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BUSINESS ENVIRONMENT

THE CONSUMER

Consumer Profile

Canada population is estimated at 37.7 million people in 2022 according to UN data. The median age of the Canadian population is 41.8 years as of 2022. 66.5% of the population is between 14 and 65 years old, 15.8% are young people and 17.6% are seniors. The number of households is increasing but their individual size is decreasing: one-person households are the most numerous, followed by couples with children. On average, there are 2.9 Canadians per household. Women are slightly more numerous (50.3%) than men. 81.3% of the population is urban, and is concentrated in the south of the country, close to the border with the United States. The main cities by population are Toronto, Montreal and Calgary. About 20% of the Canadian population are recent immigrants. The level of education is high. In Canada, 91% of adults aged 25-64 have completed upper secondary education, well above the OECD average of 78%. The occupations most represented in the population are sales and service occupations (24%), business occupations, finance and administration (16%), trades, transportation and equipment operators, and related occupations (14%).

Purchasing Power

According to the World Bank, GDP per capita PPP was estimated at \$ 47, 567 in 2022. In 2022, the median after-tax income was CAD 54,630, in slight decrease from its 2018 level. In Canada, the average household net-adjusted disposable income per capita is USD 34,421 a year, more than the OECD average of USD 30 490 a year. Consumer spending increased slightly in the second semester of 2020, according to Statistics Canada . Income inequality remains significant, the top 20% of the population earn about six times as much as the bottom 20%. (Gini index for Canada is 0.33, 1 representing the highest level of inequality). Women with the same experience, socio-economic and demographic background earn approximately \$7,200 less annually than their male counterparts. Management occupations are the highest paid, while public utility manufacturing, sales and service trades are the lowest paid. The highest wages are in the provinces of Alberta, Saskatchewan and Ontario, while the wages in the provinces of Prince Edward Island and New Brunswick are at lower levels.

Consumer Behaviour

Canada's population has a high and diversified level of mass consumption (most of the people consume a large amount of goods and services other than satisfaction of basic needs). Purchases are mostly made in malls, mass retailers and retail

parks. Neighbourhood malls are no longer popular. Consumer confidence in Canada continued to increase as it quickly approaches pre-pandemic levels. Online shopping is increasing, but Canadians tend to prefer hybrid shopping (browse online, shop in-store, order online, pick-up in-store). According to latest data provided by Statistics Canada, the total spending of Canadian online shoppers reached \$32.80 billion in 2022, compared to \$18.9 billion in 2012, with nearly 84% of Internet users buying goods or services online. Products distributed throughout the country are mainly produced by international brands. Immigration continues to influence consumer behaviour, especially with regards to food products, and imported products are considered to be attractive. The demand for local products “made in Canada” is a consumption trend which is still in development. The government has put in place several regulations to regulate this nascent trend. In addition, consumers have created the website Made in Canada (<https://madeinca.ca>) to catalogue all Canadian brands in support of the domestic economy.

Moreover, consumers are increasingly looking for custom-made solutions that fit their specific needs, nearly 80% of consumers want personalized products and services in 2022. Health concerns are rising and health awareness is growing among Canadian consumers and will continue to accelerate as the population ages. In 2019, Canadians spent an annual average of \$935 per capita on health and wellness. Canadians are increasingly concerned about sustainable consumption, and the purchases of local, ethical or organic products are on the rise, especially for food and clothing. The second hand market is also growing. Canadian consumers are more willing to buy at a higher price tag if food items are more sustainable. In 2021, the trend for locally produced is particularly high among 18–24-year-olds, with 75% citing this as important, followed by 70% for organic and 55% for sustainable packaging. Collaborative platforms are increasing in popularity for accommodations (Airbnb), transport (Uber), music, crowd-funding etc.

Consumer Recourse to Credit

Debit cards are used for medium value transactions and credit cards are used for larger transactions. Consumer credit in Canada has risen sharply since 2012, particularly for automobiles and consumer goods. The average consumer (non-mortgage) debt was CAD 8,539.50 in 2017. The most common forms of credit are cash loans for purchases paid in monthly instalments (usually large items such as furniture or cars, but also gasoline and other non-durable consumer goods). Similarly, aggregate household debt, which includes mortgages, margin loans and other forms of non-personal consumer loans, grew at an annual rate of 1.8% over the past five-year period. Borrowing has increased at a higher rate than population growth, exploding the level of indebtedness per capita. Older people accumulate debt at a faster rate than the rest of the population, except for real estate debt. However, the gradual rise in interest rates may cause a slowdown in consumer credit.

Growing Sectors

Biomanufacturing and Life Sciences sector, pet feeds and services, housing and cleaning services, housing maintenance and repair products, garden products, plants and flowers, recreational and sporting services, education, ready-made meals and food delivery services are growing markets. (Source: [Statistics Canada](#))

Consumers

Associations

[Consumer Protection Office in Québec \(OPC\)](#)

[Alberta Consumers' Association](#)

[Consumers Council](#)

IMPORTING & DISTRIBUTING

Import Procedures

Before importing commercial goods into Canada, the importer will need to obtain a Business Number (BN) issued by the Canada Revenue Agency (CRA) for an import/export account.

For imported goods to clear Customs, the following documents are needed: properly completed Canada Customs Invoice or its equivalent; form B3 customs coding form, cargo control document and bill of landing. [Certain goods](#) such as food or health-related items may be subject to the requirements of other federal government departments and may need permits, certificates, or inspections.

For information on importing commercial goods into Canada, consult the [Canada Border Services Agency's](#) guide to importing.

For further information, consult the [Canada Border Services Agency](#) website.

Specific Import Procedures

The eManifest Portal is a secure data transmission option developed by the Canada Border Services Agency (CBSA) that allows the trade community to electronically transmit their pre-arrival information through the Internet.

For more information on eManifest requirements, visit the [CBSA website](#).

The [Safe Food for Canadians Regulations \(SFCR\)](#) set out certain requirements, such as licensing, preventive controls and traceability that apply to most food commodities.

Any import, export or re-export of Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)-listed species has to be authorized through a permitting system. Moreover, firearm and weapon are subject to specific import and export procedures.

Distribution channels

According to Statistics Canada, Canadian retail sales increased by 11.6% in 2021 compared to the previous year at 674 billion CAD which is cause for cautious optimism that the sector is recovering from Covid-19. Retail sales in the food and beverage stores reached 143.66 billion in 2021 compare to 142.1 in 2020. Among the sectors that recorded the greatest growth in the period after the Covid-19 lockdown are food and beverage stores (+4.8%) and clothing and clothing accessories stores (+3.9%).

Consumers in Canada, especially those in low-income and middle-class households, tend to be price-conscious when buying food and drink, which creates a strong demand for private label products at promotional prices. Thus, convenience stores keep introducing different product ranges, reducing prices and changing their layouts to attract new consumers. Convenience stores and forecourt retailers continue to face strong competition from other channels such as supermarkets and hypermarkets, which provide consumers with a wider product profile, and now also a better price offering. In addition, the increasing diversity within the Canadian population is supporting the expansion of the ethnic stores. Online shopping is a growing sector, think of the launch of Amazon Fresh in the country.

Distribution market players

The Canadian retail market is highly consolidated, with five grocery “majors” commanding over 62% of the retail share of market in 2021: Loblaws (27% market share), Sobeys, Metro, Costco, and Walmart.

The market is shared as following, in value:

- 58% supermarkets and traditional format stores
- 20% mass merchandisers stores
- 7% independant and speciality stores
- 9% chemists
- 3% convenience stores and gas station

Retail Sector Organisations

AMDEQ (Association of shopkeepers, convenience storekeepers and grocers of Quebec)

Canadian Federation of Independent Grocers

Retail council of Canada

OPERATING A BUSINESS

Type of companies

Sole propietorship

Number of partners: 1 person.

Capital (max/min): No minimum capital.

Shareholders and liability: Liable for all debts and obligations.

Partnership

Number of partners: 2 persons or more. All partners must be Canadians to be a Canadian partnership.

Capital (max/min): Personal investment but no minimal capital required.

Shareholders and liability: Personally liable for all the debts and obligations of the company.

Limited liability partnership

Number of partners: 2 persons and more.

Capital (max/min): CAD 1,000

Shareholders and liability: Unlimited for general partners and limited for limited partners.

Private joint-stock company

Number of partners: One or more partners/shareholders. All partners must be Canadians.

Capital (max/min): No minimum capital required.

Shareholders and liability: Limited to share capital for all shareholders.

Cooperative

Number of partners: Minimum three directors.

Capital (max/min): No minimum capital required.

Shareholders and liability: Limited liability.

Limited partnership

Number of partners: person financially involved.

Capital (max/min): No minimum required.

Shareholders and liability: The liability of the silent partner to the company and creditors is limited to the amount of capital he invested.

Setting Up a Company	Canada	OECD
Procedures (number)	2.0	5.2
Time (days)	1.5	9.5

Source: Doing Business - Latest available data.

Cost of Labour

Minimum Wage

Minimum wages vary by province. As of January 1, 2019, they averaged \$12.23 per hour, with a low of \$11.00 per hour in Saskatchewan and a high of \$14.00 per hour in Ontario (source: [Canadian government](#)).

Average Wage

As of January 2020, the average Canadian salary in 2020 was \$1,050.59 per week for employees across the country – which means that the annual average salary for full-time employees is just over \$54,630 per year ([source: Statistics Canada](#)).

Social Contributions

Social Security Contributions Paid By Employers: In 2020, employer contribution to Employment Insurance (EI) is 2.21%, with a maximum contribution of CAD 1,199; Canada Pension Plan (CPP) is 5.25%, with a maximum contribution of CAD 2,898. The maximum employer contributions to the Québec Pension Plan (QPP) for 2020 are CAD 3,146, whereas for the EI the maximum contributions of CAD 911. However, they must also contribute to the Québec Parental Insurance Premium plan.

Social Security Contributions Paid By Employees: In 2020, employee contribution to Employment Insurance (EI) is 1.58 %, with an annual maximum contribution of CAD 856; Canada Pension Plan (CPP) is 5.25%, with a maximum contribution of CAD 2,898. The maximum employee contributions to the Québec Pension Plan (QPP) for 2020 are CAD 3,146, whereas for EI the maximum contributions is CAD 650. The Quebec Parental Insurance Plan provides maternity and parental benefits in Quebec.

Intellectual Property

National Organisations

The organisation responsible for intellectual property in Canada is the [Canadian Intellectual Property Office](#) (CIPO).

[The Copyright Policy Branch](#) for copyright

[The Intellectual Property Institute of Canada](#) (IPIC)

Regional Organisations

[Canada-United States-Mexico Agreement](#) (CUSMA)

International Membership

[Member of the WIPO](#) (World Intellectual Property Organization)

[Signatory to the Paris Convention](#) For the Protection of Intellectual Property

[Membership to the TRIPS agreement](#) - Trade-Related Aspects of Intellectual Property Rights (TRIPS)

TAX RATES

Consumption Taxes

Nature of the Tax

There are three types of sales taxes in Canada, depending on the province: the **GST** (Federal Goods and Services Tax), the **HST** (Harmonized Sales Tax) and the **PST** (Provincial Sales Tax). Some provinces do not levy a PST or levy a single-incidence retail sales and use tax (a type of excise duty).

Tax Rate

The federal GST standard rate is 5%. The PST general rates are as follows: BC, 7%; SK, 6%. Some provinces (New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario, Prince Edward Island) have fully harmonised their sales tax systems with the GST and impose a single HST (at 15% - 13% for Ontario). Quebec is not a participating province and levies a separate tax, the QST (Quebec Sales Tax) at a 9.975% rate, bringing the combined effective rate to 14.975% in Quebec. Other non-participating provinces include Manitoba and British Columbia (combined rate of 12%) and Saskatchewan (combined rate of 11%), which levy their own retail sales tax, and Alberta, which does not levy a retail sales tax.

Reduced Tax Rate

Certain products and services are zero-rated (exports of goods and services, basic groceries, prescription drugs, medical devices, some inputs for agriculture and fishing, and most international freight and passenger transportation services). Municipalities, universities, hospitals and other public administration institutions qualify for a partial or complete refund of GST/HST paid on certain purchased inputs.

Other Consumption

Taxes

Excise duties are levied by the federal government at various rates on spirits, wine, beer, malt liquor, tobacco and vaping products (either manufactured in Canada or imported). Some provinces levy additional taxes on these items.

A fuel charge is implemented by the Government of Canada in provinces and territories that request it or that do not have a carbon pricing system that meets the federal requirements.

An air travellers security charge (ATSC) is applied on air transportation services and is collected by registered air carriers or their agents when the airline ticket is purchased.

For further information, consult the dedicated page on the website of the [Government of Canada](#).

Corporate Taxes

Company Tax

Federal Corporate Tax Rate: 15% after the **general tax reduction** (9% for Canadian-controlled private corporations claiming the **small business deduction**).

Provincial Tax Rate: Provinces and territories apply two tax rates - a low rate and a high rate. The low rate applies to business income that qualifies for small business deduction (varying between 0% and 3.2%). The high rate applies to all other

income (varying between 11.5% and 16%).

For more information, please visit the Canadian government [website](#).

Tax Rate For Foreign Companies

A company not incorporated in Canada is considered to be resident in the country if its central management and control are exercised in Canada (i.e. if the board of directors meets and takes decisions in the country).

A corporation incorporated in Canada will cease to be a Canadian resident if it is granted Articles of Continuance in a foreign jurisdiction, and vice versa.

Capital Gains Taxation

50% of capital gains are included in taxable income for the year in which the gains are realized and is subject to the normal rate of tax. Capital gains deriving from the disposal of qualified small business corporation shares are exempt up to CAD 971,190 (for 2023 - adjusted every year). Capital losses are deductible, but generally only against capital gains (in case of excess, the loss can be carried back three years and carried forward indefinitely).

Non-resident corporations are subject to corporate income tax on taxable capital gains arising on the disposition of taxable Canadian property (50% of capital gains less 50% of capital losses).

Main Allowable Deductions and Tax Credits

Companies may amortise their capital property up to a certain percentage every year. General business operating costs are also deductible. Net operating losses may be carried back for three years and forward for 20 years. Interest on borrowed money used for earning business or property income, or interest in respect of an amount payable for property acquired to earn income, is deductible. Deductions for business meals and entertainment expenses are limited to 50% of their cost. Insurance premiums relating to properties of a business are generally deductible, although life insurance premiums are generally not deductible if the company is the named beneficiary. Donations made to registered Canadian charitable organisations are deductible in computing taxable income up to 75% of net income (a 5-year carryforward is available). Tax credits are also available for tax on dividends received from a foreign company as well as income tax paid in another country. Current expenditures on scientific research and experimental development can be deducted in the year incurred, or carried forward indefinitely to minimise tax payable. A reasonable reserve for doubtful accounts may be deducted for tax purposes.

Start-up expenses are not deductible, the same as for federal, provincial, and territorial income taxes and government-imposed fines and penalties. Mining and oil and gas companies are generally allowed a 100% deduction for grassroots exploration costs, whereas other development costs are deductible at the rate of 30% on a declining-balance basis.

Other Corporate Taxes

Taxes on natural resources, namely oil and gas, mineral and timber are applied

across Canada. Federal and provincial resource royalties and taxes are collected on resource production on federal and provincial Crown lands respectively. Certain rental payments and management fees are also subject to a 25% withholding tax, unless otherwise agreed upon in a tax treaty. Property taxes are levied by municipalities on the estimated market value of real property within their boundaries and by provinces and territories on land not in a municipality.

All provinces and territories impose on insurance companies a premium tax on life and non-life insurance, ranging from 2% to 5%. Insurance companies are subject to a tax on capital in Quebec and Ontario. Quebec also levies a compensation tax on insurance premiums at the rate of 0.30% (between 2022 and 2024; will be abolished from 1 April 2024). The federal government levies a Financial Institutions Capital Tax on banks, trust and loan corporations, and life insurance companies when taxable capital employed in Canada exceeds CAD 1 billion, at a rate of 1.25%.

All provinces and territories charge a land transfer tax or registration fee on the purchaser of real property within their boundaries, calculated on the sale price or the assessed value of the property sold at rates varying between 0.02% to 5% (higher rates may apply for non-residents).

Employers need to contribute to social security on behalf of their employees, with rates varying according to the territory. The maximum pensionable earnings under the Canada Pension Plan (CPP) for 2023 is CAD 66,600. For 2023, employers are required to pay, for each employee, government pension plan contributions up to CAD 3,500 and employment insurance premiums up to CAD 1,403.43. Payroll taxes are charged at a maximum rate between 1.95% and 4.3%.

Provinces and territories implement carbon taxes in accordance with the Greenhouse Gas Pollution Pricing Act.

Other Domestic Resources

[Canada Revenue Agency](#)

Double Taxation Treaties

Countries With Whom a Double Taxation Treaty Have Been Signed

[Canada's Government - tax treaties in force](#)

Withholding Taxes

Dividends: 0%(resident)/25% (non-resident); Interests: 0%(resident)/25% (non-resident); Royalties: 0%(resident)/25% (non-resident).

