

Forming a Canadian subsidiary



Things to know

- A corporate entity can be formed in Canada either under the federal laws of Canada or the laws of one of Canada's provinces or territories. The laws applicable to corporate entities in each of these jurisdictions are generally consistent, but there are some important distinctions (some of which are set out in greater detail below).
- Generally, corporate entities are formed as limited liability corporations, but certain provinces (British Columbia, Alberta and Nova Scotia) provide an alternative form of corporate entity: the unlimited liability company.
- Unlimited liability companies are mainly chosen to facilitate favourable tax outcomes.
- You can also carry on business through a subsidiary formed as a partnership, trust or other type of entity, but special considerations may apply.
- Corporate law in certain Canadian jurisdictions require that the records of a corporation be kept in the jurisdiction of formation.

USEFUL RESOURCES

Government of Canada

- [Steps to incorporating under the federal laws of Canada](#)
- [Is incorporation right for you?](#)
- [Federal corporation forms and instructions](#)

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- [Where should I incorporate my startup?](#)

Things to do

DETERMINE THE JURISDICTION OF FORMATION

- The subsidiary will be governed by the laws of the jurisdiction in which it is formed and the following factors should be considered when making this threshold decision:

DIRECTOR RESIDENCY REQUIREMENTS

- For corporations formed in Ontario, Alberta, Manitoba, Saskatchewan, Newfoundland and Labrador or under the federal laws of Canada, at least 25% of the directors must be resident Canadians.

WHERE THE SUBSIDIARY WILL CARRY ON BUSINESS IN CANADA

- If the subsidiary has been formed under the federal laws of Canada, the subsidiary will need to register in each Canadian jurisdiction where business will be conducted.
- If the subsidiary has been formed under the laws of a specific Canadian province or territory, the subsidiary will need to [register](#) in each Canadian jurisdiction where business will be conducted, other than its jurisdiction of formation.

ARTICLES OF INCORPORATION

- You will need to file articles of incorporation to legally form a corporation, as well as have corporate by-laws.

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