



British Columbia - Common Law

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☎ Consultation

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In a hurry? Click incorporate now, and startup your company immediately.

## Incorporating a company in Canada

# Canada taxes

Want to setup a company? This will tell you about tax laws in British Columbia, Canada for a Private Corporation which is the most common legal entity in Canada.

Canada resident companies are taxed on their worldwide income. This means that both onshore and offshore income are subject to taxation. A Private Corporation in British Columbia (CA) is subject to the Federal Income Tax, at a 15% rate, and the Provincial Income Tax, which is 11%. A reduced 2.5% provincial income tax is applied to companies whose taxable income is below CAD 500,000. The effective corporate income tax for a Corporation in British Columbia is 26%. This ranks British Columbia as 124th overall in terms of corp. taxation rate internationally.

In British Columbia there is a sales tax of 7%. The federal goods and service tax is 5.00%. Resulting in an effective sales tax rate of 12%. That ranks British Columbia as 64th overall in terms of sales/value added tax rate worldwide. In terms of other taxation, an employer will contribute up to CAD 3,881.36 per month to the equivalent of a social security fund and an employee will contribute up to CAD 3,499. The overall complexity of the tax system is low. This is measured by average time to comply with a country's labor tax requirements is as it is 36 hours. Contributing to this is the number of yearly labor tax payments, which is 3 in CA.

Thin capitalization restrictions are officially enacted. This refers to any type of restrictions on companies' debt-to-asset ratios.

Dividends received from a Canadian taxable Corporation are usually deductible. Dividends received from foreign affiliates may be deductible. Dividends received by a Private Corporation from a non-connected company may be subject to the special refundable tax of 38.33%. Dividends are payments of company earnings, decided by the board, to a class of its shareholders. Dividends can be one of the following cash payments, shares of stock, or other property.

50% of Capital Gains are included in taxable income and subject to Corporate Income tax normal rates. A capital gains tax is levied on the profits that a corporation or natural person realizes when he or she sells a capital asset for a price that is higher than the purchase price.

The general interest withholding tax rate is estimated at 25%. Which means that the taxman expects relevant legal entities to pay tax on at least 25% of interests remitted abroad. The dividends withholding tax is 25%. This means that the tax authorities expects Corporation's to withhold 25% of dividend payments to non-residents. The royalties withholding tax rate is 25%. This should be interpreted usually that the relevant tax authorities expects companies to withhold 25% of payments offshore on royalties. Withholding taxes may be reduced on payments to more than 90 countries, where Canada has concluded tax treaties.

There is no known tax on wealth in Canada. There are no known inheritance taxes in CA. There are real property, transfer and gift taxes. We are aware of frequently implemented research and development breaks on taxation here.

The above is not tax or legal advice for your individual personal tax obligations. We are able to point you to an accountant in British Columbia who can advise you. Ready to get started? Click incorporate now if you are in a hurry, or press the free consultation button above.

The vat rate in Canada is 12% which ranks 61 in the world.

- ✘ Patent box
- ✔ RND credit
- ✘ Wealth tax
- ✘ Estate tax
- ✔ Transfer taxes
- ✘ Asset taxes

- 117 Tax treaties
- 26% Offshore Tax
- 26% Corp rate
- 3 Loss carryback years
- Corporate time

# Canada Legalese

When incorporating, you must look at the law in the country, in British Columbia is common law law. Common law is a good legal foundation for your company. Electronic signatures are permitted.

The country code CA is for British Columbia and the most common legal entity structure in British Columbia is a Corporation.

When setting up, budget about 1 week to setup a Corporation in CA. The types of cash you can use to fund your company is often CAD and Any legal currency.

Yes, one is allowed to re-domicile a Corporation from CA. You are usually allowed to change the jurisdiction of the company, pending certain procedures.

There must be at least 1 shareholder. This makes it possible for you to own a Corporation in CA by yourself. Corporate Shareholders are permitted, which means you can have a legal entity as a shareholder. Foreign ownership is encouraged, up to 71% of the total shareholding.

There is a requirement to have at least 3 directors. Moreover, corporate directors are permitted. Directors are disclosed publicly. There is a requirement to have annual meetings of shareholders.

A registered agent is normally required, which means the company will have to pay a fee on a yearly basis, for a legal services company which can receive a service of process on behalf of the business. However, a corporate secretary is also mandated by the government.

There is a requirement to file accounts to relevant authorities. Consequently, there is oftentimes a requirement to have these accounts audited.

Overall we think Canada is a good option and have given it a score of 75 as an IO score, using the Incorporations.IO proprietary formula.

- ✗ **Directors not disclosed in a public registry**
- ✗ **Shareholders not disclosed in a public registry**
- ✓ **Redomiciliation permitted**
- ✓ **Registered office required**
- ✓ **Corporate director permitted**
- ✓ **Local Secretary not required**
- ✗ **Local Director not required**
- ✓ **Electronic signature**

- 1 Shareholders required**
- 3 Directors required**
- 1 week to form**



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## Country Info



🚩 National Flag of

**Canada (eng)**

**Canada (fra)**

\$ Currency

**CAD**

☎ Area Code

**+1**

🏛 Capital

**Ottawa**

📍 Region

**Northern America**

🗣 Native Languages

**English**

**French**