Vehicles Manufacturers Association
- Used Car Dealers Association of Ontario

Assembly Plants in Canada

Major Motor Vehicle Assembly Plants in Canada	
Location	**Products**
CAMI Automotive Inc.	
Ingersoll, Ontario	Chevrolet Equinox; Pontiac Torrent; Suzuki XL-7; a GM-Suzuki joint venture
DaimlerChrysler Canada Inc.	
Brampton, Ontario	Chrysler 300, Dodge Magnum; Dodge Charger
Windsor, Ontario	Dodge Caravan, Chrysler Town & Country, Pacifica
Ford of Canada Ltd.	
Oakville, Ontario	Ford Freestar, Ford Edge and Lincoln MKX
St. Thomas, Ontario	Ford Crown Victoria, Mercury Grand Marquis
General Motors of Canada Ltd.	
Oshawa, Ontario	Chevrolet Monte Carlo, Impala
Oshawa, Ontario	Buick LaCrosse (Allure in Canada), Pontiac Grand Prix
Oshawa, Ontario	GMC Sierra and Chevrolet Silverado pickups
Honda Canada Manufacturing Inc.	
Alliston, Ontario	Civic, Acura CSX
Alliston, Ontario	Acura MDX, Pilot, Ridgeline
Toyota Motor Manufacturing Canada Inc.	
Cambridge, Ontario	Corolla and Matrix
Cambridge, Ontario	Lexus RX350

2.4 BIOTECHNOLOGY SECTOR

Canada's Biotechnology Industry –Thinking beyond tomorrow

Canada is one of the top five countries in biotechnology. The high international standing is a reflection of its leading edge research. The biotech industry also benefits from a powerful partnership between universities and industry and strong financing and venture capital programs for Canadian biotech enterprises.

Canada's biotechnology sector is expanding rapidly in terms of industry-wide revenues and the launch of new companies.

Proven Research strengths in:

- Genomics
- Proteomics
- Bio-informatics
- Immuno-therapies
- Protein engineering
- New drug delivery systems

"Canada provides broad access to early-stage capital, world-class scientific research, and progressive universities. This combination offers all kinds of opportunities for entrepreneurship in biotechnology."

Ian McBeath, President, and CEO Inflazyme Pharmaceuticals Ltd.

Why so many foreign biotech investors decide to expand and research in Canada**:**

- **Global Edge:** The industry is ahead of most other nations
- **Maturing Industry:** A rapidly maturing industry with diversified products
- **Growth:** Demonstrates a steady rate of growth
- **Cost Advantage:** Most favourable economic and business environment

- **R&D:** Availability of an excellent knowledge and research base
- **Government Support:** Generous government support that promotes R&D initiatives
- **Clusters:** The presence of clusters fosters innovation and growth
- **Provincial Overview:** Biotech sector is spread across the country

Key Web Resources

- **Life Sciences Gateway**

Learn more about Canada's biotechnology

Publications

- **BIOTECH & CLINICAL TRIALS. A PROMISING FUTURE.**
  A two-page fact sheet that displays Canada's positive sector-based results in the KPMG 2006 study .It also highlights Canada's non-cost location advantages.

Contact the Life Sciences Investment Team:

Trade and Investment Officer USA

Tel: (613) 948-1547

or:

Industry Development Officer – Europe

Tel: (613) 946-5593

or:

Senior Industry Development Officer – Asia

(613) 954-3068

Global Edge

Global Leadership

Canada is a global 'hot bed' for biotechnology. Canada recognizes the economic potential of the biotech industry. Therefore, the country has formally committed itself to become one of the top five countries in the world for biotech research and development.

Canada shows measurable success:

- **No. 1 in the biomedical R&D sector** with a 17per-cent cost advantage over the United States. (KPMG study, 2004)
- **No 1 in the clinical trials sector** holding a business cost advantage of 22.4 per cent over the United States. (KPMG study, 2004)
- **No 2 in terms of the number of companies** with 417 firms. (Ernst & Young report, 2002)

Canadian Biotech Industry Snapshot (2003)

- 496 core biotechnology companies
- $3.8 billion in biotech revenues
- $882 million in exports
- $1.5 billion in R&D spending

Source: Statistics Canada Biotechnology Use and Development Survey, 2003

Maturing Industry

Strong growth and maturing businesses

Since 1989, the Canadian biotechnology industry has grown strongly. Today, Canada has the largest per capita number of biotechnology companies in the world and is second only to the United States in absolute number of biotechnology companies. Among G7 countries, Canada has shown the fastest growth rate in the number of workers devoted to R&D, external patent applications, and business expenditures on R&D.

Source: Information's Secretariat Biotechnologies

A rapidly maturing industry with diversified products (Table 1)

- Annual revenues of $3.6 billion in 2001, an increase of 339 per cent over 1997 annual revenues
- Number of biotech companies operating in Canada has increased to 375 in 2001 from 358 in 1999
- 48 per cent of Canada's 375 biotech companies have substantial presence in agriculture biotech, aquatic and marine biosciences, bioinformatics, environment etc.
- Human health dominates the Canadian biotechnology scene, with the sector accounting for 52 per cent of the number of firms and 88 per cent of the total biotech R&D spending (Table 2)

Table 1: Canadian Biotech Companies by Sector

Sector	% Of Number of Firms
Human Health	262
Agriculture	86
Food Processing	21
Environment	38
Natural Resources	15

Bio Informatics	16
Aquaculture	52
Source: Statistics Canada, Biotechnology Use and Development Survey, 2001	

Table 2: Biotech R&D Distribution by Sector	
Sector	% Of the Total Biotech R&D Spending
Human Health	88.0
Agriculture	4.4
Food Processing	3.6
Environment	1.2
Natural Resources	1.0
Bio Informatics	1.6
Aquaculture	0.2
Source: Statistics Canada, Biotechnology Use and Development Survey, 2001	

Government Support

Generous government support promotes R&D initiatives

In 2001-2002, the Government of Canada spent $513 million on biotechnology.

- This represents seven per cent of federal science and technology (S&T) expenditures, and an increase of 29 per cent over the 2000-2001 expenditures.
- Ninety-six per cent ($494 million) of the federal biotech spending in 2001-2002 was devoted to research and development.

Great R&D at Huge Savings

Canada's tax-based incentives permit firms to significantly reduce R&D costs through direct investment or subcontracting in Canada (Table 1).

- Canada's R&D tax treatment is the most generous among the G-7.
- It includes immediate full write-offs for all expenditures in R&D capital equipment, and appreciable tax credits.
- In Canada, $1 of R&D expenditure results in 18.7 cents of tax relief.
- Canada's Scientific Research and Experimental Development (SR&ED) program spends about $460 million annually in tax credits to biotech companies.

Assisting Biotech Research through numerous Institutes

- Canadian Institutes of Health Research (CIHR). Launched in June 2000, CIHR has an annual budget of $617 million in 2003-2004 and provides funding to health research in 13 key research areas.
- Genome Canada has received $375 million from the Government of Canada to support the establishment of five genome science centers across Canada; contributions from partners will raise the total funding to $775 million.
- Canadian Foundation for Innovation (CFI) to strengthen R&D capabilities of Canadian universities and hospitals. In 2003, the federal government increased the level of funding by $500 million, raising the total federal support for CFI to $3.65 billion.
- Networks of Centers of Excellence (NCE), established in February 1997 by the Canadian Government, has a budget of $77.4 million per year. Of the 22 currently funded NCEs, seven are working in biotech-related fields, such as the Canadian Genetic Diseases Network, the Protein Engineering Network, and the Stem Cell Network to name a few.
- Canada Research Chairs to enable Canadian universities and their affiliated research institutes and hospitals to achieve the highest levels of research

excellence and become excellent research centers, the Canadian government provided $900 million to support the establishment of 2,000 research chairs in universities across the country by 2005.

(*Sources: Statistics Canada, 2001 Biotechnology Use and Development Survey and Statistics Canada, Science Statistics Vol. 27, No. 1, February 2003)*

Table 1: Rate of Tax Subsidies for US$1 of R&D	
Country	Rate
Canada	0.187
U.K.	0.096
U.S.A.	0.066
France	0.061
Japan	0.009
Germany	-0.025
Italy	-0.026

Source: OECD, STI Division, January 2003

NOTE: Tax subsidies are calculated as 1 minus the B-Index. The B-Index represents a ratio of the after-tax cost of a $1 expenditure on R&D divided by 1 less the corporate tax rate. The lower the ratio the more competitive the tax system.

Provincial Overview

Each province has its own distinct advantages. Following is an overview of the Geographic Distribution of Canadian Biotech Companies

Geographic Distribution of Canadian Biotech Companies	
Canada, Provinces	% Of Geographic Distribution
Quebec	35

Ontario	27
British Columbia	18
Alberta	6
Saskatchewan	5
Nova Scotia	3
Manitoba	3
New Brunswick	2
PEI, Newfoundland & Labrador	1
Source: Statistics Canada, Biotechnology Use and Development Survey, 2001	

A Statistical Overview by Region

Quebec

- Ranks third in North America, with approximately 130 companies and over 4,500 jobs in biotechnology.
- Focus on three main sectors: human and animal health; agriculture, bio-food, and forestry; and the environment.
- Biotech revenue in the region has been increasing at an average annual rate of 61.3 per cent in the period 1997-2001, while expenditure on biotech R&D grew at an average annual rate of approximately 28 per cent during the same period.
- Has been spearheading genomics in Canada, being home to over 40 per cent of companies in this field .
- Has a solid research infrastructure, with the Biotechnology Research Institute, McGill University, and Genome Quebec Innovation Centre as the cornerstones.
- Growth of the region's biotech sector stems from strong synergy between key players in the industry, such as companies, research centers, universities, venture capitalists, and governments.

Sources: Bio Québec, Investissement Québec, Statistics Canada–2001 Biotechnology Use, and Development Survey

Ontario

- **Over 3,000 employed in 101 biotech companies**
- **Strengths mainly in the biomedical, pharmaceutical, medical devices, agricultural-biotechnology, and byproducts fields**
- Biotech revenues in 2001 amounted to $1,376 million, while $395 million were spent in R&D
- Average annual growth rate of biotech revenues in the province was almost 40 per cent for the period 1997-2001, while R&D spending increased at an average annual rate of 16 per cent in the same period
- With the aim of strengthening research linkages between academia and industry, the provincial government supports four Ontario Centers of Excellence and has committed $20 million toward the establishment of biotechnology commercialization centers
- Initiatives such as the Ontario Research and Development Challenge Fund and the Ontario Innovation Trust promote research excellence – to date, the Government of Ontario has committed budgets of $750 million to both
- Ranks in the top three jurisdictions in North America in terms of workforce and R&D expenditures in agricultural-biotech, according to the Technology Partnerships Practice Battle Memorial Institute

Sources: Biotech Ontario, Statistics Canada–2001 Biotechnology Use, and Development Survey

British Columbia

- Home to the seventh largest biotech cluster in North America, based on the number of biotech companies
- Health care sector dominates the biotech industry in this province, with approximately 60 per cent of the

companies developing biopharmaceutical and biomedical applications

- The breadth of their product focus ranges from new classes of antibodies to AIDS/HIV and cancer therapies, drug delivery systems, and the treatment of inflammatory diseases such as asthma and arthritis
- Canada has the fastest-growing biotech region, with the number of core biotech companies growing at a rate of 108 per cent from 1997 to 2001
- Houses 69 biotech companies, with over 1,500 employees in biotech-related positions
- Biotech revenues in 2001 amounted to $414 million, with R&D expenditure being $420 million
- The region's biotech revenue has been increasing rapidly over the period 1997-2001, at an average annual rate of 72.3 per cent
- As well, commitment to biotech research and development is reflected in the tremendous growth rate of R&D spending, which has been increasing at the average annual rate of 53 per cent during the same period
- Has more than half of its biotech workforce in scientific research and technician jobs
- Offers world-class research facilities at numerous government institutions, universities, teaching hospitals, and technical colleges, including the University of British Columbia, the B.C. Cancer Agency, and the Centre for Molecular Medicine and Therapeutics, to name a few

Sources: BC Biotech, Ernst & Young 2003 Biotechnology Report, Ernst & Young: 2002 Biotechnology in Canada Report, Statistics Canada–2001 Biotechnology Use, and Development Survey

The Prairies

- **Home to 52 biotech companies, employing over 1,500 in biotech-related positions**
- **Among Canadian regions, the Prairies rank second to Quebec in terms of number of biotech**

products/processes in development, indicating the region's high growth potential

- Biotech revenues for the Prairies totaled $242 million in 2001, with biotech R&D expenditures being $159 million
- The number of biotech firms in this region has been growing at an average annual rate of nearly five per cent in the period 1997-2001, while biotech employment has been steadily rising at the rate of six per cent
- Biotech revenues have been increasing over 1997-2001 at an average annual rate of 14 per cent, while R&D spending has been growing soundly at the rate of 33 per cent during the same period
- Almost half of the Prairie biotech workforce is in scientific research jobs

Source: Statistics Canada–2001 Biotechnology Use and Development Survey

Atlantic Canada

- **Houses 23 biotech companies, providing employment to over 400 in the biotechnology sector**
- **Biotech companies in the region have substantial presence in aquatic and marine biosciences**
- Revenues in 2001 equaled $22 million, while investments in research and development were $14 million
- The number of biotech firms in the region has been growing at an average annual rate of four per cent during the period 1997-2001
- A comparison with other Canadian regions shows Government funding is most significant for the Atlantic provinces, with the government accounting for 22 per cent of the total biotech funding in the region
- Nova Scotia 's life sciences community is growing at twice the national average, with a majority of the companies focusing predominantly on health and marine bioscience research and commercialization

Source: Statistics Canada–2001 Biotechnology Use and Development Survey

2.5 CHEMICAL SECTOR

Invest and expand in Canada's Chemicals Industry!

The Canadian Chemical Industry is one of the most competitive in the world. This is one of the main reasons that Canada has experienced tremendous growth in this sector, despite a worldwide industry slow down.

Between 1997 and 2003, international investors have pumped more than US$10 billion into the Canadian chemical industry, with petrochemicals accounting for a large part.

Almost every global chemical company in the world has production or R&D facilities in Canada.

"Canada is the most efficient and effective location in the world to carry out market-based technology development. Canada has a bank of trained professionals, it has government support for R&D, and it is highly connected to the global business-operating infrastructure. This is the formula for business innovation."

Ron Zelonka, VP, Technology and Innovation

DuPont Canada

Canadian chemical industry is most innovative and competitive in the world. This sector employs almost 92,000 people. During last few years, the sector has experienced tremendous growth. Every major global chemical industry has production or R & D facilities in Canada.

Canada is home for more than 2,100 companies, manufacturing different kind of chemicals. There are companies specialized in industrial chemical e.g. petrochemicals, industrial gases, organic chemicals, synthetic fibers. Canada is also leader in chemical research and development.

A recent study (2006) by KPMG ranked Canada No. 1 in this sector. Canada offers lowest labour and benefit costs among G7 nations. Canada has 45% cost advantage over the US.

Canadian export (about 80% to US) estimated $27.0 billion, which stands second among all manufacturing industries in Canada. About 50% of chemicals produced are being exported. This offers an excellent opportunity to new industries/innovations

Canada is also very environment conscious. All chemicals industries are working towards reducing green house gases.

The purpose of this section is to give an overview of the unique advantages that Canada has to offer.

- **Industry** - A dynamic and growing domestic industry
- **Cost Advantage** - Low resource and utility costs
- **Workforce** - Availability of a skilled workforce, at lower costs
- **Taxes** - Lower taxes and the most favourable R&D treatment
- **Markets** - Excellent access to major North American and Pacific rim markets
- **Provincial Overview** - An industry spread across Canada

Key Web Resources

- **Industry Canada**

Provides a more detailed overview of the Chemical Industry in Canada , including various sub sectors, technology, environmental topics and company directory

Publications

- **CHEMICALS. PERFECT INDUSTRY CHEMISTRY.** A two-page fact sheet that displays Canada's positive sector-based results in the KPMG 2006 study .It also highlights Canada's non-cost location advantages.

- **Investment Opportunities in the Canadian Chemical Industry**
  21-page presentation profiles the Canadian chemicals manufacturing industry

Contact the Chemical Industry Investment Team

Tel: (613) 954-3016

Fax: (613) 952-8988

Or

Tel: (613) 954-5609

Fax: (613) 952-8988

Provincial Overview

Canada's chemical industry spans the length and breadth of the country
nearly every major chemical company in the world has production or research and development facilities in Canada. Of the 25 largest chemicals companies in the world, 21 have plants in various locations across Canada.

Alberta

- Alberta is North America's low-cost ethylene producer.
- Has the two largest single-train ethylene crackers in the world
  - NOVA Chemicals and Dow Chemical's jointly own the largest single-train ethylene cracker in the world in Joffre, Alberta, with a capacity of 1275 kilo tones per year

        - Dow's cracker in Fort Saskatchewan with a capacity of 1200 kilo tones per year follows close behind
    - Has a huge build-up in ethylene-based petrochemical capacity, with recent investments in ethylene, polyethylene, alpha olefins, and ethylene glycol
    - Current investment opportunities include production of petrochemicals from oil sands, ethylene derivatives, polystyrene, or polypropylene

Ontario

- The province's main concentration of petrochemicals is in the Sarnia area, which is home to two ethylene crackers
- A secondary petrochemical centre exists in the Kingston area
- Has excellent capacity for specialty chemicals production in the Toronto to Windsor corridor
- Has a broader diversity of petrochemical production than in Alberta
- Another advantage is the availability of ethylene, propylene, aromatics, and specialties

Quebec

- The province's chemical industry is centered in Montreal
- Range of product diversity is similar to that of Ontario, though smaller in scale
- Home to liquids-based ethylene cracker
- Demonstrates a stronger emphasis on inorganic chemicals production, given the electricity advantage
- Availability of propylene, aromatics, terephthalic acid
- New investments in recent years include: linear alkyl benzene, terephthalic acid, polytrimethyl terephthalate

Nova Scotia

- Ethylene-based petrochemical investment is possible, as growth in gas development takes place

Taxes

Taxes and R&D Incentives

Canada offers lower corporate income tax rates than the United States, for manufacturing operations

Compared to key North American chemical producing regions, almost all Canadian locations have lower overall taxes and payroll benefit costs.

Effective Tax Ratio*				
Provinces/States	Health, payroll, and sales taxes (%)	Property taxes (%)	Capital taxes (%)	Income taxes (%)
Alberta	2.7	6.0	1.6	47.2
British Columbia	9.1	18.7	4.8	46.4
Ontario	4.4	4.8	4.4	46.3
Quebec	3.5	4.3	10.0	38.0
Louisiana	7.7	4.0	3.2	55.1
Texas	5.1	29.2	0.7	46.3

Source: Canadian Chemical Producers' Association

** Present value of taxes divided by present value of net cash flow before taxes*

R&D Incentives

Canada offers significant R&D savings, with generous tax credits and a broader definition for qualifying expenses

- Full immediate write-off for all expenditures in R&D capital equipment.
- Firms can also significantly reduce R&D costs through direct investment or by subcontracting in Canada.
- The KPMG 2004 international business cost study shows Canada offers the best R&D tax treatment among industrialized nations in Europe, North America, and Asia-Pacific. In fact, in Canada refundable R&D tax credits can result in negative income tax (or net government subsidies) for R&D operations.

Effective Combined Corporate Income Tax Rates for R&D Operations		
Country	Rank	R&D average (%*)
Canada	1	-5.5
United Kingdom	2	-0.2
Australia	3	11.2
Iceland	4	19.9
United States	5	20.1
Luxembourg	6	26.6
Netherlands	7	34.4
France	8	34.7
Japan	9	41.4
Germany	10	42.3
Italy	11	70.1

Source: KPMG Competitive Alternatives, 2004
** Percentage of net profit before tax for representative operations*

2.6 INFORMATION AND COMMUNICATIONS TECHNOLOGIES SECTOR

Canada's Information and Communications Industry powers worldwide innovation!

The key question for investors in the 21st centuries is not what is new, but what *will be* new. The next great breakthrough might be in biocomputing, photonics, wireless technology, nano technology, artificial intelligence, or some other field waiting to be discovered.

Whatever the field, the Canadian Information and Communications Technology Industry will continue to be on the leading edge of development.

Canada has very matured IT sector. More than half a million people are employed in this sector and more than 40% people are university graduate. Canada has enjoyed tremendous growth in this sector during past decade. About 70% of products are exported due to seamless access to the North American market. In 2004 alone Canada has spend $5 billion in R & D.

Majority of well recognize global IT companies have chosen Canada for significant investment. These companies are – IBM, SAP, Motorola, Nokia, Alcatel, Lucent Technologies etc.

Canada is a well recognize player in this sector. Here is list of Canadian innovations:

- The world's first PC
- The V-chip
- JavaScript™
- The XML computer language
- Key frame
- Ultra High speed optical research network

One of the great success stories is Canada's Blackberry® Wireless Solutions by Research and Motion. This has given Wireless communication a completely different meaning. As you may be aware, that a recent patent issue between RIM and a US firm has shown that how much US Government is dependent on Canadian Blackberry ®. In the year 2005, Information and communication technology firms contributed $607 billion to the country's GDP.

"*Canada is considered to be best country in G7 in which to do business over next five years" (Economic Intelligence Unit (2006 -2010)*

Canada is also one of the best countries in E-Health Technologies. The country has excellent electronic health record and medical record system. There are still lots of investment opportunities in this area. One of Canadian giant Nortel Network has developed IP network technology, which supports wireless portable, hand held devices and VoIP. There is also sensor network for patient-monitoring bracelets. Physicians use Blackberry® device worldwide as secure wireless information tools. All these innovative ideas have created huge investment opportunities for companies willing to participate in world leading technology.

There are many excellent companies like Asystar Medical Records Solutions, Britech Information System, CHCA Computer System, and these companies always looking to outsource. Canada also offers excellent environment for IT industries. Canada leads in Broadband technology.

As mentioned earlier Canada has 2.5 percentage point cost advantage over US; resulting a huge difference in bottom line (as per KPMG's guide to International Business-2006 edition)

There are many hot spots for foreign investment:

- Edmonton
- Monkton
- St. John's
- Saskatoon
- Halifax
- Winnipeg- Ontario

Canada ’s growing industry

Canada has developed a vast communications and IT infrastructure, giving rise in recent years to global champions like Nortel, Research In Motion (creators of the acclaimed Blackberry technology), and Sierra Wireless.

Key facts about Canada’s ITC industry:

- 32,000 ICT firms
- 545,000 employees, more than 40 percent of them with university degrees
- 9.2 per cent growth between 1997 and 2003 exceeding Canada’s 3.7 percent annual growth in GDP
- $5 billion R&D spending in 2004
- About 70 per cent of ICT products manufactured in Canada are exported
- Seamless access to the North American Market

Discover how foreign investors benefit from Canada is innovative and experienced ICT Industry:

- **Cost Advantage:** A low cost environment for technological development
- **R&D:** Canada’s ITC is recognized around the world for its knowledge and expertise
- **Software:** Programmed for success
- **Wireless:** The future is here
- **Multimedia:** Sheer magic

Key Web Resources

The links to the most up-to-date ICT sector information provided by Canada's Strategies network.

- **Canadian ICT Statistical Overview (ICTSO)**

  Industry Canada: Key Statistical Overview of the Canadian ICT Industry

- **Extended Canadian ICT Sector Profile**

  Industry overview of the Canadian ICT Sector, last updated November 2004

- **Company Directories**

  Links to Canadian company directories, distribution channels, supply sources, and partnerships related to the ICT sector.

Fact Sheets

- ICT
- ICT Security
- E-Health Technologies
- Multimedia and Digital Entertainment
- Wireless
- Telecommunications
- Software design, web and multimedia

A two-page fact sheet that displays Canada's positive sector-based results in the KPMG 2006 study. It also highlights Canada's non-cost location advantages.

Contact information and communications technology specialist

Industry Canada

17th Floor, 300 Slater Street

Ottawa, Ontario, K1A 0C8

Telephone: (613) 954-3454

Facsimile: (613) 952-8419

2.7 SOFTWARE

Discover Canada's Innovative Software Industry!

Software drives the information economy and Canada's software and computer services industry is thriving from coast to coast:

- $28.6 billion in total revenues
- 253,600 software workers
- $728 million of annual R&D
- 44,000 firms nation wide
- 22 per cent revenue growth in 1999-2000
- Export oriented – 73 per cent of Canadian software revenues come from foreign sources

Software firms are world leaders in innovation and marketability

IT services – providing software and infrastructure

Examples of Canadian excellent companies are

- **CGI Group** employing more than 11,000 people around the globe
- **X-Wave** with 2,400 employees in Canada, the United States and Ireland

Business Intelligence and document management

Examples of Canadian world-class companies are:

Cognos, the world's second largest business intelligence firm with over 50 offices worldwide

Crystal Decisions, the world's third largest business intelligence firm

Hummingbird, one of the largest document and content management solutions, used by more than 90% of the Fortune 500 companies and over 5 million users

Security - Canadian companies are ready to meet security needs from biometrics, to encryption, to information technology aids and firewalls

Examples of Canadian world-class companies are:

Entrust, with 1200 clients in more than 40 countries

Imagis, with 130 major biometric installations worldwide

Multimedia
According to Wired Magazine, Canada supplies 80 percent of the animation and special effects software used in Hollywood.
Examples of Canadian world-class companies are

Discreet, award winning solutions for digital media creation with offices around the world

Softimage, leading in 3-D animation and special effects software

Alias, leading in 3-D animation with offices around the world

Publication

SOFTWARE DESIGN, WEB AND MULTIMEDIA. INVENTING A NEW REALITY

A two-page fact sheet that highlights Canada's positive sector-based results in the KPMG 2006 study. It also highlights Canada's non-cost location advantages.

Canadian Software and Computer Services: Programmed for Success

A quick briefing on the most recent gains in Canada's software sector and why major US computer and software firms are moving operations here.

Success Stories

Satyam opens a new development center in Mississauga

A pioneer in global IT sourcing, Satyam Computer Services Ltd. launched its 5,000 square-feet state-of-art Software Development Centre in Mississauga.

India's Tata InfoTech Limited develops revolutionary XML application in Toronto

A breakthrough technology supporting the rapidly emerging Internet and information management standard XML (extensible Markup Language) is being promoted internationally by exegenix.

Calgary's commitment to technology wins over Center Partners

Center Partners Inc., a Denver-based firm specializing in global communications services, has selected Calgary as the site of its newest contact center.

Montreal selected for Electronic Arts' game development studio

Best-known for interactive adventure and action games such as FIFA Soccer and NBA Live, Electronic Arts (EA) inaugurated its northeast game development studio in downtown Montreal in March 2004.

Toronto, a logical choice for Solcorp's new corporate headquarters

For Solcorp, a global provider of software solutions to the life insurance and wealth management industries, Toronto is the ideal city for its new corporate headquarters.

Microsoft expands its support service centre in Mississauga

In 2002, Microsoft Canada invested $73 million in a new headquarters and its first Canadian-based Global Technical Support Centre (GTSC) in Mississauga.

Dell launches customer contact centre in Edmonton

Dell Inc., the Texas-based computer giant, is working closely with the Northern Alberta Institute of Technology (NAIT) to recruit and train approximately 500 new Dell employees from the Edmonton area.

CenterBeam opens North American solution centre in New Brunswick

CenterBeam Inc., a California-based IT outsourcing company, launched its North American Solution Centre in Saint John, New Brunswick.

IBM builds software development labs in Toronto and Ottawa

IBM Canada built its new software development laboratory—a $150 million investment—in Markham, Ontario. Known as the IBM Toronto Lab, this R&D facility was established in 1967.

Opalis Software Inc., lowers operational costs and thrives on Toronto's local multilingual workers

Opalis Software Inc. develops multi-language software to automate information technology operations.

Convergys benefits from Manitoba's central time zone and multilingual staff

Convergys Corporation has recently chosen Brandon, the second largest city in Manitoba, as the site for its newest call centre.

Case Studies

Research in Motion, Waterloo, provides innovative wireless solutions for the mobile communications market. RIM´s (Research and Motion) BlackBerry® wireless solution recently won the coveted CNET Editors Choice Award that recognizes outstanding computing and electronics products.

Ericsson´s Centre of Excellence in Montreal fulfills worldwide mandates in the development and testing of multiple wireless standards, including technology for 3G and beyond, as well as network infrastructure.

Siemens´ Technology Innovation Centre in Ottawa focuses on Wireless LAN R&D and location enablers for GSM, and WiFi switching technologies enabling highly scaleable and secure network infrastructures.

Wi-LAN, Calgary, specializes in high-speed Internet access, LAN/WAN extension and broadband wireless access. Wi-LAN has provided its Ultima3 WiFi solution to showcase the Hotspots project of Calgary's Wireless City Initiative.

Sierra Wireless, Vancouver, develops and markets the AirCard® wireless PC Cards for laptops and handheld devices, OEM modules for embedded applications, rugged vehicle mounted wireless systems and has introduced the Voq line of professional phones based on the smart phone platform for business users.

Nortel Networks, Ottawa is supplying its service provider and enterprise customers with communications technology and infrastructure to enable value-added IP data, voice and multimedia services spanning Wireless Networks, Wire line Networks, Enterprise Networks, and Optical Networks.

Polar Sat, Montreal, is an international provider of full-meshed Very Small Aperture Terminal networks that help optimize satellite-based transmission of telephone, data, and video in areas of the world where conventional telecommunication infrastructures are lacking.

Telos Technology, Vancouver, designs packet-based soft switches and intelligent gateway solutions that allow existing wireless networks to transition smoothly into the next generation wireless networks.

Consilient Technologies, St. John´s, has developed mobility software that enables companies to extend their in-house IT systems to handheld devices and is built upon open standards that enable wireless extension of Novell, Oracle, and Sun Microsystems to handheld devices on any network.

Intuit Canada in Edmonton is developing e-finance solutions that include personal finance management, small business accounting, and tax preparation software, as well as providing web-based services.

Computer Sciences Corporation's Centre of Excellence for software development and support in Montreal focuses on ERP and e-business applications.

EDS subsidiary **SOLCORP**, a leading provider of software solutions and consulting services to the life insurance and financial industries, develops its software solutions in Toronto.

SAP Labs Canada in Montreal designs and develops winning e-business applications for the mySAP.com platform -- solutions are used in SAP products worldwide.

AMDOCS, a world-leading provider of CRM, billing and order management systems to communications and financial services firms, develops its software applications in Toronto.

2.8 MEDICAL DEVICES

Canada's Medical Devices Industry is profitable and innovative!

Canada's medical devices industry is growing. Canada is a technologically advanced nation with a very well educated workforce. In addition to this sizeable infrastructure, Canada offers a fair and ethical regulatory environment and the most favourable tax treatment for R&D spending.

Many global medical devices companies such as **3M, Bard, and i-STAT, McKesson, Baxter, Siemens, Sulzer Mitroflow, Tyco, and St. Jude** have invested in Canada to take advantage of Canada's unique business advantages.

The Canadian medical devices sector benefits from the strengths of associated industries such as biotechnology and telecommunications.

Canada maintains and continues to invest in a world-class research infrastructure, creating a strong knowledge base, which has contributed to international recognition in a number of segments of the medical device industry.

Canada offers the most cost-competitive business environment for medical device manufacturing. (Source: KPMG 2004 business cost study)

Canada also has the distinct advantage of being located right next to the world's largest medical devices market, and through its advantageous trade agreements provides access to these markets.

" Canada is a rich and diverse nation with a well-educated population. Not only do Canada's advanced technology and skilled work force make for topnotch product manufacturing, Canadian regulators also provide fair and ethical guidelines for producing excellent health products. We think that has helped MedMira come up with products that are demonstrably second to none."

Stephen Sham, CEO
MedMira Inc.

Why have so many foreign investors have invested in Canada's vibrant and innovative Medical Devices Industry:

Industry: A dynamic medical devices industry

Recognized Strengths: Canada's market success is recognized around the world

R&D: Canadian technology and R&D strengths

Cost Advantage: A cost-competitive business climate

Government Support: Federally-funded research support programs

Workforce: A skilled workforce

Markets: Access to North American markets

Regulations: A regulatory environment conducive to business

Key Web Resources

- Industry Canada: Medical Devices Industry
- Industry Overview, Key Statistical Data, Events, Resources

Publications

- **MEDICAL DEVICES. CALIBRATING HEALTHY RETURNS.**
  A two-page fact sheet that displays Canada's positive sector-based results in the KPMG 2006 study .It also highlights Canada's non-cost location advantages.
- **The Canadian Medical Devices Industry**
  20-page presentation outlines programs and policies supporting growth in this sector.

Contact an Investment Specialist from the Life Sciences Branch
Senior Industry Development Officer
Tel: (613) 952-2022
Fax: (613) 952-4209

2.9 PHARMACEUTICALS:

Canada is the world's 8th largest pharmaceuticals market with an annual growth rate of more than ten per cent. The market is approaching $10 billion in sales. Canada has highest concentration of biotech companies in the world. Canada also offers best place for conducting clinical trials. As per industry Canada, Pharmaceutical industry could benefit from Canadian expertise and overall cost savings that can be as 45% relative to Industry Canada. Canada is also accounted for 10% of the global medicine discovered.

Research and development is a major reason for growth and quality of the industry. Canada has most generous tax treatment for R&D spending and an excellent research centers across Canada and on the world. Canada has a very good network for cancer, cardiovascular, central nervous system, arthritis, and genetic diseases.

Canada is one of the highest spending countries on health education in the world. Canada's health-sciences research is made of 30,000 investigators, 16 medical schools and 100 teaching hospitals and research institution. Toronto housed fourth largest R&D community in North America

Higher Education Achievement	
Country	%
Canada	41
United States	37
Ireland	36
Japan	34
Finland	32
Sweden	32
Australia	29
New Zealand	29
Norway	29
Belgium	27

Source: 2001 Census, Statistics Canada and Globe and Mail – Mar. 2003

Fortunately, NAFTA provide an opportunity to access the largest pharmaceutical market in the world. Many Canadian subsidiaries are mandated to achieve export target due huge market at the doorstep. Half of the market is within one days of shipping time.

Canada also has trade agreement with Europe and Latin America, which allow easy access to their market.

Table 1: Share of the $358B Global Pharmaceutical Market	
NAFTA	50.40%
Rest of World	40.60%
Source : IMS Healthand (2003)	

Canada has best to offer in the pharmaceutical investment. There is access to world's largest market, skilled workforce, cost advantages, world-class infrastructure, advance R&D, and excellent protection to innovations

Contact information:

Sr. Industry Development Officer – Asia

Ph. (613) -954 – 5593

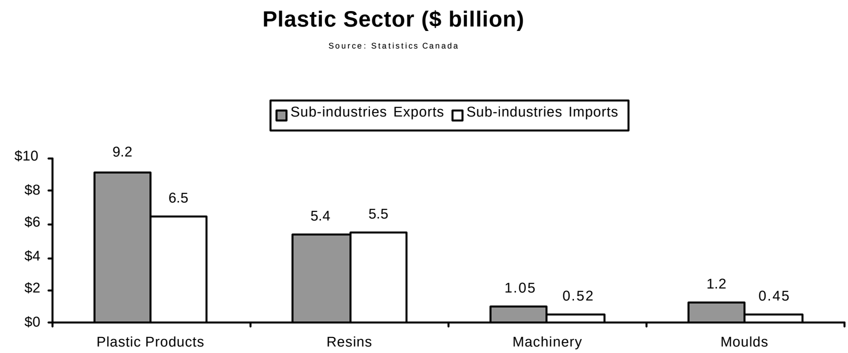
2.10 PLASTICS:

Canada is very attractive location for manufacturing plastic products. As mentioned earlier, Canada has low cost advantage over G7 nations. In fact, Canada offers lowest cost in the world for producing high volume synthetic resins. Canada is second largest manufacturer of moulds and seventh largest exporter of manufacturing and equipment. These machine and equipment play an important role in manufacturing of quality plastic products.

"We have top-notch scientists and engineers on staff who graduated from very good Canadian schools. Furthermore, research costs here are 30-40 per cent lower than our U.S. competitors."

Ash Sahi, President, and CEO
Liqui-Box, a DuPont Canada subsidiary

Canada is home for more than 3,000 companies directly dealing in this sector. Plastic sector is a significant contributor to country's surplus due to highly export-oriented product. Here is snap shot of Canadian performance in this sector:



In plastic industry, Canada has significant cost advantage among the develop world. There are several factors responsible for low cost such as energy, labour cost, and top of the line R & D facilities.

Following is international cost comparison:

Country	Cost Index (U.S. = 100.0)
Australia	91.3
Canada	93.6
United Kingdom	97.4
France	97.9
Luxembourg	99.6
United States	100.0
Italy	101.4
Netherlands	101.9
Germany	114.4
Iceland	120.1
Japan	129.1

Source: KPMG Competitive Alternatives, 2004

In past decade, Canadian companies have experienced significant growth and you know most of the Canadian firms in this sector are small to medium size industry. There are some major players in the industry such as :

- IPEX
- Decoma
- ABC group
- Camoplast
- Winpak
- Canadian General Tower

These major industries are always looking for partnerships. Most of the plastics firms are Canadian owned.

Industry Canada (industrycanad.ca) is major source for providing information about the plastic industry. The government is committed to assist industries in expansion and new setup

There are several training programs producing top quality skilled plastic graduates:

- Laval and McGill Universities
- Canadian Plastic Training Centre of Ontario
- British Columbia Institute of Technology
- North Alberta Institute of Technology

Following are low cost hot spots

- Montréal
- Sherbrooke
- Toronto
- Waterloo Region
- Quebec City

Here is some example how plastic industry has emerged in past few years:

- ABC Group – With head office in Toronto, The Company has pioneered in the use of blow molding in the North America auto industry since 1970. The group covers all most all area of plastic processing technologies and components of global automotive industry.

- CPI plastics Group – Few years ago CPI Plastics Group was just doing custom order and business-to-business plastics extruder. Today the company has turned itself into a North American leader in thermoplastics profile design, engineering, processing and value added manufacturing. Rubbermaid®, one of famous garbage bags in owned by CPI Plastics Group.
- Liquid-Box – The Company is wholly owned subsidiary of DuPont Canada. The company has developed a sophisticated ways of sealing polyethylene bags. The company has also developed an innovative technology that allows packaging to keep milk fresh up to six months in remote areas without refrigeration.

Contact information phone numbers of advisor:

(613) 954 - 3016

(613) 954 - 3247

2.11 OIL AND GAS:

Did you know that Canadian oil reserves are totaling 180 billion barrels, which is second (behind Saudi Arabia) in the world? Canadian has more oil than Iran and Iraq. Canada stands third in natural gas producer and ninth in crude oil production. Canada is home for world's largest oil sands reserve.

Canada is keys suppliers of energy in North America and should be able to supply crude oil to North America for another 200 years. Canadian oil and gas industry comprises of:

- Oil and gas equipment manufacturing e.g. geophysical equipment, drilling rigs, pipeline equipment, instrumental, and control system etc.
- Service providers for petroleum explorers
- World class training facilities in advanced extraction technique, offshore well control, bridge ship simulation and offshore safety.

Some of the world leader in oil and gas industries has chosen to invest here due to cost competitiveness and technological advancement.

Investment opportunities in Oil and Gas sector:

Global forecast shows that with increasing demand in India and China, the crude oil production will increase. As we, all know that this sector has tremendous growth opportunity. Offshore Atlantic Canada is attracting world class industry from US, UK and Norway. Interestingly the offshore oil and gas industry also offers great potential for ship building industry. Shipbuilders can participate in this industry in various ways such as anchor handling supply vessels, tugs, crew boats logistic support etc.

With US next door, Canada (Alberta) is natural hub for the transportation of natural gas. A large portion of production is being exported. There is significant increase in export to other countries such as Mexico, Venezuela, Algeria, China, Norway, Brazil, and UK. Canada has 3.5% share of the world market and is sixth largest exporter of equipment and services in the world.

Small and medium size investors can participate in various ancillary industries because these large multinational companies out source lots of jobs. Off course, if you have innovative ideas and good entrepreneur skills, then this is the right time to invest.

Contact information:

Sr. Energy Advisor,

Ph. 613-954-3192, Fax 613-941-2463

Regulations

Canada's regulatory environment is conducive to business

Canada’s regulatory process for medical devices increasingly emphasizes harmonization and reciprocity. Has adopted a risk-based regulation in keeping with international trends.

- The Food and Drugs Act permits Canadian manufacturers to export medical device products in accordance with the importing country's laws, irrespective of domestic approval status. Therefore, medical device products manufactured in specifically for export purposes do not require Canadian regulatory approval. This export provision has prompted some foreign-owned companies to carry out export manufacturing from a Canadian base.

- Canada has signed Mutual Recognition Agreements (MRAs) for medical devices with the European Union, Switzerland, Iceland, Liechtenstein, and Norway for conformity assessment of regulated products.

Case Studies

Medusa Medical Technologies

Halifax's Medusa Medical Technologies has allied with Medtronic Physic-Control of Redmond, WA, to develop and market electronic patient data reporting systems for the EMS market. Medtronic Physic-Control is the leading provider of automated external defibrillators to the emergency medical services industry.

In 2003 Medusa´s successful Siren ePCR™ Suite software and Medtronic Physio-Control´s LIFEPAK® monitor/defibrillators were combined and rebranded for marketing worldwide as the Medtronic LIFENET® EMS electronic patient reporting system. The system enables EMS first responders to capture patient information and wirelessly transfer it for more accurate, complete, and speedy data management and reporting.

Medical Intelligence

Quebec City's Medical Intelligence has developed the first wireless, portable, automatic cardiac alert system, with manufacturing and marketing beginning in 2004. The company's VPS (Vital Positioning System) ™ contains artificial intelligence software that detects the electrocardiography changes that precede the symptoms of arrhythmia problems. It is connected to a cell phone or pocket computer containing a Global Positioning System (GPS) and an assortment of self-learning artificial intelligence software that detects advance signs of a cardiovascular incident and calls for an ambulance.

Pyng Medical Corp.

Pyng Medical Corp. of Richmond, B.C., markets its F.A.S.T.1™, the world's first FDA-cleared and ISO-certified automatic Intraosseous Infusion System. The F.A.S.T.1™ addresses the estimated 10%-30% failure rates associated with traditional IV infusion in shock and trauma patients.

The award-winning device enables central vascular access in 60 seconds or less. The U.S. Army has selected the F.A.S.T.1™ System for inclusion in all combat medic, ground ambulance, field hospital, and trauma kits for the regular army and all Special Forces.

Infectio Diagnostic Inc.

Quebec City's Infectio Diagnostic Inc. has Health and FDA clearance for its IDI-MRSA™ advanced rapid screening test for Methicillin-Resistant Staphylococcus Aureus (MRSA), a major cause of infections.

Other methods require more than three days detecting—IDI-MRSA™ detects in an hour. Another Infectio test—IDI-Strep B™—detects Group B Streptococcus bacteria in pregnant women just before delivery and is the only test known that can replace culture samples.

TSO_3

TSO_3´s novel 125L Ozone Sterilizer, licensed by Health and FDA, uses ozone to safely and cost-effectively sterilize new surgical and diagnostic instruments made of polymers and plastics. TSO_3 has a number of key reference sites in the U.S., including the prestigious Cleveland Clinic. Also using the device are Vancouver General Hospital, Sunnybrook and Women's College Health Sciences Centre in Toronto and several sites in Quebec.

Response Biomedical Corp.

The U.S. military confirms that the RAMP® Anthrax Test developed by Response Biomedical Corp. of Vancouver gives such sensitive, accurate results that it detects even trace amounts of nonvisible anthrax spores. Tests showed no false positives, and the technology was not affected by potentially interfering substances. Response Biomedical has successfully marketed rapid on-site tests for heart attacks, West Nile virus, and biological agents such as smallpox and anthrax.

Nexia Biotechnologies Inc.

Nexia Biotechnologies Inc. of Montreal has signed an MOU with Canada's Armed Forces and an agreement with the U.S. Army to research and test Protexia™, a protein to protect against nerve agent toxins and other organophosphate agents without side effects.

Protexia™ is Nexia´s recombinant version of butyrylcholinesterase (BChE), present in blood but incapable of withstanding nerve agent challenges. Nexia will use its transgenic goat technology to mass-produce Protexia™.

McKesson Corp.

McKesson Corp. bought A.L.I. Technologies of Richmond, B.C. and kept growing it in. Now known as McKesson Medical Imaging Group, the company's product line is called Horizon Medical Imaging™. The McKesson Medical Imaging Group continues to garner top customer satisfaction ratings in independent PACS reviews.

Cedara Software Corp.

Toronto's Cedara Software Corp. has an agreement with Alion Science and Technology to supply Alion with ultrasound-based, computer-guided surgery technology for the U.S. military. Cedara´s breakthrough imaging software enables field surgery doctors to share patient trauma images regardless of diagnostic imaging modality. When integrated with Alion´s portable ultrasound equipment, it displays 3D anatomical images guiding surgery.

3. Setting Up A Business And Entry Requirements For Business In Canada

In Canada, one has to register a business name.

The only exception to this is if one operates his new business under his own legal name with no additions.

Therefore, if a person runs his business under the name Shankar Roy, he does not have to register his business name.

However, this business is going to be a sole proprietorship; he cannot add anything to this name, such as "Inc." or "Co." or "& Partners." Nor can he add anything that would give potential customers/clients a clue about what he does. If he decides to call my business something such as "Shankar Roy's Consulting Services," he has to register his business name, even though he is still running it as a sole proprietorship.

In sum, if one chooses to operate his new business as a partnership, corporation, or cooperative, he needs to register his business name, and most sole proprietorships will want to register their business name, too.

No matter what form of ownership, one chooses (sole proprietorship, partnership, corporation, or business cooperative) for his business; he must register the name of his business with the Registry of Joint Stock

Companies unless his business name is just the first and last name. When he registers his business name, he is ensuring himself that no one else is carrying on business under that name.

First, the Registry must perform a Name Search ($48.56 for Atlantic Canada search and $60.71 for Canada-wide) to ensure the name is not currently in use. Private companies also perform Name Searches. Check the yellow pages of the telephone book under Searchers of Records. If the name chosen is not in use, the Registry reserves the name for him for 90 days, at which time he must register ($55, payable annually. Fees differ for incorporation).

3.1 BUSINESS NUMBER (BN)

A person needs a Business Number (BN) from Canada Revenue Agency (CRA) for the following reasons:

- To file the annual tax return if the business is incorporated
- If he is importing or exporting goods to and from Canada
- To remit payroll deductions (Income Tax, EI, CPP) for your employees
- To collect and remit GST/HST.

3.2 TAXATION

Once the business starts, one has to apply for a BN number. The BN is a federal numbering system, which is assigned to a business (one business, one number) to deal with the Canada Revenue Agency. All the businesses generally require a business number. A business number is required if you require any one of the following business accounts:

- GST/HST
- Payroll
- Corporate Income Tax
- Import/Export
- Other

A business organization whether it is a sole proprietorship, partnership or a Corporation is responsible to pay various taxes in addition to Income Tax. Therefore, a business number is required.

The Business Number (BN) is a 9-digit identifier used in Canada, to which businesses can register program accounts with the Canada Revenue Agency (CRA). This number should be used when communicating with the CRA about accounts already created or he wishes to create. He can register for several accounts at one time. Each type of account requires very specific information and has to be registered separately. Therefore, he should not assume that because he has a BN with a GST/HST account, he automatically has a payroll account.

Different letters are used to identify types of accounts.

Four major accounts:

RT - goods and services tax/harmonized sales tax;

RP - payroll deductions;

RC - corporate income tax; and

RM - import/export

In order to obtain a business number, the following information is required:

- Social Insurance Number
- Business structure
- Name & Location
- Contact person
- Nature of Business activity
- Sales Estimate
- Reporting period &accounting period
- Fiscal year end
- Books & Records

The CRA requires all new registrants to provide the *social insurance number (SIN*) of at least one owner/director and the *business activity* of the business when registering.

The Canada Revenue Agency (CRA) is the federal government department responsible for administering tax laws for the Government of Canada and for most provinces and territories. The most common taxes are:

Income Tax*:* More information is available separately under individual and corporate taxation.

Payroll Taxes*:*

Mainly include **Employment Insurance Premium – (EI) and Canada Pension Plan Contributions (CPP).** EI is somewhat similar to unemployment insurance in India. The only difference is that in India, only lower income group earners are liable for employment insurance deduction, while in Canada everyone in liable to EI deduction, except self-employed persons.

Canada Pension Plan Contributions (CPP) -This can be compared with Provident Fund in India

Goods & Services tax & Harmonized Sales Tax (GST &HST)

Provincial Sales tax*:* wherever applicable

Other payroll taxes*:* vary from province to province

Payroll Taxes

The employer has to open a payroll account. After opening a payroll account, the CPP contributions need to be calculated, EI premiums, and income tax deductions based on the amounts one pays to employees. He also has to calculate his share. He should hold these amounts in trust for the Receiver General of Canada, in a separate account from your operating business account. He has to make deductions on amounts you pay if you are an employer. After he has made the deductions, he has to remit these deductions, along with his share, to the Government.

Then report the employee's income and deductions on the appropriate information return.

The present rate of deduction for EI and CPP is as under:

EI-1.80 % of the salary subject to maximum of $ 720.00

Once the limit of $720.00 is reached, there is no further deduction from the salary. The employers' contribution towards EI is 1.4 times employee's contribution, which is $1008. Both these contributions are deposited with the Receiver General of Canada.

If for some reason, a person loses his job (not if he resigns) because of lay off or sickness, he is entitled to insurance benefits for some period. The benefit amount is linked to the salary. The maximum amount that he receives is $ 416 per week for a maximum of 40 weeks. This is subject to certain rules and regulations.

CPP-4.95% of the salary in excess of 4.95 % of $3,500 subject to maximum of $1,990

There is no deduction if annual salary is less than $3500.00. The employer's contribution is same as that of the employee. Both these contributions are deposited with the Receiver General of Canada.

On retirement, one will receive this amount back in the form of monthly pension, which is taxable. This is different from provident fund in India, where withdrawals from the provident fund are not taxable.

It is the employer's (whether an individual, partnership or a corporation) responsibility to deduct the following common taxes and deposit employee as well as employer share with Canada Revenue Agency. The taxes must be deposited within a specific period; otherwise, the employer is liable to penalty.

Canada Pension Plan

Employment Insurance

Federal Income Tax

Provincial Income Tax.

Goods & Services Tax & Harmonized Sales Tax (GST &HST)

For the sole proprietor, partnership or a Corporation, and to provide taxable goods and services or export outside Canada, the person is responsible for collecting GST from the customers and deposit it with CRA. The goods and services tax (GST) is a tax that applies to the supply of most goods and services in Canada. Effective January, the GST rate is 5%, and the HST rate is 13%.

Three provinces (Nova Scotia, New Brunswick, and Newfoundland and Labrador, referred to as the participating provinces) harmonized their provincial sales tax with the GST to create the harmonized sales tax (HST). The HST applies to the same base of taxable goods and services as the GST.

Goods and services are subject to GST/HST also including zero-rated sales and supplies. A few examples of zero-rated sales and supplies are basic groceries, health care and dental services, certain childcare services and most educational services. You can get the information about the same on CRA website.

To file GST/HST return one has to get a GST number. Once he has the basic information, it is very easy to get a GST number. He can get the GST number on phone or he can also apply on line.

The following information is generally required in order to get a GST/HST number.

The legal name

Organization structure: If you are a Corporation, you also have to provide information like Corporation name, Certificate number, the date of incorporation and the province where the Corporation is registered.

The effective date of registration- The effective date of registration is important because it helps in setting up your reporting requirements. It also helps in determining when you become liable both to collect GST/HST and is eligible to claim input tax credits.

The full name of at least one owner, partner, or a director. In case you are a sole proprietor, you have to give your Social Insurance Number

The physical location of the business. If the mailing address of the business is different form the physical location then the organization is mailing address

The nature of the business activity

The fiscal year end.

One can authorize the employees as his contact by providing necessary information like contact person's name, telephone and fax number, address and designation. In case the contact person is other than the employee of the company like accountant, lawyer etc. he needs to submit a form RC 59, along with the application.

When the consumer pays the GST, businesses are generally responsible for collecting and remitting it to the government. Businesses that are required to have a GST/HST registration number are called registrants. Registrants collect the GST/HST on most of their sales and pay the GST/HST on most purchases they make to operate their business. They can claim a credit, called an *input tax credit* (ITC), to recover the GST/HST they paid or owe on the purchases in their commercial activities.

All GST/HST registrants have certain responsibilities. They have to file GST returns on a regular basis and pay the amount to CRA when the result in net owning. The amount due to or receivable from the Government is arrived as under:

GST/HST collected @5 % or 13% on sales	$---------
Less GST/HST paid @5% or 13% on purchases	$ --------
Balance due/receivable	$---------

Please note that in Quebec, Revenue Quebec administers the GST/HST. If the business is located in Quebec, visit the Revenue Quebec Website.

Provincial Sales Tax (PST)

Most of the goods and services are subject to Provincial sales Tax. One has to apply to the provincial office to get a PST number. Not all provinces have sales taxes operated by their provincial governments. The main sales tax systems are operated by Ontario, British Columbia, Saskatchewan, Manitoba, and Prince Edward Island.

The rules regarding provincial sales tax vary from province to province. In case of Ontario, the provincial sales tax rate is 8%. One has to apply to provincial office to get a PST number. Like GST, the business organization has to file PST returns on a regular basis.

Other Payroll Taxes

In addition there are other payroll taxes like Workmen's' Compensation premium, Employers' health tax, which vary from province to province. The information is available on the respective province's web site.

The Scientific Research & Experimental Development Tax Credit

The **SR&ED Canada Tax Credit Program** (Scientific Research & Experimental Development) provides significant tax benefits, including cash refunds to businesses carrying out all types of research in Canada.

How Does the SR&ED Tax Credit Program Work?

This program is the most accessible and mainly provides more R&D funding to Canadian businesses than any other Government Assistance Program available. Here is how the Program works:

The SR&ED Canada Tax Credit Program acts like a government grant for Canadian controlled private corporations (CCPCs) that meet certain criteria.

In certain circumstances, the Federal Government provides a refundable tax credit rate of 35%. If the company does not owe any tax in a given year, the SR&ED Tax Credit is refunded in cash.

The provinces also provide R&D incentives. For example, Ontario makes available a 10% refundable tax credit.

Large, foreign controlled or public companies, which are not eligible for the federal 35% refundable tax credit, are eligible for a 20% non-refundable federal SR&ED tax credit.

There are two components of an SR&ED Tax Credit claim: the first component is identifying an SR&ED project and writing up a project description; the second component is to identify the eligible expenditures that qualify as SR&ED, which can then qualify for a tax credit.

The Scientific Research & Experimental Development Tax Credit

The **SR&ED Canada Tax Credit Program** (Scientific Research & Experimental Development) provides significant tax benefits, including cash refunds to businesses carrying out all types of research in Canada.

How Does the SR&ED Tax Credit Program Work?

This program is the most accessible and mainly provides more R&D funding to Canadian businesses than any other Government Assistance Program available. Here is how the Program works:

- The SR&ED Canada Tax Credit Program acts like a government grant for Canadian controlled private corporations (CCPCs) that meet certain criteria.

- In certain circumstances, the Federal Government provides a refundable tax credit rate of 35%. If the company does not owe any tax in a given year, the SR&ED Tax Credit is refunded in cash.

- The provinces also provide R&D incentives. For example, Ontario makes available a 10% refundable tax credit.

- Large, foreign controlled or public companies, which are not eligible for the federal 35% refundable tax credit, are eligible for a 20% non-refundable federal SR&ED tax credit.

- There are two components of an SR&ED Tax Credit claim: the first component is identifying an SR&ED project and writing up a project description; the second component is to identify the eligible expenditures that qualify as SR&ED which can then qualify for a tax credit.

Individual Income Tax

Anyone migrating to Canada would be interested in understanding the Canadian income tax structure. Canadian Income Tax is more complicated as compared to Indian Income Tax Act and hence I have tried to cover only major areas of interest here. Income Tax is divided into two categories:

- Individual Income Tax
- Corporate tax and how it works

An individual for the income tax purposes can be:

- Resident
- A non resident or
- A part time resident

An individual who a resident in Canada is liable for Part Itax on his world income. World income it includes income from all geographical sources except that, which is specifically exempt by law or international treaty. This technically means once you are a resident in Canada, you are liable to Canadian Income tax on any income like salary, interest, income from house property earned outside Canada. Of course, Canada has bilateral tax conventions with more than 50 countries in the world including India to avoid double taxation. This would help in getting a tax credit.

However, if an individual is not resident in Canada, he/she is taxable in Canada only on certain types of Income from Canadian sources. A non-resident is liable to Income Tax on certain sources. This includes:

- Income from Employment earned in Canada
- Income from Business earned in Canada
- Taxable capital gains from Disposition of Canadian property

An individual is liable to pay *federal tax* as well as *provincial tax* in the province in which he resides. Provincial rates vary from province to province. The federal and provincial rates for the year 2007 are given at the end of this chapter.

The basics sources of Income are:

Income from employment

Income from property

Income from business

Capital gains

Other source

The basic income tax structure is as under:

The Gross Income is the total of: (a)

- Income from employment
- Income from property
- Income from business
- Income from other sources
- Capital gains

Less: (b) certain deductions allowable under the Act (federal as well as Provincial)

Provincial deductions vary from province to province and hence only major federal deductions have been considered.

Net taxable Income = a-b (Gross Income less deductions)

The federal and the provincial tax at the applicable rates on the net taxable income are then calculated. This amount is reduced by non-refundable tax credits.

The various sources of income are discussed in detail below.

A. Income from Employment:

The distinction between an employee and an independent contractor is very important because income of an independent contractor is subject to more favourable tax statement. Employees are entitled to claim fewer deductions as compared to independent contractors from business income. Another tax consequence of the distinction is that the person paying income to an employee is required to withhold income tax, CPP as well as EI. To determine whether an individual is employed or self-employed one needs to consider five specific criteria:

Control: This test determines what work is to be done as well as when, where and how. The employer normally decides this.

Ownership of tools: A self-employed contractor would normally supply his own tools while an employee is provided with the tools

Financial Risk: A self-employed individual incurs business risk; legal liability and his/her own expense. He may also incur a loss. An employee always gets salary regardless of whether the organization makes profit or not.

Integration Test: This test determines if the work performed is an integral part of the business.

The specific result test: This test verifies if the worker was hired to do one specific job within a specific time. If yes, it usually indicates that individual is an independent contractor

Please note that none of these criteria is decisive on their own. They are inter-related and one set of criteria does not necessarily out-weigh the other. It is only when all the five criteria are considered together can a conclusion can be reached.

From the income tax point of view, it is generally advantageous to show income from business instead of employment income as various deductions can be claimed against business income. With effect from 2006, the employed people can claim $80 per year as employment credit in the form of a non-refundable tax credit. Later, we will understand the meaning of the term "*non-refundable tax credit*." Besides, if there is a loss in the initial years, it can be setoff against any other sources of income. Therefore, one has to be very careful while negotiating work terms with your employer so that the income could be shown as a business/professional income.

Employment income is included in income when it is received on a *cash* basis and not when it is earned. It covers a broad range and includes apart from salary, allowances, and perquisites. To have an employment benefit does not mean it has to come from the employer. Even if the benefit is received by virtue of employment, it still is included in employment income. Thus, the benefit is taxable when an employee (not an employer) receives an economic advantage and it is conferred in respect of, in the course of or by virtue of employment. Generally, the FMV (fair market value) of the benefit is considered. This includes various benefits like interest free loans, motor car, housing, subsidized meals, stock options, holiday trips, employee counseling services etc.

The third types of amounts that are included in the employment income are the allowances including personal and living allowance.

There are generally no deductions against employment income except for certain salespersons

Whose income includes commission? Employees are however entitled to deduct any Registered Pension Plan (a company can have its own pension plan which may have employer as well as employee contribution) contribution made by them. Registered pension plan is different form Canada Pension Plan. They can also deduct the contribution towards union dues and professional membership fees.

B. Income from business

We will focus on Income from business more in detail, as the prospective immigrants will be interested in understanding what business income is and how it is treated for tax purposes.

Business includes profession, calling, trade, manufacture of any kind, an adventure, or a concern in the nature of trade but does not include office or employment. Income from employment is not business income as it is excluded from the definition of business. This distinction is important and it is generally advantageous to be self-employed rather than an employee because greater deductions are available for self-employed persons. Business income is also distinguished from income from property such as interest, dividend, rent, royalties etc. Income from property is considered as passive income whereas business income is considered as active income. The distinction between the two is not always clear since there is uncertainty regarding the time and the effort required to recognize the income from the operations of business.

In case of corporations, the business income should be consistent with the corporation's objectives. Interest, dividends, etc is generally considered as property income because it is derived from holding property. However, property income may be considered as business income if it is incidental to the income from business. For example, interest on surplus cash or interest income from accounts receivable.

The distinction between business income and capital gains is important because of the tax treatment. Business income is taxable while only ½ of the capital gain is taxable. The tax statement of the business losses and capital losses is also different. Business losses can be carried forward for 7 years while capital losses may be carried forward for unlimited period. The factors to be considered when determining whether income or loss is business or capital are –

The number and frequency of the transactions, which includes the period of ownership concept, nature of the transactions and the taxpayer's intention.

Business income vs. hobby

This distinction is important in cases where an undertaking results in a loss. Business loss is deductible whereas income tax act does not allow deduction of losses arising from hobby or from personal venture. The test is called REOP (Reasonable Expectation of Profit). When an undertaking has REOP, it is commercial activity. Otherwise, it is hobby for a personal venture.

When an investment is made to generate tax losses or tax savings with no real business interest or when the intention to make the profit is unrealistic there is no REOP. When a taxpayer derives income from a hobby the income is included in his income for tax purposes after deducting reasonable losses but one cannot claim a loss from a hobby.

Accounting income is calculated in accordance with GAAP however, for tax purposes, a number of adjustments are required. Some of the adjustments are as under:

A reserve for contingency that is allowable for accounting purposes may not be allowable for tax purposes as per income tax act. Only reserves expressly permitted by income tax act are deductible.

Amortization is mandatory under GAAP. However, CCA (Capital Cost Allowance is the term used for Depreciation /Amortization under Income Tax Act) is optional.

Under GAAP all items constitute income as 100% which is not so for income tax act. For example, capital gains on the sale of a piece of land.

For tax purposes, certain items are not taxable. For example, life insurance payouts.

The income tax act imposes certain restrictions as regards deductibility of these expenses mentioned above. This expense is fully deductible under GAAP.

Amortization-100% for Accounting purposes whereas half year rule for CCA as per income tax in the first year of purchase of an asset

Donations calculated differently for accounting as well as tax purposes

Under GAAP, the cost of issuing shares is considered as capital and not deductible while under income tax rules 20% of the cost per year is eligible for write off over a period of 5 years.

Payments received in advance for services not rendered or goods not delivered are included in income under income tax act (section 12). Under GAAP, advance received for goods and services is not revenue but is accounted for as a liability.

GAAP reserves are not deductible under Section 18 of the Income Tax Act

Thus while reconciling accounting income to business income the following general adjustments are necessary: deduction of non-taxable income, addition of taxable income, addition of non-deductible expenses, and deduction of allowable expenses. When starting a business an individual may choose to end the fiscal period at a date other than December 31st by making an election under alterative fiscal period. The taxation year of a corporation is always its accounting year.

Canadian Income Tax Act imposes restrictions on deductibility of the expenses. They are as under:

Income earning purpose test: An expense taken for tax purposes must be for the purposes of earning or producing income from the business or the property. It is not necessary that an expense have a direct relationship to generation of income. It must however be incurred as a part of the process of carrying on the business activity with the expectation of profit.

Capital test: If the expenditure is incurred because of capital, i.e. it results in a long term or enduring benefit to the entity it is not allowable as a deduction. For example, cost of buildings, equipment any expense that contributes to the revenue over a period.

Exempt income test: An expense is not deductible even though it was incurred to earn income, if the income expected to be generated is not taxable revenue. For example, life insurance premiums paid by the business to insure key executives (Key man insurance) are not deductible because life insurance proceeds do not constitute taxable revenue.

Reserve test: Only reserves expressly permitted by the income tax act are deductible i.e. the reserves must be reasonable in the circumstances. A reserve claimed at the end of the year must always be included in the income of the year immediately following.

Personal expense test: No deductions are permitted for the taxpayers personal or living expenses

Reasonableness test: An expense is deductible only if it is reasonable e.g., salary paid to the spouse or child of the owner of the business.

Note that all these tests are inter-related. The income tax act imposes certain restrictions regarding entertainment expenses, automobile expenses, and illegal payments.

Capital Cost Allowance/depreciation

Canadian Income tax uses the following terms as distinct from Indian Income Tax Act.

Income tax uses *capital cost allowance* in lieu of *depreciation*.

Canadian GAAP uses the term *amortization* in lieu of *depreciation*.

The Canadian Tax Depreciation system requires the distinction to be made between:

Non-depreciable property: Includes property that does not decrease in value through wear and tear for the purposes of earning income from business like loans, receivables, inventory, investments etc.

Depreciable property: Property in respect of which deduction is allowed under Income Tax Act which is known as CCA –Capital Cost Allowance and primarily applies to tangible assets that are expected to depreciate over time and to some intangible assets which have a limited life, like patents.

Eligible capital property: (ECP) consists primarily of intangible property of unlimited life such as goodwill, unlimited franchises, and incorporation costs.

ECP is subject to depreciation @ 7%. The depreciation on eligible capital property is called *CECA* (cumulative eligible capital expenditure).

As in India, amortization calculated in accordance with GAAP, is not allowed for tax purposes. There are a number of differences. Under CCA, income tax follows the pool concept in which capital assets of the same class are combined into the pool of assets and the pool balance is taken as a basis for calculating CCA.

In case of amortization, the expense is calculated on asset-by-asset basis. In case of disposal of the capital asset, there are various possible tax impacts. There is a concept of recapture and the terminal loss. Where the UCC (un-depreciated capital cost similar to WDV) is greater than POD (proceed of disposition) or the ACB (adjusted cost base) of the asset the difference is treated as a terminal loss and cannot be claimed as deduction for tax purposes. However, when the POD is greater than UCC the amount represents a recapture and must be included in the income in the year it occurs. It does not matter if there are assets left or not in the class for a recapture to occur. The difference between the POD and the original cost of the asset is treated as a capital gain. A depreciable asset cannot have a capital loss. For accounting purposes, the main objective is to spread the cost of the capital over its useful life to match the revenue and the expenses. Costs, salvage value, and expected life are considered for determining amortization. For tax purposes, depreciable assets are allocated to the prescribed class. Amortization expense is mandatory under GAAP due to the matching principle whereas CCA and CECA are optional. The following items are excluded for calculating amortization under income tax act:

Property that is described as inventory

Property not acquired for the purpose of gaining and producing income

Property that is a yacht, camp, golf course facility for which expenses is not deductible

Land property situated outside Canada that is owned by a non-resident

In order to claim CCA the property must be acquired by the taxpayer before the end of the taxation year and must be available for use. To match CCA expense with the income no CCA may be claimed until the property is made available for use. The CCA is allowable on the capital cost of the property which includes price paid to acquire the property including acquisition cost, transportation cost, installation cost etc. Any subsidy or other form of government assistance or an inducement payment needs to be reduced from the capital cost to calculate amortization.

A CCA deduction is generally computed on declining balance basis and exceptionally on a straight-line basis. In general, in the taxation year the depreciable property is acquired the half-year rule applies for calculating CCA deduction. When the taxation year of a taxpayer is less than 365 days CCA is computed proportionately. Sometimes when there is a change in the use of a depreciable property, say, business to personal use, the business is deemed to have disposed off the depreciable asset at the fair market value.

C. Income from other Sources

Another source of income is income from other sources, which includes property income (generally described as passive income since it is derived solely from holding of the property). Property income consists of interest income, dividend income, dental income, royalty income, and income attributable to shareholders (section 15). It requires professional judgment to decide if income comes from business or property. An individual renting out two rooms of his residence would probably classify the rental income as a property income. However, if he owns a two hundred-unit apartment building, maintains the property, and actively participates in the operation of the rental property, the income would be considered as business income. Certain expenses can be deducted from the income if they are reasonable, current (that is not a capital expenditure) and incurred for the purposes of earning the income.

It is important to clearly understand different sources of income because the rules for the computation are different. Individual income from the property must *be reported on the calendar basis*. However, if rental income constitutes business income for the individual, he may choose a fiscal period end date other than December 31st.

Interest

Generally, interest income must be reported on an accrued basis rather than cash basis. For corporations, partnerships, and trusts, accrual method of accounting is followed for interest reporting, whereas in case of individuals it is on cash basis. When a debt obligation is transferred on a date other than the date of the payment of interest, interest income is computed as:

Transferor; must include interest accrued up to the date of transfer

Transferee must include interest from the date of transfer

Dividend

All dividends received from foreign corporations must be included in income. If foreign income tax is deducted at source, the gross amount of the dividend must be included. The amount to be included needs to be declared in Canadian dollars. In general, dividends paid by Canadian corporations are taxable.

Secondly, one must determine the *amount* of the dividend that is included in income. If an *individual* receives a taxable dividend, then it must be grossed up. It is the taxable dividend plus the gross-up that is included in property income. If a *corporation* receives a taxable dividend, there is no gross-up provision; therefore, only the amount of the taxable dividend is included in income.

An *individual* is eligible for a non-refundable dividend tax credit, which is based on a percentage of the grossed-up amount included in the individual's income. In the case of a corporation, because it has no gross-up, it is not eligible for a dividend tax credit. The gross-up and dividend tax credit are part of the tax integration system. A simple example will demonstrate *tax integration*. Assume a corporation has taxable income of $1,000. The integration model assumes an average corporate tax rate of 20%. After applying the model tax rate, the corporation would have income after tax of $800, which it would disclose to retained earnings. This would then be available for a taxable dividend to the shareholders when the corporation declares a dividend.

When the corporation declares a dividend, the $800 is now paid out to the individual shareholder. The shareholder receives a taxable dividend of $800, which is grossed up by one-quarter or $ 200. The total amount of property income that the individual declares is $1,000. This $1,000 corresponds to the amount of income before tax earned by the corporation. Next, the individual gets a dividend tax credit equal to 2/3 of the gross-up, which works out to $133. Assuming an average provincial tax rate of 50% of the federal tax, the total tax savings to the individual is $200, an amount equal to the theoretical tax paid by the corporation. Tax integration worked perfectly in this example because the combined corporate tax rate used was 20%. One must remember that tax integration models are not perfect. They reflect a number of concepts and averages that may or may not be correct. If the corporation has, combined federal and provincial tax rate is higher than 20%, complete tax integration will not be achieved.

Rental Income

Rental income refers to income or the loss earned from the ownership of the property. There are a few exceptions when it would be considered as business income. This includes a corporation whose principal business is to earn rental income and which employs six or more full time employees, a business with short term rental of small equipments, a motel, hotel or similar other hospitality business and long or short term business of leasing movable property. The expenses that can be claimed as deduction are property taxes, insurance, maintenance, mortgage interest, utilities and CCA (restricted). CCA cannot be used to create or increase an operating loss. For the business involved in leasing equipment, CCA is restricted to the extent of leased income.

Other Income

Other income includes amount received from government sources (old age security pension, guaranteed income supplement, benefits from CPP), pensions received from private sources, retiring allowance, death benefits (taxable in excess of $10,000), support payments and scholarship and research grants. Scholarship and research grants are taxable as employment income if they are received pursuant to an office employment, as business income if they are received in the course of carrying on the business or as other income in excess of $3,000. Research grants after research expenses deducted are included in the income for the year in which they are received.

D. Capital Gains

The four criteria used to distinguish between business income and capital gains are:

Period of ownership,

Nature of the transactions

The number and frequency of the transactions and

The relation of the transaction to the taxpayer's business.

If the criteria show that it is the business income not capital gain, 100% of the same is included in the computation however if the same item is a capital gain only a portion of the gain is included. Capital gain receives preferential treatment in the following respects:

Only ½ the gains are included in the income

Gains are included in the income only when they are realized not on an accrual basis

The gain on the disposition of the principal residence may be exempt from the tax

The gain on the disposition of the shares of the small business corporation maybe exempted up to maximum of $750,000

Capital losses are subject to following restrictions:

Capital losses when deductible are deductible only against capital gains

Capital losses on the personal used property are not deductible.

Capital losses on some transactions specified in income tax act are not deductible or their deductibility is deferred until a specific event occurs

Capital gains or losses can be realized only on capital property. Capital property means depreciable property or the non-depreciable property the disposal of which give rise to capital gains or loss. The capital gains or losses cannot be realized on the property like eligible capital property, insurance policies, timber resource properties certain cultural properties etc. The capital property is classified into:

- Personal use property,
- Listed personal property and
- Other property.

As per the income tax Act the capital gains are taxed when a disposition occurs. There can be deemed disposition of the property for the taxpayer when he dies, makes a gift of the property, becomes non-resident, or changes the use of the property.

Capital gains are equal to:

POD (sales) Proceed of Disposition:	$-------
Less ACB readjusted cost base	$-------
Capital gains	

Adjusted cost base means original cost any modification cost less cost of disposition.

A taxpayer's *taxable capital gain* is equal to one-half of the capital gain from the disposition of a property in the taxation year. Similarly, a taxpayer's *allowable capital loss* is equal to one-half the capital loss from the disposition of the property in the taxation year. The general rule regarding the deductibility of allowable capital losses is that they can be deducted only against the taxable capital gains. The net capital loss may be carried back 3 years and carried forward indefinitely to offset excess of capital gains over allowable capital losses for those years. Losses on the personal use property are never deductible not even against the capital gains from the disposition of personal use property (e.g. sale of a family car). For *personal use property,* the ACB and the POD are deemed$1,000, if they are less than that amount.

Allowable business investment loss (ABIL)

When a capital loss qualifies as a business investment loss, the general rule that capital losses can only offset capital gains does not apply. One half of the ABIL can be claimed against any kind of income. Any ABIL may arise on the disposition of share or the debt of a small business corporation (SBC) in an arm's length transaction. Any ABIL may also result from the deemed disposition of the share or the debt of an SBC. An ABIL that is unused in the year it is incurred may be carried back 3yrs or forward 7yrs as a non-capital loss to be used to reduce income from any source. The unused portion of ABIL after 7yrs of being carried forward is not lost. A net capital loss may be claimed only against capital gains. The capital losses may never be claimed in respect of a depreciable property. A capital loss on the disposition of a capital is deductible only when this was acquired for the purposes for earning income from the business or the property.

Principal Residence

The entire capital gain realized on the disposition of the residence may be exempted if it was always used for the benefit of the family. The benefit is also allowed for the building and the land adjacent. When the taxpayer acquires property for his personal use and later on begins to use the property to earn income or vice versa, they are deemed to have disposed of the property for POD equal to the FMV of the property, when the change in use occurred. When the use of the property changes from personal to income producing, an election may be made to differ the deemed disposition. Thus, the taxation of the capital gains on property may be deferred, unless the election is rescinded or the property is sold, whichever occurs first.

Death

The taxpayer is deemed to have disposed of all his capital properties immediately before his death for POD equal to the FMV. The person who inherits the property is deemed to have acquired the property at a cost equal to the deemed POD of the deceased.

Attribution Rules

The *attribution rules* are intended to prevent income splitting between the members of the family in order to benefit from the progressive tax rates. These rules apply only to the property income earned on the property transferred to a spouse or a child under the age of 18 and they do not apply to business income earned from the property transferred. These rules also apply to the taxable capital gains or allowable capital losses on the disposition by a spouse on the transferred property. The taxation portion of a capital gain may be deferred to the subsequent taxation years if there is an unpaid balance of the selling price at the end of the taxation year. Capital losses are deductible only against capital gains during the lifetime of the taxpayer. Transactions between spouses can usually be made on a tax-deferred basis because of the roll over provision. In an effort to further discourage income splitting with minor children new rules effective from January 1st 2000, impose a special income splitting tax at the top marginal rate on certain dividend on the trust income received by a minor child under the age of 18.

Foreign Pensions

Individuals who live in Canada must normally pay Canadian tax on any pension income received from a foreign country in excess of CDN $1,000. Certain deductions are allowed to avoid double taxation.

Canada has a tax convention with more than 80 countries around the world including India.

Deductible losses

Losses that are deductible in computing taxable income are losses carried over from the other years. An individual is never obliged to claim a loss in computing taxable income. He may choose to deduct all or part of the available deductible losses. He may choose which type of the losses he wants to carry over in order to maximize the carry over periods available. This is of course not for the current year losses that must be deducted in the calculation of net income. The losses must be claimed in the chronological order in which they were incurred

Non-capital loss (other than capital loss)

This loss is normally excess of loss from an employment, (a rare case when you have filed a suit against your employer and the legitimate legal fees cannot be set off against employment Income) business, and the property and the business investment loss. The carry back period is 3 years and carries over period is 7 years.

Farm losses

A farm loss is initially a non-capital loss. Carry back period is 3 years and carry over period is 10 years following.

Net capital Loss

Carry back period is 3 years preceding and carry over is indefinitely in the future.

E. Tax Saving Opportunities

There are not many tax saving opportunities available to individuals in Canada the tax saving opportunities available are in the form of:

- Deductions from the present taxable income which includes deferrement of taxes and
- Non refundable tax credits

Membership, subscription, union dues – For a member of a professional association, yearly subscription, or amount of union dues is reduced from taxable income.

Contribution to Registered Retirement Savings Plan (RRSP) - This is the most popular tax saving plan. These are the registered plans into which individuals contribute savings for future use, mainly for retirement. Taxpayers can have different types of RRSPs like investment in Guaranteed Investment Certificates (GICs), mutual funds stocks, etc. This is somewhat different from the PPF account in India. When the amount is withdrawn from PPF, it is not taxable, whereas any withdrawal from RRSP accounts is taxable with two exceptions. The exceptions are withdrawals for: Purchase of a house and for education

There are certain rules and restrictions as to maximum amount one can withdraw for the above two purposes and the amount withdrawn has to be deposited back into the RRSP account, within a specified period. If the specific amount is not deposited back to the RRSP account, it becomes taxable in the year default.

In short, investment in RRSP is not actually saving of tax but deferment of tax. However normally on retirement, the amount deposited in RRSP is withdrawn in the form of an annuity and to that extent, lesser amount becomes taxable.

There is a limit to the maximum amount that one can contribute to RRSP in order to defer income tax. The maximum amount that one can contribute this year is 18% of the earned income for the previous year subject to maximum of $19,000 at present. The limit is scheduled to increase to $20,000 in 2008. The unused portion of the eligible RRSP limit can be carried forward for use in future years.

Note: The taxation year for an individual is normally a calendar year subject to certain exceptions.

Registered Pension plans: Contribution to the pension plan can be either from an individual or his employer or both. This is again deferment of taxes like RRSP. The total limit together with RRSP is 18% of the earned income of previous year subject to maximum of $ 19,000.

There are some other tax deferral plans. These are not that popular and hence not considered here.

Federal and provincial non-refundable tax credits:

This is somewhat similar to the Section 88A in India. The income tax payable can be reduced by various federal tax credits. This reduces the basic federal tax payable. In addition, each province has its own non-refundable tax credits, which help in reducing provincial tax payable. Federal tax credits are uniform and provincial tax credits vary from province to province. These are called non-refundable tax credits because they cannot exceed the amount of tax payable. If they exceed the amount of tax payable, the tax payable is zero and there is no refund.

For example if tax payable works out to $160 and non refundable tax credits are $200, the maximum amount that could be claimed towards non refundable tax credits would be $160. (In short, there will be no refund of $40). However, certain non-refundable tax credits can be transferred to the spouse or can be carried forward.

A few examples of non-refundable tax credits for 2007 are:

Basic personal amount	$9600
Spousal credit or equal to Spouse Credit	$9600
Employment credit	$ 1000
Contribution to Canada pension plan or CPP maximum	$1990
(Similar to our provident fund to a certain extent)	
Employment Insurance or EI	$ 720
(Similar to our Unemployment Insurance to a certain extent)	
Age Credit-over 64	$5177

Add up all these credits together. On the total amount of these credits, apply the basic rate for 2007, which is 15%.

As an example, if the total of all non-refundable tax credits is $12,000, you can claim $1,800 (15% on $12000) as credit. In short, your tax payable is reduced by $1,830.

An interesting non-refundable tax credit is "*tuition fees and education credit*." It works as under:

Suppose you spend $ 2,400 for 8 months on some eligible full time educational programs. You will get $ 778.50 as credit, which works out as under:

Fees		$ 2,400
Education credit full time – 6 * $400		$ 2,400
Books	6 * $65	$ 390
Total		$ 5,190

Non-refundable tax credit at 15 % is $778.50.

In short, if you spend $ 2,400 towards your education fees, your taxes are reduced by $778.50.If you do not have taxable income in a year, this amount can be transferred to your parents or spouse or can be carried forward. You can also claim this credit up to $5000 if you have spent this amount on your children's or grand children's post secondary education. The unused portion can be used by the children in their return.

Some other non-refundable credits are donation credit, political contribution credit and dividend tax credit.

In addition, as mentioned above there are also various other non-refundable provincial tax credits which also help in reducing your provincial tax liability. The information is available on the respective provincial websites.

F. Other benefits

Canada Child Tax Benefit: CCTB

This benefit has two components.

CCTB benefit for low and middle income families and

NCB - The national child benefit supplement for low-income families- This includes a non-taxable payment made to a parent of child under 18.

Both these benefit are fully indexed depending on inflation. It is linked to the income and reduces with the rising income.

The maximum annual combined CCTB benefits and NCB supplements are $ 3271 for the first child, $3041 for the second child and $ 3046 for the additional children.

Both spouses and common law partners have to file an Income Tax return in order to receive CCTB or NCB supplement.

Universal Child Care Benefit:

The 2006 federal budget introduced a new tax benefit to each child below the age of six irrespective of the family income of his parents. This benefit is $100 per moth per child up to the age of six. It is taxable in the hands of lower Income spouse or common law partner. Families who receive CCTB are automatically eligible for UCCB. Those who do not receive CCTB, have to apply to CRA for this benefit.

Old Age benefits

A. Old Age Security Pensions (OAS) - All senior citizens (65 and above) are eligible to receive a monthly pension amount from the Government. The maximum amount payable for the year 2007 was around $5939 (about $ 495 per person per month). This amount is payable to all senior citizens including homemakers. However in order to be eligible for Old Age Security pension, one must stay in Canada for a minimum period of 20 years. There is however, a claw back provision, which reduces old age security pensions for individuals, when the net income exceeds $ 63,511. The present claw back rate is 15%. This rate eliminates the entire OAS benefit if the net income is $103,104 per year. This benefit is taxable.

For more details check with the Social development site at www.sdc.gc.ca

B. Guaranteed Income Supplement (GIS) - The GIS is paid to the individuals 65 or more who qualify based on low income. GIS receipts are included in net income, for tax calculations although an offsetting deduction allows individuals to exclude GIS benefits from the taxable income.

C. Canada Pension plan (CPP) - Seniors are eligible to receive monthly pension based on the contribution they and their employers have made during their employment. This amount is taxable.

Goods & Services Tax (GST) Credit

At present, one has to pay GST@ 5% on all purchases except mainly food items. GST credit is linked to the family's net income. At present, the credit amount is $ 232 for an adult and $122 for a qualified dependant under the age of 19. In case of family, only one of the spouse or common law partners can claim GST credit on behalf of both the spouses and dependants. These credits are paid separately on quarterly basis. When the total amount is less than $100, only one annual payment is made.

Foreign Tax Credit:

As mentioned above, since Canadian residents are taxable on the world income, foreign tax paid can be claimed as a foreign tax credit against Canadian taxes subject to certain restrictions.

Although the income may be exempt in a foreign jurisdiction, it still has to be included in the taxpayer's world income for Canadian tax purposes.

Scientific Research & Experimental Development tax credit

This is covered in detail (SR&ED) under Corporations.

In Canada, it is a practice to submit a joint return for a married couple or people living together under common law. The due date for filing individual income tax returns is April 30th. However due date for personal income tax returns for persons with self-employed business income or spouses/common law with self-employed business income is June 15. In the first year of one's arrival, he or his spouse may not have any taxable income. However, it is highly recommended that you still file the income tax return for the following purposes:

One may be eligible to receive GST refund

One may be eligible to receive Child Tax benefit

Even though the taxable income is less than $9,600 (base personal amount) once the Income tax return is filed, it calculates the RRSP limit, which can be carried over and use in future years for reducing the tax liability.

In order to encourage payment of taxes, there are various ways one can file Income Tax returns in Canada:

Once can file the simple Income tax returns on telephone. Simply call the toll free number and the assistant will assist you by asking various relevant questions.

CRA provides free services during the tax season at various locations.

Various professional accounting bodies like Institute of CA, CGA, and CMA provide free services during the tax season.

Recently CRA has introduced various free taxes filing software's on-line on the CRA website.

In addition, during the tax season one can always call the toll free line of CRA from 6 AM to 11 PM.

Canada Education Savings Grant (CESG)

It is quite true that post-secondary (beyond grade 12) education is very expensive in Canada. However in order to encourage children to take post-secondary education, Government of Canada in recent years has introduced a scheme called "Canada Education Savings Grant". Under this scheme, Govt. of Canada will add to your savings in a Registered Education Savings Plan (RESP), with a Canada Education Savings Grant. This is a financial incentive for parents to save for children's education after high school. The grant is paid directly into child's RESP account. As of date, over 2 million children have benefited from CESG. In order to be eligible for the grant, the following conditions need to be fulfilled:

- The child is a Canadian resident

- The child has a valid Social Insurance Number
- The child is named as a beneficiary in RESP and
- Money has been put into RESP

The amount of the grant is based on the family income and changes from time to time, as there is a change in the family income. As per the latest budget, no matter what the family income is, the grant is 20% of the yearly contribution. The maximum contribution allowed in a year per child is $ 2,500. This means if one contributes $ 2,500 per child in the RESP account, the Govt contribution will be $500 per year. He can start contributing to the child's RESP account from his/her birth until the child turns 17 years of age.

If the family income is less than $ 37,178 per year, one can receive grant unto 40% of his contribution to RESP account. When he contributes yearly $ 2,000 per child, this contribution together with Govt grant over a period of time take care of substantial part of a child's post secondary education. It should be noted that similar type of facility is not available in US.

Federal Tax Rates for 2007:

Up to $37,178	15 %
$ 37,179 to $ 74,357	$ 5,577+22% of ($ 74,357-$37178)
$ 74,357to $120,887	$13,756+26% of ($120,887-$ 74,357)
$120,887 and above	$ 25,854+29% of (amount >$120,887)

Provincial/Territorial Tax rates for 2007

Under the current method of taxation of income, provincial income tax of all provinces (except Quebec) and territories is calculated in the same way as federal tax. Thus, a taxpayer normally has to file one combined income tax return. However, in case the taxpayer is a Quebec resident, he will be required to file a separate Quebec income tax return for Quebec provincial income tax.

Form 428 is used to calculate this provincial or territorial tax. Provincial or territorial specific non-refundable tax credits are also calculated on Form 428.

For complete details, see the *Provincial or Territorial information and forms* in your 2007 tax package.

Provincial / Territorial tax rates (combined chart)	
Provinces / Territories	Rate(s)
Newfoundland and Labrador	8.7% on the first $30,215 of taxable income, + 13.8% on the next $30,214, + 16.5% on the amount over $60,429
Prince Edward Island	9.8% on the first $31,984 of taxable income, + 13.8% on the next $31,985, + 16.7% on the amount over $63,969
Nova Scotia	8.79% on the first $29,590 of taxable income,+ 14.95% on the next $29,590, + 16.67% on the next $33,820 + 17.5% on the amount over $93,000
New Brunswick	10.12% on the first $34,836 of taxable income, + 15.48% on the next $34,837, + 16.8% on the next $43,600, + 17.95% on the amount over $113,273
Ontario	6.05% on the first $36,020 of taxable income, + 9.15% on the next $36,021, + 11.16% on the amount over $72,041
Manitoba	10.9% on the first $30,544 of taxable income, + 12.75% on the next $35,456, + 17.4% on the amount over $66,000
Saskatchewan	11% on the first $39,135 of taxable income, + 13% on the next $72,679, + 15% on the amount over $111,814
Alberta	10% of taxable income
British Columbia	5.35% on the first $35,016 of taxable income, + 8.15% on the next $35,017, + 10.5% on the next $10,373, +

	12.29% on the next $17,230, + 14.7% on the amount over $97,636
Yukon	7.04% on the first $37,885 of taxable income, + 9.68% on the next $37,884, + 11.44% on the next $47,415, + 12.76% on the amount over $123,184
Northwest Territories	5.9% on the first $35,986 of taxable income, + 8.6% on the next $35,987, + 12.2% on the next $45,038, + 14.05% on the amount over $117,011
Nunavut	4% on the first $37,885 of taxable income, + 7% on the next $37,884, + 9% on the next $47,415, + 11.5% on the amount over $123,184

For further information relating to Individual and the Business Income Tax refer the website:

http://www.cra-arc.gc.ca/

The toll free telephone number for individual income tax returns is 1-800-959-8281

3.3 START-UP A CORPORATION IN CANADA

Many foreign companies operate in Canada as corporations. A corporation is a business that is legally separate from its owners. One can incorporate in Canada fewer than two jurisdictions:

1. Under provincial law - If the business will operate in only one province, the company is incorporated provincially.
2. Under federal law - Companies that plan to do business across Canada must be incorporated under federal law. Some types of business, such as banks, are subject to industry-specific legislation.

Start-up a Branch Office

Foreign corporations can set up a branch office in Canada, as long as they comply with the Investment Canada Act and provincial registration and licensing requirements.

There are certain tax advantages related to this business structure. However, the foreign business' liability for the debts and obligations incurred in its Canadian operations is not limited to the Canadian operation.

Start-up a Subsidiary Corporation

A foreign corporation can expand into Canada by incorporating a separate subsidiary corporation under Canadian Federal laws or any of the provincial statutes governing corporations. The registration process for a subsidiary is the same as for a corporation.

The main advantage to a branch office is that debts and obligations incurred in the Canadian operation are limited to Canada and will not affect the foreign corporation.

Start-up a Joint Venture

A joint venture exists when two or more people agree to contribute goods, services, or capital to one business enterprise. Canada has no specific laws governing joint ventures. Currently, joint ventures are governed by the contract between the parties involved.

A joint venture contract should outline the terms of collaboration. It defines the contributions of everyone involved, the management structure, and the sharing of profits. A lawyer can provide legal help with your joint venture. Please see www.strategis..ic.gc.ca for online filing etc.

Overview of a corporation and treatment of the tax liability of the corporation. Please see www.cra-arc.gc.ca for more information

Provincial Registration

A company does not need to federally and provincially. However, in many cases when a company is incorporated federally, they will likely be required to register their business in one or more province(s) and/or territory (ies) where they carry on business. Corporations Canada is working with provincial and territorial officials to decrease this burden.

To carry on business in Canada

The definition varies from province to province. A typical definition is

- If the business has a resident agent, representative, warehouse, office or place where it carries on its business in a province or
- If it holds an interest in real property located in a province other than by way of security
- If a province has chosen to regulate this specific type of business

A corporation **does not** carry on business in or a province if

- It takes orders for, buys, sells goods, wares and merchandise or offers, or sells services of any type, by use of travelers or through advertising or correspondence.
- It is important to note that there are penalties for failure to obtain a license where required.

Competition Act

The Competition Act is Canada's antitrust legislation. The purpose of this Act is to maintain and encourage fair competition in Canada. It regulates trade and commerce activities and monitors trade practices. For example, mergers and acquisitions that can reduce competition are often subject to review by the Competition Tribunal. The Act may be conveniently divided into three principal areas: criminal offences, civil offences, and merger regulation.

The Competition Bureau is responsible for administration and enforcement of the Competition Act. Its role is to promote and maintain fair competition so that Canadians can benefit from lower prices and product choices.

3.4 INVESTMENT REGULATION IN CANADA

The Investment Canada Act reviews significant business investments in Canada by non-Canadians. If you are not a Canadian citizen or not considered a permanent resident under the Immigration Act, you are a non-Canadian and must fulfill the requirements of the Investment Canada Act before doing business in Canada. The purpose of the *Investment Canada Act* (the Act) is "to provide for the review of significant investments in Canada by non-Canadians in order to ensure such benefit to Canada" (s. 2). The legislation describing the "review function" and associated rules are complex and because of that complexity, this document is intended to serve as both an introduction to and a description of the key features of the Act. It will help investors and others who are interested in the application of the legislation understand how non-Canadian investors are to respond to the requirements of the Act.

It should be noted, however, that this is only a general guide for the reader. It does not include all the details found in the Act and is not intended to express a legal opinion of the Government of Canada as to the interpretation of the Act nor is it bound by its content. For the application of the Act to a particular situation, the reader is advised to consult the specific provisions of the Act and obtain appropriate legal counsel.

With respect to all investments **except** those that fall within a prescribed type of business activity as set out in Schedule IV (www.strategis.ic.gc.ca) of the Regulations, the Department responsible for the administration of the Act is **Industry Canada**. With respect to investments, which fall within a Schedule IV prescribed business activity, the Department responsible for the administration of the Act is the Department of **Canadian Heritage**.

For further information on investments other than Schedule IV investments, please call (613) 954-1887 or contact by facsimile at (613)

996-2515, or by letter addressed to: 235 Queen Street, Room 301B East Tower, and Ottawa, Ontario, K1A 0H5

Email: investcan@ic.gc.ca

Under the Act, a non-Canadian includes also any business entity that is not controlled or beneficially owned by Canadian citizens. This means if a non-Canadian and plans to acquire control over an existing Canadian business or establish a new business in Canada; he must contact the Canadian government to file either a Notification or an Application for Review.

When will an investment be reviewable?

1. An investment is reviewable if there is an acquisition of a Canadian business and the **asset value** of the Canadian business being acquired equals or exceeds the following thresholds:

(a) For non-WTO investors, the threshold is $5 million for a direct acquisition and over $50 million for an indirect acquisition; the $5 million threshold will apply however for an indirect acquisition if the asset value of the Canadian business being acquired exceeds 50% of the asset value of the global transaction.

(b) Except as specified in paragraph (c) below, a threshold is calculated annually for reviewable direct acquisitions by or from WTO investors. The threshold for 2007 is $281 million. Pursuant to Canada's international commitments, indirect acquisitions by or from WTO investors are not reviewable.

(c) The limits set out in paragraph (a) a apply to **all** investors for acquisitions of a Canadian business that:

(i) Engage in the production of uranium and own an interest in a producing uranium property in Canada;

(ii) Provides any financial service;

(iii) Provides any transportation service; or

(iv) Is a cultural business.

2. Notwithstanding the above, any investment which is usually only modifiable, including the establishment of a new Canadian business, and which falls within a specific business activity listed in Schedule IV of the *Regulations Respecting Investment in Canada*, may be reviewed if an Order-in-Council directing a review is made and a notice is sent to the Investor within 21 days following the receipt of a certified complete notification.

Under what circumstances will the acquisition of a business, which owns pipelines, trigger an application for review?

Pursuant to subsections 14(1), (3) and 14.1(5) of the *Investment Canada Act* (the "Act"), the direct acquisition of a Canadian business which provides transportation services is subject to review where the asset value of the business acquired, calculated according to the *Investment Canada Regulations* (the "Regulations"), is $5 million or more. Pursuant to subsections 14(1), (4) and 14.1(5) of the Act, the indirect acquisition of such a business is subject to review where the asset value is $50 million or more.

"Transportation services" are defined in section 2.2 of the Regulations as follows:

2.2 For the purposes of paragraph 14.1(5)(c) of the Act, "transportation services" means a Canadian business directly or indirectly engaged in the carriage of passengers or goods from one place to another by any means, including, without limiting the generality of the foregoing, carriage by air, by rail, by water, by land and by pipeline."

The oil and gas industry makes extensive use of pipelines. By this definition, the transportation of gas or oil through a pipeline constitutes a transportation service. Thus, an entity the sole purpose of which is to operate a pipeline will be a transportation service. However, where the transportation service provided through a pipeline is an ancillary or incidental portion of a type of business other than a transportation service, the Investment Review Division ("IRD") may deem the business not to be a transportation service.

To determine the extent, if any, to which the transportation service is ancillary or incidental to the business being acquired, IRD will consider a number of factors, including:

1. The assets being acquired (e.g. wells, plants, pipelines) and their corresponding asset values.
2. The ownership and control of the various assets being acquired.
3. The nature of the assets or facilities connected by the pipeline and the ownership or control of these assets or facilities.
4. The extent to which third party oil or gas is being transported through the pipeline (e.g. volume and percentage of overall throughput), and the business reason(s) for this.
5. The amount and percentage of the overall business revenues derived (a) from the pipeline activity and (b) the transportation of third party gas or oil.

This list is not exhaustive and other factors may be considered. IRD will consider each transaction on a case-by-case basis. This statement sets out a general approach and is not intended to be a binding statement of how IRD will interpret the Act for a particular transaction and should not be taken as such, nor is it intended to restate the law.

Guidance regarding a specific transaction may be requested from the IRD. A formal written opinion under section 37 of the Act may be requested through a formal written opinion request.

Other Restrictions on Foreign Ownership

Additional restrictions on foreign ownership are placed on specific industries.

Broadcasting

The federal Broadcasting Act provides that broadcasting licenses may not be issued to non-Canadians or to companies that are effectively owned or controlled, directly or indirectly, by non-Canadians.

Telecommunications

The federal Telecommunications Act restricts foreign ownership to 20% of the shares of a telecommunications common carrier.

Other Industries

Other industries where foreign investment is currently affected by federal or provincial regulation include

- Aviation,
- Book publishing and selling,
- Collection agencies,
- Engineering,
- Farming,
- Fisheries,
- Liquor sales,
- Mining,
- Oil and gas,
- Optometry,
- Pharmacies, and
- Securities dealers.

3.5 CANADIAN SECURITIES REGULATION

In Canada, regulation of the securities industry is carried out by provincial securities commissions and self-regulatory organizations, which include the Investment Dealers Association of Canada.

Each province has government bodies -- securities commissions or administrators -- that oversee a provincial securities Act. This Act is a set of laws and regulations which outlines what participants in the market can do.

The securities commissions delegate certain aspects of securities regulation to the Investment Dealers Association of Canada, the Mutual Fund Dealers Association of Canada, Market Regulation Services Inc., and the Montreal Exchange.

These organizations are **self-regulatory organizations** (SROs). A self-regulatory organization is an organization that has been given the authority and the responsibility to regulate its members.

The Canadian SROs have been delegated responsibility by provincial governments to ensure that SRO Members meet agreed-upon standards that are written into the provincial laws governing securities. The SROs regulate markets and trading as well as Member firms, their employees, and their business practices, by:

- setting standards that registrants must meet prior to employment;
- creating rules governing how markets must operate;
- monitoring and examining investment dealers on a regular basis including setting capital requirements to ensure firms are solvent and following all the rules;
- extensively investigating suspected infractions; and
- employing investigators and compliance officers to ensure the dealer community is meeting these standards.

The Investment Dealers Association is responsible for the regulation of its Members firms (Member Regulation) and monitors the bond and money markets. To find out if a firm is a member of the Investment Dealers Association, see our Member List.

The provincial securities commissions and administrators have formed a national group to work towards making securities regulations consistent and harmonized across Canada. This group is called the Canadian Securities Administrators (CSA).

SUMMARY OF CANADIAN SECURITY INDUSTRY:

- Like any other developed nation the Canadian securities industry have an important role in Canada's financial services sector. It is an excellent platform for Canadian businesses and governments to raise debt and equity capital. It also investors to trade in open capital markets. Canadian security industry is well regulated and allows a fair chance to all investors.

- During nineties the Canada's securities industry grew significantly and by the end of the year 2003 the industry has 207 firms employing over 37,000 people across Canada.

- Canadian security industry is regulated at the provincial and territorial level. Self-regulatory organizations such as the exchanges, the Investment Dealers Association of Canada and

Market Regulation Services Inc. also play an important regulatory role.

- In December 2003 the Wise Persons' Committee presented its report recommending that the federal and provincial governments collaborate to establish a single securities regulator in Canada. The federal government is working with provincial government to implement the committee's recommendation.
- The industry is made up of integrated, institutional and retail firms. In 2003 the integrated firms, which represent mainly the securities dealer affiliates of the six largest domestic banks, generated 73 per cent of the industry's revenues.

- Canada's major exchanges reached an agreement in 1999 to restructure along lines of market specialization, with the Toronto Stock Exchange becoming the sole exchange for the trading of senior equities, the Montreal Exchange assuming responsibility for the trading of derivatives, and the Canadian Venture Exchange (CDNX), created through a merger of the Vancouver and Alberta (and later Winnipeg) stock exchanges, handling the trading of junior equities.

- In 2001 the Toronto Stock Exchange acquired the Canadian Venture Exchange (CDNX)

History of Canadian Securities industry:

Canadian securities industry is more that 175 years old. It goes back to 1932 when shares of Canada's first railroad were traded in Montreal coffee house. Fours decades later (1874) Canada's first stock exchange in Montreal was incorporated. In 1878 Toronto stock exchange was incorporated under a special act of Province of Ontario. The chartered bank was the first and leading underwriters of Canadian securities. By 1927 60% of securities issued were underwritten by five investment dealers and one bank.

Until 1980s most of the securities firms were privately owned which created a lot of problems due to increase demand of capital, global competition and greater market volatility. To address this, federal and provincial governments introduced legislative changes and these changes open the door for of the security ownership to Canadian banks and trust companies as well as foreign securities firm. 1980 legislative changes was a breakthrough in Canadian security industry which resulted major ownership realignment of the industry. Five of the big banks acquired major investment dealers. Following table shows bank ownership of integrated securities firm

Table 1
Bank ownership of integrated securities firms

Firm	Majority owner
BMO Nesbitt Burns	Bank of Montreal
CIBC World Markets	Canadian Imperial Bank of Commerce
National Bank Financial	National Bank of Canada
RBC Dominion Securities Ltd.	Royal Bank of Canada
Scotia Capital	The Bank of Nova Scotia
TD Securities	TD Bank Financial Group

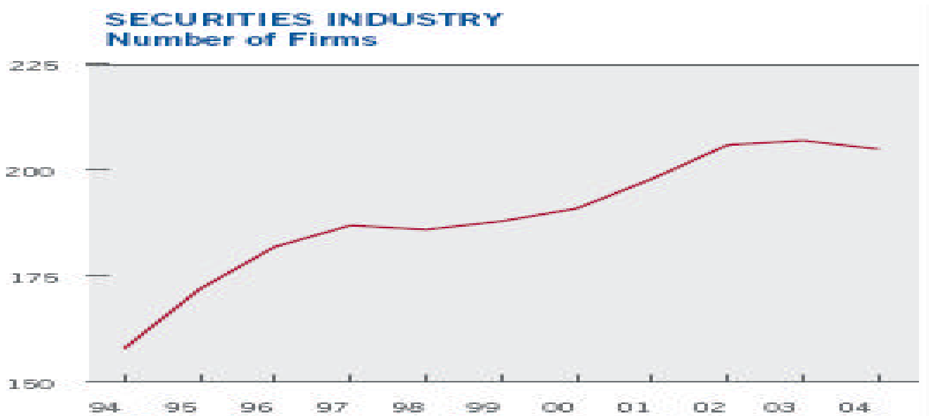
Structure of the Canadian Securities Industry

Canadian security industry includes institutional, integrated and retail firms.

Integrated firms	Provide services to all aspect of the industry
Institutional firms	Provide services exclusively to pension funds, insurance companies, mutual fund companies/ firms and trust companies
Retail firms	They are normally full service firm and discount brokers those offers wide range of products and services to retail investors

There is tremendous growth in the numbers of firms participating in the Canadian security industry. During 1990, only 119 securities form were operating as compared to 207 securities firm by end of 2003. The largest shares of the market account for six largest integrated securities firms owned by the big six domestic banks. The distribution is as follows:

Integrated firms	73% of the revenues
Institutional firms	15% of the revenues
Retail firms	12% of the revenues

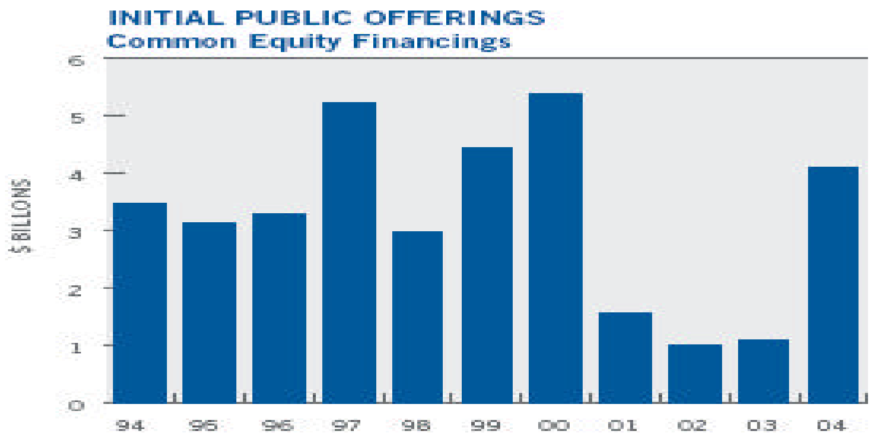


Source: Investment Dealer Association of Canada

In 2003 there were 17 foreign-owned securities firms engaged in research, sales and trading activities in Canada, including underwriting new issues for corporate clients, trading in fixed-income securities, wealth management, merger and acquisition advice, and the execution of trades on behalf of Canadian residents.

Employment and Access to Capital

The industry has demonstrated a strong employment growth in the past decades. Significant growth is driven by strength retail sector. At present the industry continues to employ more than 37,000 people. The industry is not only helping in job creation but also helping all levels of governments and corporations to raise capital. Following chart shows initial public offering

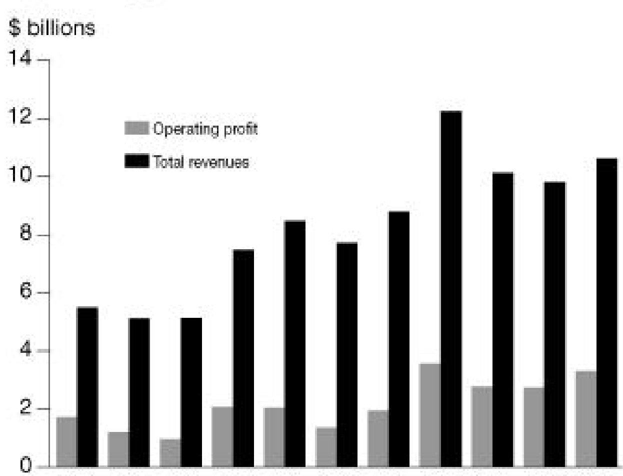


Source: Investment Dealer Association of Canada

Performance of the Canadian Securities Industry

The performance of Canadian securities industries continue to improve. The industry has recorded a significant growth since 2003. Following chart shows operating profits and revenue growth for past eleven years:

Chart 3
Operating profit and total revenues



Source: Investment Dealers Association of Canada.

Overall, the industry benefited from the recovery of the stock market in Canada, which rallied on signs of an economic recovery in the U.S. and Canada, and the strengthening of the Canadian dollar, which increased the attractiveness of Canadian securities to foreign investors. Cost containment measures in 2001 and 2002 also continued to have a positive impact on the profitability of firms in the industry.

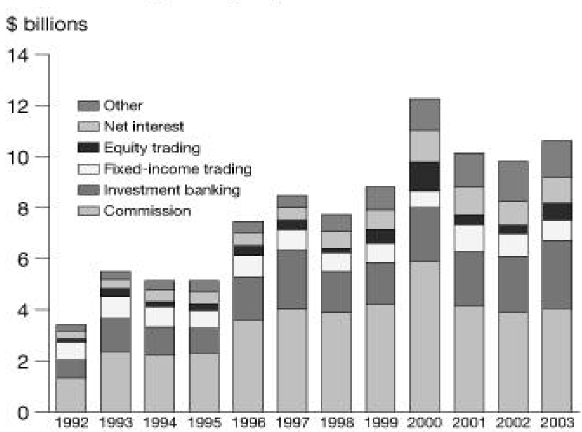
Performance by Revenue Category

As any other stock market, Canadian industry revenue is predominantly made of

- Commissions
- Underwriting fees
- Merger and acquisition advisory services
- Fixed income
- Equity trading revenues\
- Interest revenue
- Other related revenue

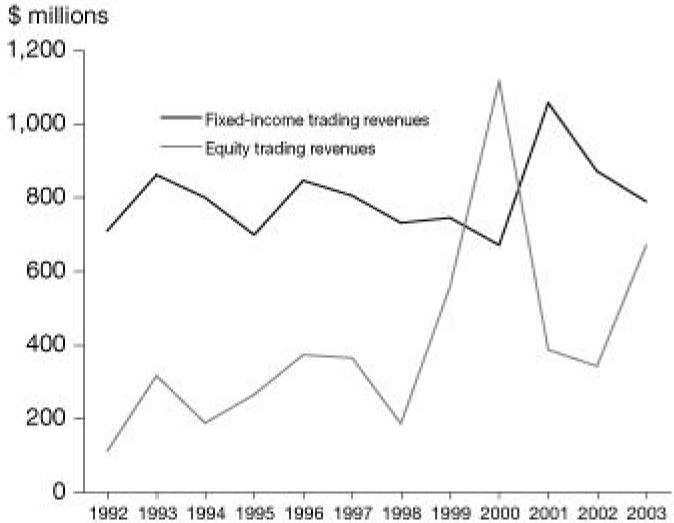
Year 2003 was very good year for the industry. The industry enjoyed 96% growth in 2003 as compared to previous years. Following chart will show you revenue by category

Chart 4
Revenues by category



Source: Investment Dealers Association of Canada.

Chart 5
Revenues from fixed-income and equity trading



Source: Investment Dealers Association of Canada.

Structure of Canadian Capital Markets

As we know that fixed income and equities are major components of a capital market. Canadian industry is no different. Fixed income products are traded in dealer market and equity products are commonly traded in stock exchange. As mentioned earlier that Canadian exchange went through major changes in 1999 due to legislative changes at both level of government. The segregation of Canadian stock exchange is as follows:

Toronto Stock Exchange (TSX)	Sole senior security exchange
Montreal Stock Exchange (MX)	Derivatives exchange (options & future contracts)
Alberta & Vancouver Stock Exchange	Canadian venture exchange assuming control of junior equities (CDNX)

To provide more liquidity and increase profile, in November 2000 there was further realignment by merging Winnipeg Stock Exchange with

Canadian venture exchange (CDNX). These change also allowed Toronto Stock Exchange to become first North American exchange to operate as for profit organisation.

Year 2004 was another year changes when Ontario Securities Commission recognize the Canadian Trading abs Quotation System Inc. (CNQ) as a stock exchange. CNQ system serve those companies which do not qualify for Toronto Exchange listing (TSE) and TSX venture exchange or do not wish to be listed on either of these exchanges. The goods news is 32 companies (10 applications under review) were listed under CNQ system.

Canada also has U.S. NASDAQ affiliate, known as NASDAQ Canada, which provided services to Canadian investors. The service is provided through terminals installed in a number of Canadian securities firms.

The TSX Group is considered one of the top exchanges in term of volume and market capitalization. TSX is third largest in North America and the seventh largest in the world.

Table 2
Ten largest stock exchanges by market capitalization of domestic companies

Exchange	Market capitalization of domestic companies at the end of 2003 (billions of U.S. dollars)
New York Stock Exchange	11,329
Tokyo Stock Exchange	2,953
The NASDAQ Stock Market	2,844
London Stock Exchange	2,460
Euronext	2,076
Deutsche Börse (German	1,079

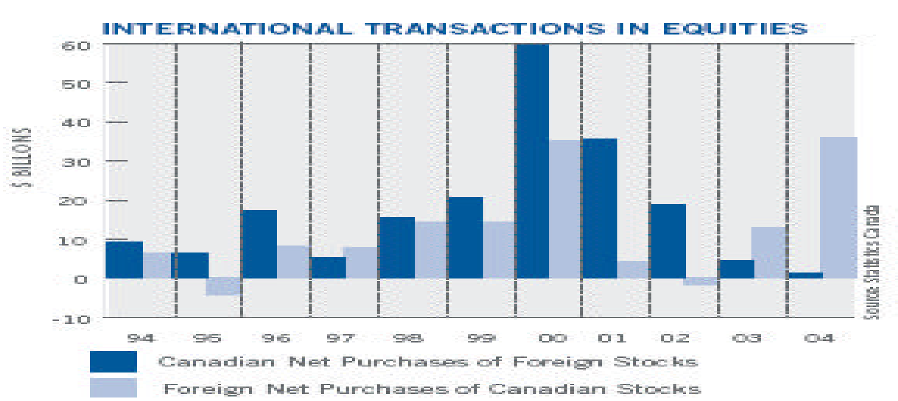
Exchange)	
TSX Group	889
SWX Swiss Exchange	727
BME (Spanish exchange)	726
Hong Kong Exchanges and Clearing Limited	715
Source: World Federation of Exchanges.	

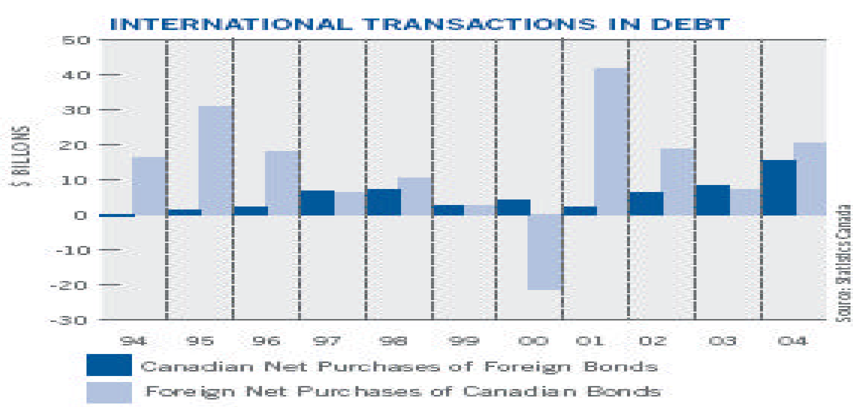
Overall Investor Confidence

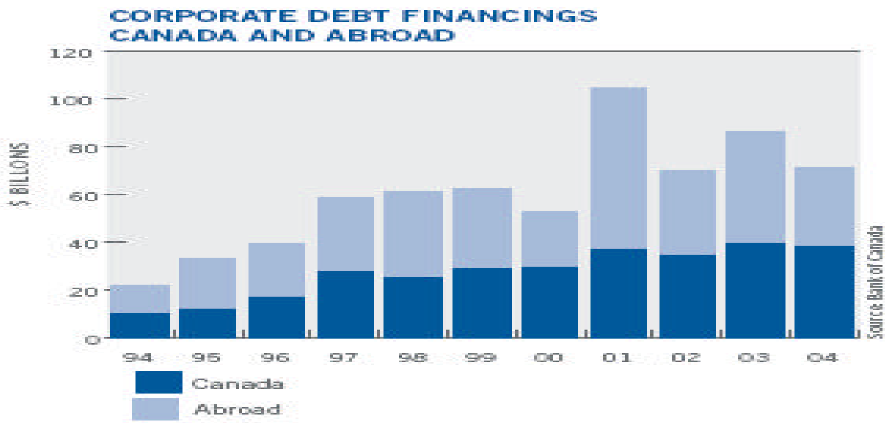
One of the goals of Canadian security regulators are to be transparent and actively engaged industry participation to alleviate manor corporate scandals in the US. Actions have been taken to improve financial and other disclosures. In the 2003 federal budget the government announced a coordinated national approach to strengthen the investigation prosecution to deal with corporate fraud and market illegality.

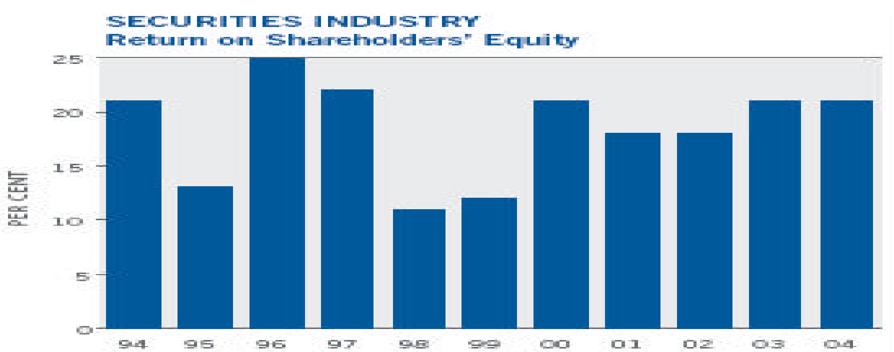
Canadian Accounting Standards Board has also revised the accounting standards and implemented new accounting rules to improve financial disclosures. The Canadian Institute of Chartered Accountants (CICA) has issued guidance to its members to enhance management discussion and analysis disclosures of off balance-sheet arrangements and related exposures. Canadian Public accounting Board (CPAB) has been established to enhance quality of audits process. CPAB inspect the audit firms to make sure that the firms are following the rules and regulations established to protect investors. CICA has developed new standard on auditors independent to address concerns over potential conflicts of interest at public accounting firms. It has also established an Auditing & Assurance Standards Oversight Council to enhance public oversight of auditing and assurance standard. As we all know inverter confidence is back bone of the capital market and well functional capital market is key for economic growth.

Following few charts will explain strength of Canadian Stock Industry.

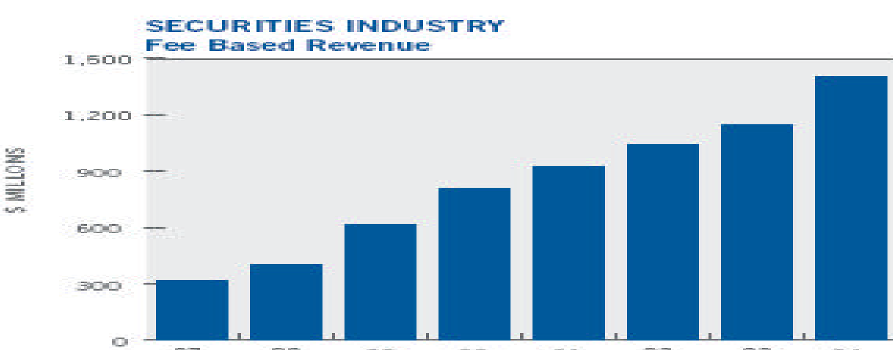








Source: Investment Dealer Association of Canada



Source: Investment Dealer Association of Canada

3.6 OVERVIEW OF CANADIAN BANKING SECTOR AND REGULATION

Banks in Canada

The banking industry includes 22 domestic banks, 24 foreign bank subsidiaries and 20 full service foreign bank branches and 6 foreign bank lending branches operating in Canada. In total, these institutions manage almost $2.5 trillion in assets (Source: Office of the Superintendent of Financial Institutions as of April 30, 2007).

As major players in Canada's financial industry, the banks serve millions of customers. They include individuals, small- and medium-sized businesses, large corporations, governments, institutional investors and non-profit organizations.

The major domestic banks offer a full range of banking, investment and financial services. They have extensive, nation-wide distribution networks and also are active in the United States, Latin America, the Caribbean, Asia and other parts of the world. Close to half of their earnings are generated outside of Canada.

Many large international banks have a presence here - through a subsidiary, representative office or branch of the parent bank. Most specialize in corporate and investment banking (e.g., niche financing) and have only one or two offices/branches. A notable exception is HSBC Bank Canada, which has a strong retail presence with branches across Canada.

The Changing Marketplace

The financial services marketplace is growing, changing, and becoming more competitive than ever before. Changes to bank ownership rules made in 2001 allowed more players into the marketplace and new financial service providers are expanding choices for consumers.

Increased access to the Canadian payments system has also contributed to increased competition in the marketplace. Since 1980, the system’s membership included all bank and most non-bank deposit-taking institutions in Canada. Recent changes to the Canadian Payments Act, however, allow life insurance companies, securities dealers and money market mutual funds to also have access to the system. Access to the system enables firms to offer clients chequing privileges on their accounts and permits clients to conduct electronic commerce through direct access to the Interac debit and credit system.

At the same time, we have also seen consolidation in the insurance industry, and the formation of large players who are escalating the level of competition in the financial services marketplace.

Despite increased competition, Canada's banks are still restricted in the business decisions they can make to achieve the size and scale they need to compete in the international marketplace. Canadian banks are denied the opportunity to pursue legitimate strategies for growth, including insurance retailing and mergers.

Canadian Bank Act

Canada's Bank Act is the federal legislation governing how banks operate in Canada.

The Bank Act was first passed in 1871 and is updated periodically, along with other relevant financial services legislation, usually every five years. The last major revision was completed in 2001 and the 2006 review is currently underway.

In February 2005, the Department of Finance released a Consultation Document seeking input on how the legislative framework could be improved to enhance the interests of consumers, increase regulatory efficiency, and adapt to new developments.

In June 2006, the Department of Finance released a White Paper outlining proposed changes to the legislative framework.

The proposed legislation was tabled in Parliament in November of 2006.

Standards, Rules and Guidelines for the Banking Industry

Canadian bank financial group activity is regulated by the federal, provincial and territorial governments. In addition to these regulators, banks are also impacted by certain standards, rules and guidelines set out by a number of Canadian supervisory bodies and standard setters. For example, standards affecting capital and risk management, financial reporting and banking operations apply to the banking industry and are overseen by a number of sources in Canada, including:

- Office of the Superintendent of Financial Institutions (OSFI),
- Canadian Deposit Insurance Corporation (CDIC), and
- Accounting bodies such as the Canadian Institute of Chartered Accountants (CICA).

Regulations in these areas arise from the Bank Act, the Canadian Payments Act, the CDIC Act and the OSFI Act.

In addition, Canadian banks are also impacted by standards set by international bodies such as the U.S. Financial Accounting Standards Board (FASB), the Bank for International Settlements (BIS) and the International Accounting Standards Board (IASB).

Legislation/Regulation

The federal Parliament has exclusive legislative authority over banks and the business of banking as set out by the Constitution Act of 1867.

The environment in which Canada's banks operate and serve their customers is changing rapidly. Technology is dramatically changing the way in which consumers conduct their financial affairs, offering them far greater choice and wider access to financial services than they have ever had before. There is increasing competition from a variety of sources including large, specialized financial services companies, both domestic and foreign. Not all these service providers are subject to the same degree of regulation as Canada's bank financial groups.

As a heavily regulated sector, our industry's ability to meet consumers' needs in a rapidly-changing, highly-competitive market is significantly influenced by the policy and legislative framework that governs it. Currently, the policy and legislative framework allows for regulatory change every five years. This framework, however, needs to be up to date, flexible and responsive to the changing financial marketplace so that the sector remains innovative and competitive to meet the needs of consumers.

3.7 INCORPORATION OF A COMPANY IN CANADA

Corporations in Canada can be incorporated under either the federal Canada Business Corporations Act or under the equivalent provincial or territorial legislation. Both federal and provincial corporations can be privately held corporations or can be publicly held corporations. Public corporations are governed by the applicable provincial securities legislation. While a corporation can be considered a public corporation once it meets certain criteria and will in turn be required to adhere to securities legislation.

Incorporation under a provincial jurisdiction will entitle a corporation to operate within that particular province, with additional registrations required for each subsequent province the corporation is carrying on business in. A provincially registered corporation will obtain the exclusive right to use its registered business name within the province of incorporation, however they will be required to register the business name in all other provinces they are carrying on business in provided that such name is available, subject to the registered or unregistered trademark and trade-name rights of others. A screening process exists to ensure that business names are not too general or misleading with names being pre-cleared for use prior to incorporation.

INCORPORATION PROCEDURES

Incorporation procedures for both federal and provincial corporations are generally with the filing of the articles and by-laws of the corporation with the applicable corporate registry office and can generally be completed within a day provided that the corporation's name has been approved. Provincial and federal incorporation filing fees are moderate, however the filing fees associated with the incorporation of a Nova Scotia ULC have recently increased to $6000.00 CDN.

1. Name of the corporation

A federal corporation's name must end with one of the following: Limited, Limitée, Incorporated, Incorporée, Corporation, Societe par actions de regime fédéral, Ltd., Ltée, Inc., Corp. or S.A.R.F. A federal corporation's name must be in English, French or it may have a version in both languages. If you are conducting your principal business operations in Quebec, it is preferable to select a French name in addition to any English name.

Choosing a corporate name can be a difficult task. To increase the chances of your proposed name being accepted, try to select a name that is as distinct as possible, yet accurately describes your business. If your proposed corporate name uses common or popular names, the chances of it being accepted decrease. Furthermore, you may not be allowed to use a name which is either identical or deceptively similar to one that is already used by another corporation or competitor in your jurisdiction.

Alternatively, a federal corporation may be assigned a number as its legal name. This speeds up the incorporating process and permits immediate delivery of the Articles of Incorporation. The corporation may then register a trade name and be known to its customers as doing business under the trade name. Although the corporation must be identified by its actual name (i.e., the number followed by Canada Inc. or Ltd.) for all formal and legal matters and relations (e.g., contracts), the corporation may use its trade name for exterior signs, business cards, letterhead, etc.

Reserving name

The Director may, on request, reserve for ninety days a name for an intended corporation or for a corporation about to change its name. If requested to do so by the incorporators or a corporation, the Director shall assign to the corporation as its name a designating number followed by the word "Canada" and a word or expression, or the corresponding abbreviation

Name Search

JURISDICTION TYPE OF REPORT COST DELIVERY

Federal NUANS $25 2 hours
Federal - expedited NUANS $35 10 minutes

Alberta NUANS $25 2 hours
British Columbia Provincial $60 48 hours
Manitoba Provincial $60 48 hours
Newfoundland Provincial $80 5 business days
New Brunswick NUANS $25 2 hours
Nova Scotia NUANS $25 2 hours
Ontario NUANS $25 2 hours
P.E.I. NUANS $25 2 hours
Quebec Provincial $70 5 business days Saskatchewan Provincial $80 3 business days

2. Registered Office

The registered office of a corporation is the location officially designated as such by the corporation to the relevant government department or authority. The registered office may be a commercial or residential address, but should not be a post office box. You will need the complete address.

The registered office is typically the principal place of business of the corporation (e.g., store, plant or office) and does not have to actually be an "office". If the corporation will have more than one place of business, you may select any of the places of business.

3. Shares

A corporation may issue as few or as many shares as it deems desirable. The crucial matter is the proportion of shares that is initially issued to each shareholder, rather than the actual number. Nonetheless, it may be advantageous to issue a larger amount of shares. It may facilitate selling a portion of these shares at a later date since each share will have a lower value. Also, subsequent share issues from the corporation may be more attractive to investors since the value of the shares would be lower given the larger number of shares that were already issued.

It is not uncommon for the total amount of shares issued to all initial shareholders to equal 1000 shares. However, you may decide to increase or decrease this amount.

4. Shareholders

Shareholders are the person(s) who hold (i.e., own) the shares in the corporation. Whoever holds the shares of a corporation essentially "owns" the corporation. By reason of the votes that are usually attached to the shares, the shareholders control the corporation.

Every private corporation must have at least 1 shareholder and there may be several (but not more than 50) shareholders.

5. Directors of the corporation

Directors are the individuals who administer the affairs of the corporation and make all major decisions for the corporation. Every corporation must have at least 1 director, and there may be several. Only individuals (i.e., physical persons) may be directors of a corporation.

A federal corporation requires that at least 25% of directors be Canada residents. Directors may also be shareholders and officers (see below) of the corporation. A director must be:

1. At least 18 years old
2. Of sound mind (mentally competent)
3. An individual (a corporation cannot be a director)
4. Not in a status of bankrupt.

6. Officers of the corporation.

Officers are the persons who hold certain senior management positions, such as President, Vice-President, Secretary and Treasurer, among others. A corporation must appoint a President and a Secretary. Officers may hold more than one office or position. Officers may also be directors and shareholders of the corporation. In fact, this is typical in small corporations. There is no Canadian residency requirement for officers. It is required to know for each officer their complete residential address and their profession.

7. One must select the fiscal year-end of the corporation

A fiscal year is any 12-month period used by a corporation as its official accounting period. A fiscal year-end is the official last day of the fiscal year of a corporation. The fiscal year-end does not need to be December 31, but is typically the last day of the chosen month.

It is not uncommon for corporations to select December 31 as their fiscal year-end. However, one may change this date if he has specific reasons for doing so.

8. One may select the auditors or accountants of the corporation. If you do not, you may still incorporate.

Auditors are the professionals who check the accuracy, fairness and general acceptability of a corporation's accounting records and attests to them. A corporation must generally appoint an auditor to prepare the annual financial statements of the corporation. The auditor should be a chartered accountant and cannot be a director or officer of the corporation. Alternatively, you may appoint accountants to prepare the financial statements of the corporation but who will not act as auditors of the corporation.

Shareholders of a private corporation may choose not to appoint an auditor for any given fiscal year. All the shareholders must agree to this decision. This decision remains valid only until the next annual meeting, where all the shareholders of the corporation must once again consent to not appointing an auditor for the following fiscal year.

GOVERNMENT INCORPORATION FEES

Federal corporations have a government incorporation fee of $200. Named corporations also require an additional search report at a cost of $30.

Federal corporations must also pay the relevant provincial registration fees below :
Provincial Jurisdiction
Provincial Government Fees
Alberta $175

British Columbia $375
Manitoba $300
New Brunswick $210
Newfoundland $250
Nova Scotia $220
Northwest Territories $300
Ontario N/A
Prince Edward Island N/A
Quebec $212
Saskatchewan $320
Yukon Territory $335

The completed documents and fees payable to the Receiver General for
Canada are to be sent to:

The Director, Canada Business Corporations Act
Jean Edmonds Tower, South
9th Floor
365 Laurier Ave. West
Ottawa, Ontario
K1A 0C8

Forms

Following form relates to company which will be required by a incorporated company:

Name	**Description**
Form 1	Articles of Incorporation
Form 2	Initial Registered Office Address and First Board of Directors (To be filed with Articles of Incorporation, Amalgamation and Continuance).
Form 3	Change of Registered Office Address (and/or Mailing Address)
Form 4	Articles of Amendment
Form 6	Changes Regarding Directors
Form 7	Restated Articles of Incorporation

Form 9	Articles of Amalgamation
Form 11	Articles of Continuance
Form 14	Articles of Reorganization
Form 14.1	Articles of Arrangement
Form 15	Articles of Revival
Form 17	Articles of Dissolution
Form 19	Statement of Intent to Dissolve or Revocation of Intent to Dissolve
Form 22	Annual Return - Please refer to : Notice from the Director
Form 26	Executive Remuneration
Form 27	Application for Exemption

Regulations - Schedule 5 - Fees

Filing, Examination or Copying of Documents or Action by the Director	**Fees**
1. Issuance by the Director of:	
(a) a certificate of incorporation, pursuant to section 8, if application is made by using Industry Canada's online incorporation feature	$200
(a.1) a certificate of incorporation, pursuant to section 8, if application is made by using any means other than Industry Canada's online incorporation feature	$250
(b) a certificate of amendment, pursuant to subsection 27(5), section 178 or subsection 191(5) (except a certificate of amendment referred to in paragraph 82(2)(a) of these Regulations	$200
(c) a restated certificate of incorporation, pursuant to subsection 180(3) (unless issued with certificate of amendment)	$ 50
(d) a certificate of amalgamation, pursuant to subsection 185(4)	$200
(e) a certificate of continuance, pursuant to subsection 187(4) (unless subsection 268(8) applies)	$200

(f) a document evidencing satisfaction of the Director to a corporation's continuing in another jurisdiction, as required under subsection 188(1)	$200
(g) a certificate of arrangement, pursuant to subsection 192(7)	$200
(h) a certificate of revival, pursuant to subsection 209(3)	$200
(i) a certificate of revocation of intent to dissolve, pursuant to subsection 211(11)	$ 50
(j) a corrected certificate under subsection 265(1)	$200
2. Sending the annual return to the Director for filing under subsection 263(1)	
(a) using Industry Canada's online filing feature	$20
(b) using any means other than Industry Canada's online filing feature	$40
3. Examination by the Director of the corporation's file in connection with a request for a certificate of compliance or a certificate of existence pursuant to subsection 263.1	$ 10
4. Application to the Director for an exemption under subsection 2(6), 10(2), 82(3), 151(1), 171(2) or 187(11)	$250
5. Application to the Director for an exemption under section 156	$250
6. Furnishing by the Director of uncertified copies of documents under subsection 266(2), per page	$1
7. Furnishing by the Director of certified copies of documents under subsection 266(2), per certificate	$35

Note: All references to provisions are references to provisions of the Ac

3.8 SERVICES

Professional Services

Lawyers:

- Canadian Bar Association's Lawyer Referral Service (www.cba.org)

Accountants:

- Canadian Institute of Chartered Accountants (www.cica.ca)
- Certified General Accountants (www.cga-canada.org)

Financial/Banking:

- Bank of Canada (www.bank.canada.ca)
- Business Development Bank of Canada (BDC) (www.bdc.ca) BDC plays a leadership role in delivering financial, investment, and consulting services to Canadian small and medium size businesses.
- Canadian Bankers Association list of Domestic and Foreign Banks (www.cba.ca)

Federal Government Services

- Canada Business Services Centers (www.cbsc.org)
- The CBSCs provide information on government services, programs, and regulations and are there to answer your questions about starting a new business or improving an existing one.
- Canadian Government Programs and Services (www.gc.ca)
- Links to all federal government services arranged by topic.
- Canadian Government Contacts (www.gc.ca)
- Find Government of Canada telephone numbers, e-mail addresses and in-person service centers.
- Key Business Forms listing (canadabusiness.gc.ca)
- The forms you need for incorporating your business, getting a business number, exporting/importing goods and other key areas of business.

Other Services

National Newspapers:

- National Post (www.nationalpost.com)
- Globe and Mail (www.globeandmail.com)

Stock Exchanges:

- Toronto Stock Exchange (www.tse.com)
- Montreal Stock Exchange (www.m-x.ca)

3. 9 SMALL BUSINESS GROWTH AND BPO

Small Business in Canada means businesses with fewer than 50 employees. The small business sector has become a key instrument of job creation and economic growth in Canada. It is a vital source of innovation: Approximately 95% of high technology businesses in British Columbia are small businesses. On an average, self-employed tend to be older, are more often men and work longer hours compared to those who work as paid employees. In British Columbia, 35% of the self-employed are women, which is higher than the national average of just under 34%.

While starting a small business in Canada, it is critical to determine whether running a business is right for the person.

- Step 1 – Assessment

  Generate or develop the ideas, evaluate their business potential, and find out if running a business is in favor.

- Step 2 - Your business plans

  An essential tool to plan and finance the business; includes a marketing plan.

- Step 3 - Starting up

  Choosing a name, hiring an accountant / lawyer, legal obligations (registration, taxes, etc)

- Step 4 – Financing

Find financing for the business: tips and links

- Step 5 - First year

More on managing day-to-day operations and planning the company's growth

Often the success rate in running a FRANCHISE is much higher than starting up your own business. In Canada, franchises are more successful compared to small business owners.

Five things to Investigate Prior to Buying a Franchise

Investing in a franchise business is often one of the most important financial decisions that a person will make. The investment should be based on sound research. This research should be designed to yield clear and accurate answers to well-framed questions. To increase the chances of making the best business decision possible, one needs to frame the questions in a well thought-out research plan. Although your research plan will likely encompass many issues, there are five key points one may wish to include in the research plan. Each of these points should be examined by employing SWOT Analysis: by identifying and evaluating the Strengths, Weaknesses, Opportunities, and Threats.

Some of the information that can help assess these points can be obtained by disclosure documents required under certain provincial legislation e.g. Alberta, Ontario, or in the Uniform Franchise Offering Circular ["UFOC"] if the franchise system operates in the United States. So be certain to ask for these documents if they are available

1. The Franchise System's Products or Services: Evaluating Competitive Dynamics

Examine the 4P's of Marketing for that franchise system's products and services in light of ongoing demographic changes, economic cycles, continuing technological advancement and existing and potential competition. Examine whether the franchise brand has long-term value that is sustainable and/or is being enhanced. Finally, examine why the product or service is better sold by a franchise in general, and that franchise in particular, rather that by a non-franchised business.

- Product/Service: What is being sold to the end user and how does the end user feel about the quality of that product or service? Is the product or service unique or differentiated in the market place and do copyrights or patents protect it?
- Price: is the product/service well priced to value and with respect to the competition?
- Place: Are the products/services sold via the most effective locations or types of sites?
- Promotion: Is the product monitored effectively and well understood by consumers?

2. The Franchisor: Identifying Stronger Franchisors

- Character: What is the reputation of the franchisor? Are they a member in good standing of relevant industry trade associations-e.g. The Canadian Franchise Association?
- Track Record and Quality of Relationships: Find out how existing franchisees are doing and how they feel about their franchise system. Find out if any franchisees have left the system, what prompted them to leave, whether their terms of departure were mutually satisfactory.
- Financial Strength: How strong is the franchisor financially? If one is able to view financial information about the franchisor? Is this information audited or externally prepared?
- Management: How strong is management with respect to tenure, expertise, and experience? Do head office and field management has a proven ability to deliver?
- Disclosure: Does the franchisor provide current discloser documents that fully comply with existing legislation?

3. The Franchise System: Key Success Factors That Differentiate Strong Franchise Systems

Site Selection Rigor: Does the franchise system have a method of picking sites and how successfully have these sites performed?

Franchise Selection Rigor: Does the franchise system have a method of choosing its franchisees and have those franchisees stayed with the system or is there an unusually high churning of its franchisees? Have the franchisees achieved acceptable returns on their investment and are they happy with their investment?

Controls and Monitoring Rigor: Does the franchise system have the necessary financial and management controls to identify early warning signals in its business as a whole as well as in the individual operations of its franchisees? Does it work effectively and efficiently with franchisees to work through problems or challenges?

Track Record: Has the franchise system been successful to date? Have franchisees done well? What has the failure rate been and what is the failure rate in related franchises and non-franchised businesses? What is the relationship like with the key service providers such as suppliers, banks etc.

4. Financial Commitments: Evaluating the Total Investment

- What is the total cost and breakdown of the investment? How much incoming equity is required?
- What are the ongoing financial commitments required - including fees and royalties, refurbishment schedules/amounts, minimum purchase quotas etc.?
- What is the breakeven point for the business and how long will it take to reach breakeven? What is the profitability potential of the business?
- What does the 5-year business plan look like and are the franchisor's projection for that site achievable? Have the franchisor's projections on other sites been achieved?
- Find out whether the franchise system has a financial services package for franchisees with any of the Canadian chartered banks.

5. The Franchise Agreement: This Should Be Reviewed with an Independent Lawyer Who Specializes in Franchising

- Does the agreement protect both the franchisee and the franchisor? Are the rights and obligations of both parties clearly stated?
- Does the agreement cover in detail all the franchisor's verbal commitments?

- What are the renewal terms? Are there provisions for arbitration? Does it cover terminations?
- Does it cover sales territories and exclusivity?
- Does it cover the purchase of materials from the franchisor directly as well as outside parties?
- Are details regarding start-up, training and ongoing assistance adequately spelled out?
- Is the franchise or business you are buying/leasing clear of all liabilities? Ensure it has no outstanding balances on its account with third party organizations like the provincial workers' compensation board/commission. Contact the board/commission and inquire about a purchase certificate certifying no liabilities.

Who is a good source of finance for a small business?

The Business Development Bank of Canada (www.bdc.ca), Royal Bank, even State Bank of India Canada (www.sbicanada.com) that has branches in Toronto and Vancouver and elsewhere are good sources to look into:

Financing possibilities

- Working capital: to supplement an existing line of credit
- Acquiring fixed assets
- Marketing and start-up fees
- Buying a franchise

How can BDC help?

- Long-term financing
- Consulting services to support your business goals
- Start-up tools (Business plan, Entrepreneurial self-assessment)
- Benefit from BDC's extensive experience in helping innovative start-ups

Advantages of doing business with BDC

BDC's start-up financing provides a total solution for small businesses. Depending on your situation, BDC loans may be able to offer:

- Progressive or seasonal repayment options tailored to your business' cash flow

- Possibility of deferred capital payment
- Guaranteed term: financing cannot be recalled without due cause
- Your choice of floating or fixed interest rates
- Fast track, no penalty repayment options up to 15% of remaining balance per year.

Criteria for financing

BDC's financing solution can provide support to entrepreneurs who:

- Are in the start-up or early growth phase (first 12 months of sales)
- Can demonstrate realistic market and sales potential
- Possess experience or expertise in their chosen field
- Demonstrate key personal characteristics of a successful entrepreneur
- Have assembled a competent management team
- Have invested reasonable financial resources in the enterprise
- Can provide personal and credit references

The next step call 1 877 BDC BANX (232-2269) or visit your local branch.

Outsourcing

Canada is a unique offshore outsourcing jurisdiction.

Canada is an important importer and exporter of outsourcing activities, a primary near-shore outsourcing destination for U.S. business, and emerging as a broker jurisdiction in global ITO (Information Technology Outsourcing) and BPO (Business Process Outsourcing) arrangements. According to McKinsey Global Institute, in 2002, Canada generated $3.7 billion in offshore BPO revenue behind only Ireland ($3.8 billion) and India ($7.7 billion). In a recent report by A.T. Kearney, Canada ranked as the second most attractive location for outsourcing, following only India. In the same study, Canada placed second among all jurisdictions with respect to the quality of its business environment.

What accounts for the major ITO and BPO activities in Canada? The answer is obvious when one considers the relative weight and priority of the most important factors that influence an organization's decision to pursue offshore outsourcing arrangements:

- Configuration of global sourcing strategy with business objectives
- Cost savings
- Compensation costs
- Tax and regulatory costs
- Infrastructure costs (including telecommunications)
- Experience and skills available
- Labor force availability
- Education and language capabilities
- Geopolitical stability
- Country infrastructure
- Cultural adaptability and similarities
- Security of intellectual property
- Proximity to markets

Recent studies suggest that as organizations become more knowledgeable at outsourcing key IT and business process functions, the importance of direct cost savings diminishes relative to other factors such as security, quality, service, and the existence of solid trusted networks. In fact, experts say that U.S. companies are more likely to opt for near shoring to Canada when the cost benefit is at or above 64 percent of the cost of a U.S. project.

Furthermore, indirect expenses associated with the management of an outsourcing relationship, such as travel and communications expenses, add up calculating projected costs.

The up-and-coming view is that Canada can maintain its position as a leading outsource destination if it is able to focus on servicing high-end and more complex business functions where cost savings is not the only principal objective. Additionally, Canadian outsourcing experts believe that "Canada is poised to position itself as a broker of outsourcing services because of (its) population base with natural connections and cultural linkages.

For example, a 2001 census indicates that approximately 25 percent of Toronto's residents are of East Indian, Chinese, Russian, or Filipino origin. This large pool of workers, a growing percentage of which are educated and skilled, provides a natural cultural bridge between some of the worlds major outsource destinations and the largest outsourcing market.

Moreover, with the increase in Americans' concern over off shoring, Indian IT companies have responded by entering the Canadian market, opening and/or expanding development sites in Canada in order to facilitate near-shore services for U.S. clients.

Canadian Legal and Tax Strategies

As the outsourcing market matures, foreign and domestic outsourcing firms in Canada will focus on servicing, in whole or in part (e.g., in connection with a global outsourcing project), more complex and critical functions. This approach will leverage the country's natural strategic advantages relating to human resources, corporate culture, infrastructure, technical skills, and proximity to the United States. The related legal and tax issues will also in turn become more complex.

The similarities between the legal systems in the United States and Canada and the predictability of the application and enforcement of Canadian laws are often cited as important factors that influence a U.S. company's decision to outsource functions to Canada. Yet, similar does not mean the same, and parties negotiating an outsourcing arrangement involving a Canadian element are often surprised at how significantly the viability or structure of a proposed outsourcing project can be impacted by certain aspects of local law.

Outsourcing transaction in Canada involves opportunities to structure arrangement in a tax-efficient manner with respect to related Canadian income, withholding, sales, and commodity taxes and custom duties. For example, if the arrangement results in a service provider establishing a fixed place of business in Canada through which it will carry on business, a "permanent establishment" will likely be created, subjecting the party to Canadian income tax. In addition, there may be transfer tax and customs duties consequences relating to the movement of assets into Canada, including intellectual property.

It may be possible to structure a proposed Canadian outsourcing arrangement to take advantage of existing federal and provincial tax incentive programs. For example, the federal Scientific Research and Experimental Development (SR&ED) program allows an investment tax credit of between 20–35 percent on qualifying SR&ED expenditures in Canada relating to the establishment/operation of a research and development facility. Several Canadian provinces also offer similar incentive programs.

In addition to compliance with applicable Canadian laws, there are many instances when a proposed U.S.-Canada cross-border outsourcing arrangement may only proceed if it is permitted under and in compliance with U.S. law. For example, when functions of a U.S. defense-sector business are to be outsourced directly or indirectly to a Canadian-based service provider, the parties may only proceed if the provider complies with the U.S. International Traffic in Arms Regulations (ITAR), which control exports of technology and services related to military items from the United States.

There are instances when a proposed outsourcing to Canada will draw attention to certain conflicts between Canadian and U.S. laws and expose a Canadian-based service provider to liability under Canadian or U.S. law. For instance, under the Cuban Liberty and Democratic Solidarity Act (more commonly referred to as the Helms-Burton Act), which expands the U.S. economic embargo against Cuba through measures aimed at penalizing other countries, firms, and individuals trading with Cuba. As part of the due-diligence process, parties considering a cross-border outsourcing arrangement to Canada should address any such prohibitions, restrictions, requirements, or conditions that may be imposed under existing or proposed U.S. laws.

Under the Sarbanes-Oxley Act, management remains responsible for effectual internal controls over financial reports even when a choice has been made to outsource functions to a third-party service provide in Canada or elsewhere.

These are some of the important issues that arise in BPO and ITO management.

3.10 OPPORTUNITIES FOR INDIAN CHARTERED ACCOUNTANTS

Indian Chartered accountant designation is well respected in Canada. Most of the Canadian employers recognize that Indian Chartered Accountants also go through rigorous training and examination process.

Every foreign trained Accountant has to upgrade as Canadian CA if he/she wants to provide compilation/review/assurance services. Besides one centralized CA institute, each province also has their own accounting bodies (i.e. CA institute) to monitor and issue license for public practice.

The basic requirement to obtain CA designation in Canada is

- A university degree with specific business course credits, as well as the professional program of the province or territory is required. This level of education provides a sound base of knowledge, skill and values necessary to be able to demonstrate competence.
- 30 months work experience in various areas (as per Institute's guidelines") in a recognized training office under the supervision of experienced CAs is also required. The training received during this period will greatly assist in the development of the skills, attributes and values of a competent CA. One can apply directly to these CA firms or meet with them when they come for recruitment at the University Campus.
- Assessment is the key to determining competence. CA candidates will continually receive assessments throughout their development – in university programs, in professional education programs and on the job. All CA candidates must appear for the Professional Uniform Evaluation - or UFE–, which is the capstone evaluation of a continual process of developing and assessing the knowledge, skills and professional values required of a CA. This three-day examination evaluation gives you the opportunity to demonstrate your professional competency by responding to business simulations of the kinds of challenges likely to be faced by the qualified CA.

As mentioned earlier the provincial accounting bodies set up their own standards and educational requirements. The provincial institutes are free to add or remove any educational requirement suggested by the centralized institute.

Here is an example of Ontario, which is largest industrial province in Canada (like Maharashtra in India).

An Indian CA in Ontario is exempted from 16 of the 17 university courses and the five days staff training program, but Indian CA would normally be required to complete

1. An acceptable university course in Canadian business law,
2. The Core-Knowledge Examination,
3. The School of Accountancy program, including examinations,
4. The Uniform Evaluation (UFE), and
5. 30 months of prescribed public accounting experience in an office in Ontario approved by the Institute for training CA students

The bottom line is that there is not much exemption for Indian CA in Ontario and this is true for all other provinces. Indian CA institute is unrecognized/un- assessed accounting bodies in Canada, which means 30 months article ship, and writing UFE exam will be required.
The main problem for an Indian CA is not to pass UFE but to complete of mandatory training of 30 months in a CA firm. It is not easy to be accepted a trainee in a CA firm. The experience of many Indian CAs reveals that Canadian CA firms are reluctant to accept any foreign CAs as trainees. Basically, these firms are looking for young people and therefore they prefer “on campus” recruitments. The reason could be these students are familiar with local culture and as such; interaction with the clients is easier. Many of Indian CAs therefore opt for other professional courses like “Certified General Accountants” (CGA) or “Certified Management Accountants” (CMA). These two designations are also well respected across Canada. Most of the provinces in Canada also allow CGA/CMA to perform review/assurance.
Once you have a professional designation like CMA or CGA, there is lot more opportunities for employment as well as public practice. Canadian economy consists of small and medium size business and they are always looking for professionals.

CGA /CMA designations training requirement are not as strict as CA, however both these Institutes do look for professional experience, before giving professional designation. CGA as well as CMA institute offer certain credits India CAs. It takes about 2-3 years for a CA to obtain a Canadian CGA/CMA.

For CGA, visit
www.cga-canada.org
For CMA visit,
www.cma.canada.org

Canadian Accounting standards have been developed by The Canadian Institute of Chartered Accountants (CICA). These accounting standards are divided into:

- Accounting standards
- Assurance and related services.

Accounting Standards:

a. General accounting (CICA 1000 to 1800)
b. Specific Items (CICA 3200 to 3870)
c. Specialized Areas (CICA 4100 to 4250)
d. Non-Profit Organizations (CICA 4400 to 4460)
e. Supplementary Financial Information

Assurance and related services:

a. General assurance and auditing (CICA 5020 to 5970)
b. Specific Items –Audit of Financial Statements (CICA 6010 to 6930)
c. Specialized area (CICA 7050 to 7600)
d. Review engagement (CICA 8100 to 8600)
e. Related services (CICA 9100 & 9200)
f. Public Sector (PS 5000 to 6420)

Above are the broad categories of accounting and assurance standards recommended by the Canadian CA Institute and theses standards are pretty much mandatory.

For more information please contact:
The Canadian Institute of Chartered Accountants
277 Wellington Street West
Toronto, M6V 3H2, Canada

Responses to IFAC Member Body Compliance Program

The International Federation of Accountants (IFAC) Board established the Member Body Compliance Program as a means to evaluate the quality of Members' and associates' endeavours to meet the IFAC Membership requirements. The program's primary objective is one of encouragement and improvement.

The Compliance Advisory Panel oversees the implementation and operation of the IFAC compliance Program, which is the responsibility of the IFAC staff. As one of IFAC's public interest activities, the Compliance Program is overseen by the Public Interest Oversight Board.

The Statements of Membership Obligations (SMOs) are issued by the IFAC Board and establish requirements for members and associates to promote, incorporate, and assist in implementing international standards issued by IFAC and the International Accounting Standards Board. The SMOs also establish requirements for quality assurance and investigation and discipline activities.

IFAC Members and associates have provided information about the regulatory and standard setting framework in their countries and organizations' activities in addressing IFAC's Membership requirements as described in the Statements of Membership Obligations. The program has two components:

Part 1: Assessment of the Regulatory and Standard-Setting Framework (provides information about regulatory requirements and standard-setting processes in member body countries); and

Part 2: Assessment of Compliance (provides information on compliance by member bodies with the statements of Membership Obligations).

In the interest of transparency and providing information to the profession, regulators and other stakeholders, the responses provided by IFAC Members and Associates including by CICA, Canada, CGA, Canada and CMA, Canada can be accessed from the website of IFAC at http://www.ifac.org/ComplianceAssessment/published_surveys.php .

The responses to Part 1 and Part 2 of the IFAC's Member Body Compliance Program as submitted by Canadian Institute of Chartered Accountants (CICA), Canada are contained in **Annexure 1**.

The responses to Part 1 and Part 2 of the IFAC's Member Body Compliance Program as submitted by Certified General Accountants (CGA), Canada are contained in **Annexure 2**.

The responses to Part 1 and Part 2 of the IFAC's Member Body Compliance Program as submitted by Certified Management Accountants (CMA), Canada are contained in **Annexure 3**.

3. 11 LINKS TO WEBSITES FOR SETTING UP BUSINESS IN CANADA

Following **are list of useful website**s for setting up business in Canada:

1. Invest in Canada – www.investincanada.com
2. Small Business Enterprise Centre – www.cbsc.org
3. International Investment Services – www.2ontario.com
4. Canadian Business Resource Centre – www.cbrc.com
5. Sole Proprietorship – www.cbs.gov.on.ca
6. Partnership and Limited Partnership – www.e-laws.gov.on.ca
7. Corporations – www.cbs.gov.on.ca
8. Import-export Licences – www.cra-arc.gc.ca
9. Export Development Canada – www.edc.ca
10. Special Regulatory Licences – www.inspection.gc.ca

11. Technical Standards & Safety Authority – www.publicsafety-first.com
12. Building codes – www.mah.gov.on.ca
13. Citizenship and Immigration – www.cic.gc.ca
14. Canadian Income Tax – www.ccra.ca
15. Industry Canada - www.cbsc.org
16. Ministry of Agriculture & food – www.omafra.gov.on.ca
17. Ministry on Environment - www.wnw.gov.on.ca
18. Reference Canada – www.canada.gc.ca

    Above web site helpful in finding out telephone numbers of various government programs

19. Banking and Financial Services
    - Business Development Bank of Canada – www.bdc.cs
    - Canadian Bankers Association – www.cba.ca
    - Bank of Montreal – www.bmo.com
    - RBC Financial Group - www.rbc.com
    - Canadian Imperial Bank of Commerce – www.cibc.com
    - Scotia bank – www.scotiabank.com
    - TD Canada Trust – www.tdcanadatrust.com
    - National Bank of Canada –www.nbc.ca

20. Canada –Ontario Business Service Center (COBSC) – www.cobsc.org
21. Chambers of Commerce and Board of Trade – www.bot.com
22. Professional, Industrial and Trade Association
    - Canada Manufacturers & Export – www.cme.mec.com
    - Canadian Venture Capital – www.cvca.ca

- Canadian Federation of Independent Business – www.cfib.ca
- Canadian Franchise Association – www.cfa.ca
- Canadian association of Importers & Exporters – www.iecanada.com
- Canadian Restaurant & food Association – www.crfa.ca
- Retail council of Canada – www.retailcouncil.rog
- Retail Merchant Association of Canada – www.rmcanada.com

23. Company information – www.strategis.ic.gc.ca

    This web site is helpful is exploring firms and organizations engaged in various kinds of businesses.

24. Statistics Canada – www.statcan.ca
25. Workplace Safety & Insurance Board (WSIB) – www.wsib.on.ca
26. Lawyer – www.isuc.on.ca
27. Insurance Brokers – www.ribo.com
28. Patents – www.cipo.gc.ca
29. Copyright – www.cipo.gc.ca
30. Industrial Design – www.cipo.gc.ca
31. Trademark – www.cipo.gc.ca
32. Canadian Chamber of Commerce – www.chamber.ca
33. Federal Government – www.cbca-asfc.gc.ca

4. Immigrating To Canada

4.1 SIN CARD (SOCIAL INSURANCE NUMBER)

Relevant Questions?

What is a SIN?

Who can apply for SIN?

When and where do I apply for SIN?

What documents do I need?

Can I apply on behalf of some one, if yes, how?

Is there any fee?

Can I use my SIN as an ID card?

The first thing one need to do after arriving in Canada is to apply for a Social Insurance Number (SIN). The SIN is not a proof of identification, but it is a kind of proof that a person is a legal resident in Canada. The SIN (Social Insurance Number) is a nine-digit number used in the administration of various programmes. The first digit indicates the region of origin and the last digit is a check digit. It is designed in such a way that the system automatically identifies a fake social insurance number. The SIN is required for various purposes - to open a bank account, get various Govt. benefits like Medicare, and get a valid driver's license and most importantly to legally work in Canada. In fact losing the SIN card or revealing the SIN number to undesirable persons can be quite dangerous in view of the fact that criminals can misuse the identity to commit frauds, etc. To apply for a Social Insurance Number, one must complete an application form that can be obtained from a local office or downloaded from the website :

http://www.hrsdc.gc.ca/en/cs/sin/0200/0200_010.shtml#so1

There is no fee for applying for the first time or requesting any modification. However if the card is lost for some reason, there is $ 10 fee to replace your card.

For an immigrant to Canada on a permanent basis, the following documents are required:

Permanent Resident Card (PR card) issued by the Canadian Government.

Confirmation of Permanent Residence AND Visa counterfoil in the foreign passport (issued by Citizenship and Immigration Canada)

Record of landing

It is important that documents are originals and that they are written in English or French.

While applying, if for some reason a different name other than what is appearing on the documents, one must also provide a supporting document.

For the temporary resident in Canada (not a visitor) on work permit or on student visa, you still have to apply for Social Insurance Number. In that case, the Government issues you a temporary SIN card and the SIN will begin with "9."

In case of children under the age of 12, the parent or the legal guardian has to provide the proof of identity. One can also apply on behalf of another person using a valid ID and letter of authorization on behalf of that person. It is recommended that he apply in person at one of the local offices. The offices are easily accessible by public transport in all the major cities. This is easier because in that case you do not have to submit any additional documents as proof of ID. This expedites the process. Alternatively, one can also apply by mail. In that case, he will receive the card in three to four weeks. In the province of New Brunswick, you can apply for SIN by telephone. One cannot apply for SIN unless he physically land in Canada.

Most importantly never, reveal the SIN unless it is legally required. Remember never to use the SIN as an ID card. Keep it in a safe place and use it only when it is required. One has to give your SIN only when asked for by your employer, Govt. organizations or financial institutions (for opening bank accounts).

4.2 PERMANENT RESIDENT CARD (PR CARD)

Relevant Questions?

What is PR card?

Is there any fee?

With effect from June 28, 2002, when you land in Canada on immigration, the Government automatically issues you a PR card. The cost of the PR card is included in the immigration fee and in the first instance; one does not have to pay anything. He has to present this card when he re-enters Canada from a visit abroad either by land, air or sea. A PR card is valid for five years and one has to apply for a fresh card in case he does not become a citizen during that period. One has to pay a $ 50 fee to renew the card or in case, the card is lost. He will require a PR card when applying for citizenship. For more information you can contact 1-800-255-4541 or Visit:http://www.servicecanada.gc.ca/en/goc/pr_card.shtml

4.3 HEALTH CARE (HEALTH CARD)

Relevant Questions?

What is a health card?

Who can apply for health card?

When and where do I apply for a health card?

What documents do I need?

Is there any fee?

Since 1962, Canada has had a government-funded, national health care system founded on the five basic principles of the Canada Health Act. The principles are to provide a health care system that is:

* Universally available to permanent residents;

* Comprehensive in the services it covers;

* Accessible without income barriers;

* Portable within and outside the country; and

* Publicly administered.

Under this system, Canada's provinces and territories (Canada has 10 provinces and 3 territories) are responsible for administering their own health care plans, and must provide residents with prepaid coverage for all medically necessary hospital and physician services.

Coverage for services such as dental care, prescription drugs, optometry services, hearing aids, and home care, varies by province or territory. For example, the province of Ontario has instituted its own prescription drug plans, the “Ontario Drug Benefit (ODB) Program” and the “Trillium Drug Program,” in order to help seniors (people above the age of 65) and others with the high cost of prescription drugs. This differs from British Columbia's “Fair Pharmacies Program,” and from

Alberta's prescription drug plans, which are offered in conjunction with Blue Cross, a private insurer.

Canada has one of the best free health care systems in the world. As stated above, health care rules and regulations are within the provincial/territorial jurisdiction. Until recently, basic health care in most of the provinces was completely free. However, in recent years some provinces have started charging a yearly healthcare premium (Alberta, Ontario, and British Columbia). The amount of premium charged varies from province to province and depends on the family income. In order to receive free medical benefits, one must obtain a health card.

Healthcare premiums in major provinces are:

Alberta: Premium is $ 44 a month for individuals and $ 88 a month for families. Low-income individuals may qualify for complete or partial subsidies.

Ontario: The premium is based on taxable income, and ranges from no premium for those with taxable incomes under $20,000 to an annual premium of $900 for those with incomes over $200,000 in 2005 and later tax years (premiums range from $ 300-$ 900 per annum). Ontario joins Alberta and British Columbia as the only provinces charging premiums to individuals for health insurance.

British Columbia: In B.C., premiums payable for health coverage are based on family size and income. The monthly rates are:

$54 for one person

$96 for a family of two

$108 for a family of three or more

All the Canadian citizens and permanent residents are eligible to receive a health card either immediately on arrival or after the lapse of a few months depending on the province. Persons with health cards are covered for most standard, medically necessary services from physicians, hospitals, and laboratories - including an annual medical examination. Additional services such as vision, chiropractic, podiatrist care, and dental care and prescription medicines are partially covered or not covered depending on the province. For non-covered items like prescription medicines, ambulance services, routine dental care and medical costs outside Canada, it is recommended to obtain private health insurance. Many employers offer this as part of their employee health benefits.

In order to apply for a health card many provinces require three pieces of original identification such as birth certificate, passport/PR card or driver's license, including something with the address on it e.g. bank statement, bill. As an example let's take the case of Ontario, the largest province in Canada- where 1/3 rd of Canada's population resides, and which is home to Canada's largest city- Toronto. In fact, about 50 % of immigrants from India migrate to the Toronto region (GTA- Greater Toronto Area).

Ontario requires 3 pieces of ID as stated above. The Canadian citizen or a landed immigrant (person with a PR card), will be entitled to an OHIP (Ontario Health Insurance Plan) card after living in Ontario for 3 months. To apply, he must go in person to a Ministry of Health and Long-Term Care office, bring three pieces of original documents to prove identity and residency in Ontario and fill out the necessary forms. He must register any children under 16 years of age.

Relevant information is available on respective provincial websites.

4.4 OPENING A BANK ACCOUNT:

When you are ready to open your bank account, you will be asked for personal information. This is true no matter which bank you use or which account you choose. At all times your personal information, and your privacy, are protected. If you are unemployed you can open an account. A minimum deposit is not required to open an account. If you were or are bankrupt, you can open an account, provided there was no illegal activity associated with the bankruptcy.

Customer's Responsibilities

Show identification.

Identification is needed to meet federal laws and it helps the bank ensure that only you and those you authorize have access to the money in your account. You can provide identification in two different ways:

- You can provide **two pieces** of identification. One piece must come from Part A of the list on page 10. The second piece may come from Part A or Part B;

  OR

- You can provide one piece of identification from Part A, and have confirmation of your identity by someone of good standing from the community where the bank is located, or a client of that bank in good standing.

If you can, provide one piece of identification with your picture on it (but this is not mandatory). You may be asked for other pieces of identification if the bank's staff have reason to question your identity. Acceptable identification is listed below, but some provinces may limit the kind of personal identification that can be accepted as proof of identity. All identification must be current.

Identification requirements as set out in the Access to Basic Banking Services Regulations under the Bank Act

ACCEPTABLE IDENTIFICATION

Part A

- Arrivers' license issued in Canada, as permitted to be used for identification purposes under provincial law
- A Canadian passport
- A Certificate of Canadian Citizenship or Certification of Naturalization, in the form of a paper document or card but not a commemorative issue
- A Permanent Resident card or Citizenship and Immigration Canada Form IMM 1000 or IMM 1442
- A birth certificate issued in Canada
- A Social Insurance Number card issued by the Government of Canada
- An Old Age Security card issued by the Government of Canada
- A Certificate of Indian Status issued by the Government of Canada
- A provincial health insurance card, as permitted to be used for identification purposes under provincial law
- A document or card,

  - Department of Transportation and Public Works of the Province of Prince Edward Island
  - Service New Brunswick
  - Department of Government Services and Lands of the Province of Newfoundland and Labrador
  - Department of Transportation of the Northwest Territories
  - Department of Community Government and Transportation of the Territory of Nunavut

Part B

- An employee identity card, issued by an employer that is well known in the community, bearing the individual's photograph
- A bank or automated banking machine or client card, issued by a member of the Canadian Payments Association in the name of, or bearing the name of, the individual and bearing the

• A document or card, bearing the individual's photograph and signature, issued by any of the following authorities or their successors: ▪ Insurance Corporation of British Columbia ▪ Alberta Registries ▪ Saskatchewan Government Insurance ▪ Department of Service Nova Scotia and Municipal Relations	individual's signature • A credit card, issued by a member of the Canadian Payments Association in the name of, or bearing the name of, the individual and bearing the individual's signature • A Canadian National Institute for the Blind (CNIB) client card bearing the individual's photograph and signature • A foreign passport

When additional information may be needed:

If a bank has any questions about the type of identification provided, it may ask for additional identification with a photograph and signature. If the identification provided does not have your name, date of birth, address and occupation, the bank may ask you to provide that information. You must provide the information, except where you do not have an address or are not employed.

When a personal account may not be opened:

A bank does not have to open an account if:

- It believes you plan to use the account or illegal or fraudulent purposes
- You have a history of illegal or fraudulent activities with any financial service provider within the past seven years
- It believes you knowingly made false statements in the information you provided

- It believes opening the account would subject other customers or bank employees to harassment, abuse or physical harm
- You refuse to allow the bank to check the identification you provided or whether any of the above conditions apply to you
- The request is made at a branch or point of service where the only accounts offered are linked to an account at another financial institution.

If the bank cannot open an account for you, you will be advised in writing and provided with information about how to contact the bank's regulator.

When opening an account, banks may check your information with consumer reporting agencies to verify your identity and confirm if there is any reason why an account should not be opened. Banks will, with your consent, conduct a 'credit check' to help determine some of the features of your account, such as daily ABM withdrawal limits or hold policies on non-electronic deposits.

Give personal information

- Your full name
- Your date of birth
- Your home address (if you have a permanent address)
  Note: you may be asked for proof of residence – a utility, telephone or electric bill is helpful to confirm your address if your other ID does not provide it.
- Banks are required by law to ask for your Social Insurance Number if you open an account that will pay interest. But any account can be opened without a SIN.
- Your occupation (if you are working)
- A sample of your signature to protect your account and your money (sign your name on the signature card the same way you would sign your name on other forms, like cheques). You or

someone at your bank may record the information on a form which looks like the following diagram.

Agree to the rules that apply to the account you are opening.

The bank will ask you to sign an account agreement. or the bank will ask you to sign a signature card to say that you have read the account agreement. The agreement lists the rules for using the account. When you sign, you are saying that you understand and agree to follow these rules. You will be given a copy of the agreement to take away with you.

(Source: Canadian Bankers Association)

4.5 DRIVER'S LICENSE:

One can drive on the international driving permit for six months from the date of your arrival. Each province has its own rules for driver's license. Most of the provinces first have a written test. In the written test, for the basic driving rules in Canada are tested. The rules differ slightly from province to province. The manual is available in Motor Vehicle offices at a nominal fee. In addition to the written test, one also has to give a road test, where your driving skills are tested. In case of Ontario and British Columbia, he has to give road tests at two different levels, on regular roads as well as on highways. It is strongly recommended to bring the Indian driver's license and driving record from the vehicle insurance company. The driver's license from the home country will reduce the waiting period for the road test, after the written test. The vehicle insurance record might help in getting better quotes, as vehicle insurance is expensive in Canada.

4.6 EDUCATION:

Education up to grade 12 is mostly free in almost all the provinces. Free education is provided by publicly funded public schools. The quality of education in public schools is reasonable. One can send your children to Catholic schools or private schools, which are expensive. Do not forget to bring the report cards and immunization record of children along with you. Immunization record is must.

Education up to grade 12 is compulsory and therefore admitting your child in a school is not difficult. Generally, following documents are required:

Document with date of birth of the child

Proof of your address

Proof of landing

Report card of the child up to the recent grade

Immunization record

University education is expensive in Canada as compared to India but a lot cheaper as compared to US. After grade 12, you can opt to go to the University or take diploma courses in the colleges. University education is costlier than college education. There is a wide choice available. Getting admission to the highly demanding courses is quite competitive though not as difficult as in India. The cost of education varies from university to university and course to course. In order to encourage post-secondary education (beyond Grade 12) the Government of Canada offers considerable of financial aid. The financial aid is in the form of bursaries, scholarships, and loans, which is under provincial jurisdiction. For the landed immigrant, various provinces offer interest free loan. The loan terms as regards interest and repayment vary from province to province. In Ontario, for example, the provincial education loan is called ‘OSAP’

(Ontario Students Assistance Program). This loan is interest free until one completes the education (the course in which the student is enrolled in and six months thereafter). The loan amount is normally sufficient to take care of the tuition fees and lodging and boarding expenses. The loan amount is generally linked to the income of the student’s parents. In addition, various universities offer a number of scholarships and financial aid in order to attract bright and needy students.

University of Toronto has a motto- “No deserving student will be turned back just because he/she does have the financial resources to pay for education". Once you are in the University there are number of on-campus jobs available, which are first offered to the needy students. Some of the universities offer "Co-op" programs for different courses. This is a very popular program where one has alternate study or work terms. Universities with such programs have well equipped co-op departments, which help the student in getting jobs in his/her area of interest. It is something like 'earn as you learn'. The salary the co-op student receives during his work term is sufficient to take pay for the fees of the educational program he/she is enrolled in. Getting admission to this program is competitive. As mentioned above, there is a wide choice and all the relevant information is available on the respective University Websites. Staying at the campus is more expensive as compared to staying at home. It is not always practical to stay at home when the University Campus is in a small town as the classes are at odd hours. Most of the big cities with Universities have very good local transport facilities. One can always commute, as it is cheaper to stay at home.

4.7 OTHER FACILITIES AVAILABLE TO IMMIGRANTS:

A few examples of the other facilities available to immigrants are given below:

Library facilities:

Canada has one of the best public library systems in the world. To describe its excellence one would have to write a research paper on it. The library facility is free and one can borrow 100 books at a time in addition to audio/video cassettes, DVDs, etc. The resident of a city can borrow from any branch of that city, as all the branches are interlinked. The only proof required to get membership is a photo ID and your proof of residence.

Community Centers:

Community centers are more or less similar to clubs, which are funded by the cities. They offer various sports and entertainment facilities either free or at a very nominal charge. Some community centers provide free training in computer, resume writing etc.

Skills for change:

Skills for Change are a unique government organization, which helps new immigrants in upgrading their skills and making them "job ready." This is a very popular program for new immigrants and generally, there is a waiting list for getting entry to this program.

HRDC Centers:

Human Resource Development Canada (HRDC) centers provide various facilities to new immigrants for settlement in Canada free of cost. Reference material, training programs, internet access, and guidance in job search are some of the services, which are available at these centers.

Mentoring Partnership*:*

Mentoring partnership is a unique program, which links new immigrants looking for jobs with volunteers who would act as guides in the job search process on a one to one basis. This program is also gaining popularity as it links new immigrants with experienced persons in the new immigrants' field of specialization.

5. Links To Important Websites

IMMIGRATION TO CANADA:

A free assessment:

www.immigrationmatters.info

Information about Citizenship and immigration:

General

http://www.cic.gc.ca/

Businesses Immigration

http://www.cic.gc.ca/english/immigrate/business/index.asp

Toronto Reference Library- a very useful website. However, one has to be a library member in order to get access to a lot of information.

http://www.torontopubliclibrary.ca/

Revenue Canada Website

http://www.cra-arc.gc.ca/menu-e.html

Most of the information on federal and provincial incentives has been centralized by the federal government on their “Invest in Canada” site, which is:

http://www.investincanada.gc.ca/director.aspx?tabid=1

Some of the highlights from the most relevant parts of the site:

Federal programs

An area of the website features summaries of federal programs such as:

- Industrial Research Assistance Program
- Scientific Research and Experimental Development Program
- Technology Partnerships Canada

Source:

http://www.investincanada.gc.ca/CMFiles/RD_Tax_Credits_14Pager_Eng_Final_2007.pdf

This document, also on the website may be useful:

Summary of Research and Development Tax Incentives in Canada

http://www.investincanada.gc.ca/CMFiles/Final_Eng_SummaryRDTaxIncentivesCanada_July05.pdf

Provincial programs

Another area of the website contains links to all of the provincial programs:

http://www.investincanada.gc.ca/en/982/Incentives_and_Taxes.html#Provincial%20Incentives

However, some of the links have changed. Here are some updated links:

Ontario

Ontario's tax credit programs:

http://www.fin.gov.on.ca/english/tax/credit/

Related Ontario info:

Ontario gov't has also set up this website to sell Ontario to the world

http://www.2ontario.com/

On this part of the website you can look up which countries have invested in Ontario

http://www.2ontario.com/edp/home.asp#countryorigin

Indian investments in Ontario

http://www.2ontario.com/edp/countryorigin_results.asp?countryorigin=India

Ontario is also actively pursuing Indian investors, based on this part of the government's website:

http://www.ontariocanada.com/ontcan/indiapakistan/en/home_en_new.jsp

Certified General Accountants of Ontario. Resource Guide for Business Immigrants to Ontario.

http://www.cgaontario.org/contentfiles/publications_promotions/business_immigrants_06.pdf

See: Section 7: Government Assistance Programs and Services

Section 8: Sources of Financing

Manitoba

http://www.gov.mb.ca/business/index.html#tax_incent

http://www.gov.mb.ca/business/index.html#fin_busi

http://www.gov.mb.ca/trade/invest/index.html

PEI

http://www.gov.pe.ca/development/ptrp/index.php3

Québec

http://www.investquebec.com/en/index.aspx?page=925

http://www.investquebec.com/en/index.aspx?page=1293

The other provincial links are all still correct and valid.

Other sources:

Most of these programs and others are also summarized in this book, which is updated quarterly.

Government assistance manual.

North York , Ont.: CCH Canadian Ltd., c1994-

Description: 1 v. (loose-leaf)

ISBN: 1551419157

http://www.cch.ca/product.aspx?WebID=1131

This manual is available at these public libraries in Toronto:

NORTH YORK CENTRAL

Collection: Business 4th Fl Reference Periodicals

Call Number: 338.971 GOV

TORONTO REFERENCE LIBRARY

Collection: REF-BUSINESS-Desk-3rd Fl

For further assistance, ask at Inquiry desk.

Call Number: 338.97102 G595

Other info of interest:

Canada India Business Council

http://www.canada-indiabusiness.ca/navigation.htm

Indo-Canada Chamber of Commerce

http://www.iccc.org/ICCC/

The member of the library has an access to “Canadian Subsidiary Directory” giving information about grants, loans and subsidies. The directory has information about 300 programs including description, telephones addresses and hyperlinks.

Fore more information visit:

http://www.3223376.net/